



CFA Institute
Professional Standards and Advocacy Department
P.O. Box 3668
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Comments on the Gold GIPS proposals

We would like to thank you for the opportunity to comment on these proposals and would like to emphasise that we are in favour of the existing Standards for all aspects of performance presentation. We would like to see the Standards fully embraced and adopted by the whole of the global investment community. We feel that this adoption is fundamental to ensuring the continual take-up of and adherence to this set of global Standards.

These comments take into consideration the debate of the Performa GIPS working party as well as numerous discussions with our clients and other industry contacts.

General Comments

1. Do you support AIMR's effort to revise and expand the GIPS standards?

Performa fully supports the CFA Institute's (AIMR) effort to continually improve the quality and relevance of the Standards. We feel that the Standards should be embraced by managers of all client types and should be relevant for all asset classes. This broad coverage should be taken into consideration with all future enhancements to the Standards.

2. Do you agree with the evolution process for the GIPS standards as outlined above?

Performa is in agreement with the evolutionary style utilised with respect to the Standards.

3. Is the language of the standards straightforward and comprehensible? If not, how can it be improved?

There have been several improvements to the language which we believe have clarified specific areas.

4. What modifications, if any, should be made to this proposal?

We are pleased to see that the adoption dates of many of the outstanding guidance notes have been moved in line with Gold GIPS. Previously this had been a source of ambiguity. We feel that there should be a strong recommendation for the presentation of gross returns to support standardisation and comparability (with the presentation of net returns as optional). This would assist managers who have, for example, composites containing both Institutional portfolios (where gross returns are more widely quoted) and Retail portfolios (where net returns are more widely quoted) in determining which return series to show. Currently one manager may choose to present net whereas the other may choose to present gross. Whilst fee schedules must be disclosed, the comparison of the same series promotes greater transparency.

5. Do you agree with the numbering and format of the proposed revised GIPS standards?

We see no issues with either the format or the numbering for the revised Standards.

6. Should AIMR consider any other methods for meeting the objectives of evolving the GIPS standards?

Industry support in providing feedback is vital to the continual evolution process of setting the Standards and Performa recognises that this is the approach already adopted. It should be emphasised that the Standards represent industry best practice and should have not only the full support of other bodies such as the SEC and the FSA, but also their promotion.

Specific Comments

1. Is the new requirement that mandates firms to provide a compliance presentation to all prospective clients too onerous a burden for firms claiming compliance with the GIPS standards?

Performa feels that this requirement is very much in line with the Standards.

2. Is the new requirement that mandates firms to provide a list and description of composites to any prospective client that makes such a request too onerous a burden for firms claiming compliance with the GIPS standards?

Performa feels that, in the spirit of openness that the Standards support, this is a reasonable requirement to mandate.

3. Do you agree with the new recommendation that states the firm should not market a composite to a prospective client with assets less than the composite's minimum asset level?

We feel that providing this information to a prospect is better than providing nothing at all and is in the spirit of assisting the prospect to make an informed decision. The fact that the value of the prospect's portfolio is below the minimum asset level must be disclosed. It is imperative that the prospect is made aware that the manager may not be able to manage the portfolio in the same manner as the existing portfolios within the composite.

4. Do you agree with the new requirement that mandates firms to be prepared to provide a compliant presentation for any composite on the firm's list of composites to a prospective client that makes such a request?

In the spirit of transparency, we feel that this is more than reasonable.

5. Do you agree with the new requirement that requires firms to calculate composite performance by asset-weighting the member portfolio returns at least monthly (beginning 2005)?

Again, we feel that this is in keeping with the spirit of the Standards. Not doing so can lead to inaccuracies and the possibility of a non-level playing field.

6. Do you agree that the effective date should be moved from 2005 to 2010 for the requirement that stipulates a carve-out return be managed separately with its own cash balance?

Performa understands that the effective date of this requirement has been widely known for more than five years, thus providing sufficient notice to the industry of the change. We feel that the approach of cash allocation provides the opportunity to misrepresent a firm's track record. We feel that moving the

date at this stage is unfair on those firms that have worked towards the original deadline. We also feel that, whilst the overall message appears to discourage this practice, a 5 year extension (rather than a shorter one) does not support that message and could quite easily be perceived as a weakening of the Standards.

7. Is it reasonable for the GIPS standards to require firms beginning 2010 to value portfolios on the date of any external cash flow?

There has been much discussion on this issue and we feel that it is reasonable to ensure that performance figures are not distorted by significant cash flows. However, we would ask for clarification with regards to the word "any".

8. Should the GIPS standards require firms to retroactively disclose the following when carve-out segments are used?

(a) a list of the underlying composites from which the carve-out was drawn, and

(b) the percentage of the composite that is composed of carve-outs.

As we feel that carve-outs can be used to abuse the Standards in terms of presenting comparable information, we feel that it is reasonable to request as much information as possible when presenting information based on this.

Other Comments

Mandatory Verification

Mandatory verification currently forms part of UKIPS (the UK CVG). Performa feels that verification adds a required element of rigour to the compliance process. Verification also provides clients with the comfort that the compliance claim is externally supported. We feel that mandatory verification will undoubtedly become part of GIPS at some point and we support this drive.

Unfortunately, however, we feel that the cost of verification may prove unduly burdensome for some firms and that this may deter firms from seeking, or even maintaining, compliance. We also feel that there is still a significant discrepancy between the service standards of the various verification firms.

Whilst supporting mandatory verification as a concept, we feel that it is the responsibility of the IPC to assist in ensuring that verification firms are qualified to provide such a service. The introduction of mandatory compliance could provide the opportunity for levelling this playing field.

Dividend accruals

As with our comments on carve-outs, we feel that the extension of this deadline could be perceived as a weakening of GIPS. However, as the effect of the accrual method is not considered to be a major impact on longer term performance records, we feel that this extension does not provide an opportunity for misrepresentation.

Valuation dates

We understand the reasoning for ensuring the consistency of month end valuations but stipulating "calendar month end" may cause issues when this does not fall on an actual business day. Examples such as accrual calculations and forward foreign exchange rate calculations may differ due to differences in systems and the global calendar. We suggest that, for clarity, this is reworded to be "calendar month end or the last business day of the month".

If you wish to discuss these points further, please contact Anthony Howland on +44 (20) 7477 6588.

We thank you for the opportunity to comment.

Anthony Howland
Chief Executive Officer