



To: Professional Standards & Advocacy
Association for Investment Management & Research
PO Box 3668
Charlottesville, Virginia 22903
USA

From: Merrill Lynch Investment Managers
Sue Buparai (UK)
Owen Davies (Australia)
Jonathan Mackey (UK)

Date: 14 November 2002

Subject: **Re: GIPS Guidance Statement**

Below is the response from Merrill Lynch Investment Managers on the Guidance Statement on the Use of Supplemental Information

1. DO YOU AGREE WITH THE PRINCIPLES ESTABLISHED IN THE GUIDANCE STATEMENT?

Yes.

2. DO YOU AGREE WITH THE DEFINITION OF SUPPLEMENTAL INFORMATION?

Yes, specifically that supplementary information should include only information that is performance related and necessary for the investor to formulate an objective opinion.

3. DO YOU AGREE WITH THE EXAMPLES OF SUPPLEMENTAL INFORMATION PROVIDED?

Yes, providing the information specifically relates to the GIPS-compliant presentations.

4. SHOULD SUPPLEMENTAL INFORMATION BE EXCLUDED FROM GIPS VERIFICATION? IF NOT, HOW SHOULD SUPPLEMENTAL INFORMATION BE VERIFIED?

Yes, providing that supplementary information is clearly identified as non-verified material, we believe that it should be excluded from GIPS verification and remain the responsibility of the firm to ensure supplementary information abides by the GIPS Guiding Principles. If supplementary information were to be verified, what would it be verified in accordance with? GIPS standards would have to increase in scope significantly to cover all examples of supplementary information, e.g. attribution, risk etc., and this is not an exhaustive list, so it could cause problems in the short-term.





5. DO YOU AGREE WITH THE PROPOSED EFFECTIVE DATE OF THIS GUIDANCE STATEMENT? IF NOT, WHEN SHOULD THE GUIDANCE BECOME EFFECTIVE?

Yes

6. OTHER

We do not agree with the third application example involving supplemental information preceding GIPS compliant presentations. We believe that a GIPS-compliant presentation representing an appendix of a booklet consisting primarily of supplementary information undermines the very concept of GIPS compliance and holds potential to mislead investors. If you claim GIPS compliance to be the driving force behind a Gold Standard that will lead to Global Acceptance – stating that it can be shown in an Appendix contradicts the importance and validity of the whole exercise. We believe that supplementary information should be exactly that, “supplementary”, and should therefore always represent the Appendix within a GIPS compliant presentation.

