

Response to Invitation to Comment:
The Addition of Advertising Guidelines to the GIPS® Standards

On behalf of:

Scottish Widows Investment Partnership Limited
Edinburgh One
Morrison Street
Edinburgh
EH3 8BE

- *Do you support AIMR's effort to develop Advertising Guidelines to be added to the GIPS standards?*

SWIP are in complete agreement for the need for advertising guidelines for all firms claiming compliance with the GIPS standards and fully support AIMR's efforts.

- *Do you agree with the proposed Effective date of 1 May 2003?*

In the Invitation to Comment paper the effective date is noted as "1 December 2003" and not 1 May 2003. In either case SWIP would agree with the proposed effective date.

- *Do you agree with the information and disclosures required in both of the scenarios (advertisements that include a claim of compliance and advertisements that include both a claim of compliance and performance results)? Should additional information be provided in an advertisement? Are there too many disclosures?*

Scenario 1 – Advertisements That Include a Claim of Compliance

Agreed that for this scenario the following must be included:

1. A description of the firm.

e.g. 'The firm comprises all discretionary, fee paying accounts managed by XYZ Investment Management Limited'.

2. How an interested party can obtain a GIPS-compliant presentation and list and description of all firm composites.

However if a contact name appears on the factsheet already or potential clients already have a point of contact it seems excessive to include a substantial piece of text to give more contact details purely of the purposes of obtaining composite detail. Instead the standard should be flexible enough to allow the factsheet to incorporate reference to the fact that the information is available through the generic company contact.

e.g. 'Further information (including GIPS composite listing and presentations) can be obtained from ...'

3. The GIPS Advertising Guidelines Claim of Compliance Statement.

e.g.

‘XYZ Investment Management Limited claims Compliance with the Global Investment Performance Standards (GIPS®)’.

However, it seems sensible for the purposes of easier recognition and to keep things brief that this could take the form of a simple logo/kitemark.

e.g. **GIPS®**

Scenario 2 – Advertisements That Include a Claim of Compliance and Performance Results.

While in agreement with the Guidelines on all eight points for advertisements and factsheets which contain a claim of compliance and composite performance results, it appears excessive when considering the publication of information relating to an individual mutual fund. This by its nature is primarily marketed to smaller sized funds which would neither find it practical nor economical to hire on a specialist mandate basis. In this regard a one page factsheet describing the characteristics and performance history of a mutual fund is likely to become overwhelmed with information relating to both the fund itself and the composite it is a part of along with the additional disclosures. As the proposed Guidelines are likely to be voluntary in the first instance then firms can simply avoid this issue by not claiming compliance. However this appears unsatisfactory as it would be likely (and favourable) that the guidelines would become mandatory at some point in the future.

It is SWIP’s opinion therefore that in the case of individual mutual funds it would be impractical to include all of the additional information in items 4 – 8 in the Guidelines. It should however be mandatory for specific periods of performance for the individual fund to be presented as per point 5 thus giving a measure of consistency when comparing factsheets across managers. It would also be more appropriate to include in addition to disclosures 1 – 3 a disclosure which gives a brief description of the composite within which the mutual fund resides.

e.g.

‘The above mutual fund is a constituent of the UK Equity Composite. A copy of this composite is available on request.’

The spirit of the Standards is primarily to promote full and fair disclosure. In the case of a single page mutual fund factsheet we are in danger of going too far and overwhelming our audience with data. By giving a clear statement of which composite the fund is a constituent of and clearly indicating how the detail of that composite can be obtained for reference SWIP believe that this is in line with the spirit of the Standards.

- *At some point in the future, should the GIPS Advertising guidelines be mandatory for all GIPS-compliant firms? In other words, should a GIPS-compliant firm be required to follow specific rules when advertising, regardless of whether the advertisement includes a claim of compliance?*

The advertising guidelines should become mandatory at some point in the future for firms claiming compliance and should always include a claim of compliance for such firms.

- *Should AIMR consider any other methods for creating Advertising Guidelines for the GIPS standards?*

SWIP's opinion is noted in previous response at point three.