

Comment on the Guidance Statement on Wrap Fee Performance

On page 6 of the PDF-file it is said: “The firm can use the historical, non-wrap fee, adjusted, gross-of-fees performance history in order to simulate a wrap fee composite history.”

“Establishing an initial wrap fee track record: When adjusting the gross-of-fees (non-wrap fee) composite history to create wrap fee performance, the firm must reduce the performance by the highest total wrap fee charged to the client (and user) by the wrap fee sponsor for the new product, resulting in net-of-fees performance.”

Our comment: In our opinion no simulation should be allowed in the GIPS (AIMR-PPS) standards. There have not been any effective portfolios within the strategy with wrap-fees and therefore no return should be calculated. Any simulation contradicts the spirit of the standards and would violate the fundamental principles of the Standards to present effective returns and not models or simulations.