

Professional Standards and Advocacy
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Basle, 24. October 2002
A.170.1/SH

Comments on Guidance Statements on Calculation Methodology

Dear Madam, Dear Sir

On behalf of our Performance Standard experts, please accept our thanks for giving us the occasion to comment on the proposed guidance statements.

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

Yes, we do.

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

We believe that all areas of return calculation are covered sufficiently. We would only suggest explicitly mentioning that geometrical linking of sub-period returns can also be obtained by the addition of continuously compounded (logarithmic) returns and subsequent transformation of the sum through the exponent function back to the normal return, as described below:

$$R_{QT} = ((1 + R_{MO1}) \times (1 + R_{MO2}) \times (1 + R_{MO3})) - 1 = e^{\ln(1+R_{MO1}) + \ln(1+R_{MO2}) + \ln(1+R_{MO3})} - 1$$

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

We would suggest to explicitly addressing the area of performance calculation for mutual funds. For instance, most mutual funds in Switzerland calculate period (daily) returns on the basis of the fund's net asset value per share/unit. This calculation method would always generate the same returns such as in cases of return calculation on the basis of the fund's total portfolio value if there are no external cash flows. However, if there are external cash flows into the fund (e.g. issue of new fund

units against cash contributions), this methodology would only generate the same returns if new units have been issued at the price equal to the fund's NAV as of the beginning of the sub-period.

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)?

We believe that this expectation is reasonable. However, in addition to the exclusion list we would also suggest taking into account that some alternative investments funds (hedge-funds) still often report portfolio valuation on a less frequent (e.g. quarterly) basis.

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

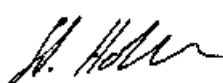
As this Guidance Statement does not introduce any new requirements but merely provides clarifications on the existing guidelines, the effective date can be set as early as possible.

We are grateful for having had the opportunity to comment on the proposed provisions and guidance and we hope that our comments will be taken into consideration.

Yours sincerely,

SWISS BANKERS ASSOCIATION

Swiss Performance Presentation Standards



St. Hoffmann



M. Tissot