



Professional Standards and Advocacy
Association for Investment Management and Research
P.O. Box 3668
Charlottesville, Virginia 22903
USA
Re: GIPS Guidance Statement
Fax: 01-434-951-5320
E-mail: standardsetting@aimr.org

30 October 2002

**INVITATION TO COMMENT:
Global Investment Performance Standards (GIPS®)
Guidance Statement on Calculation Methodology**

Dear Sir/Madam,

On behalf of the Performance Analyst Group of Australia (P Group), the Australian Investment Performance Standards Editorial Committee (AIPS-EC) would like to thank the Association for Investment Management and Research (AIMR) for the opportunity to comment on the proposed Guidance Statement on Calculation Methodology.

The Australian Investment Performance Standards (AIPS) were formally endorsed by the IPC as a Country Version of GIPS® in June 2002. The Australian Investment Performance Standards Editorial Committee is a sub-committee of the Australian Investment & Financial Services Association (IFSA) and is the sponsor organisation of the Standards. The AIPS-EC is responsible for ensuring that the Standards are kept up-to-date and in line with changes to external factors. Responses from the AIPS-EC are therefore reflective of the Australian Industry and the P Group.

Our comments are:

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

The AIPS-EC agrees in principle with the Guidance Statement on Calculation Methodology. It is noted that AIPS already recommends that portfolios be valued on a daily basis and that returns be calculated for periods of less than or equal to one month with daily weightings of cashflows. We would also like to see a more rigorous timetable for the implementation of daily time weighted returns and time weighting of cash flows for composite construction in Gold GIPS.

2. Are all areas of rate of return and asset-weighted composite calculation sufficiently covered in the Guidance Statement?

We agree that the Guidance Statement does sufficiently cover the rate of return and asset-weighted composite calculations, although the best solution would be to have the cash flows time weighted. We understand that this may be difficult for some firms due to large numbers of portfolios and that this may have to be included in Gold GIPS.

3. Are there other areas of calculation methodology that should be addressed in this Guidance Statement?

The definition of a Time Weighted Return needs some clarification, as some of the examples in the Guidance Statement are not true TWR. This may be best addressed by a glossary explaining the many variations of TWR.

There is one area that needs some additional clarification in the discussion of “TWRR that uses actual valuations at the time of external cash flows”. The current Guidance Statement implies an end of day cash flow assumption in the calculations. In reality, many managers use a start of day, end of day, middle of day or actual cash flow assumption. Additionally, this assumption may change for particular days depending on circumstances.

4. Is it reasonable to expect that firms will be able to value portfolios at the time of any external cash flow beginning 1 January 2010 (excluding real-estate, venture capital, and private equity)?

The time period is reasonable for the valuation of portfolios on a daily basis. As with the time weighting of cash flows outlined in our response to Question 2, we understand that this may be difficult for some firms due to large numbers of portfolios and that this may have to be included in Gold GIPS.

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

We agree that the Guidance Statement should have the effective date 1/4/2003.

Yours sincerely,
The Australian Investment Performance Standards Editorial Committee