

Association for Investment Management and Research
Professional Standards & Advocacy Department
Reference: Guidance Statement on the Use of Supplemental Information.
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Herewith you receive the reaction from the VBA-PPS committee, the Dutch PPS committee sponsored by the VBA, regarding the “Guidance Statement on the Use of Supplemental Information”.

For questions and/or remarks, please contact the following persons:

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Initial Remark

Ideally we would like to see all relevant information to be included in the disclosures to the composites. However we understand that in specific cases this is not always possible. In general the performance reporting should enable the investment manager to provide further transparency by providing additional relevant information not required nor recommended by the GIPS standards.

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

VBA-PPS answer to question 1: (“principles”)

- “Supplemental information must satisfy the spirit and principles of the GIPS standards: i.e., fair representation and full disclosure.”
We agree.
- “Supplemental information must not contradict with the information provided in the GIPS-compliant composite presentation.”
We agree with the meaning of the principle. The term “GIPS-compliant composite presentation” could be confusing. This could be interpreted as a kind of Level II compliance, comparable to AIMR-PPS (US and Canadian CVG). We therefore opt to remove the term “GIPS-compliant”. The first principle already refers to GIPS-compliance.
- “Supplemental information must be clearly labeled and identified as supplemental to a particular composite presentation.”
We agree. It should be the responsibility of the investment manager to choose if the information will be included in the Disclosures to the composite, or added as Supplemental Information. By including the information in the Disclosures it will

be open for verification, whereas Supplemental Information is not as far as we are concerned.

Supplemental Information would consist for instance on performance attribution figures where no calculation methods are given in the GIPS standards. Since the calculation methodology on performance attribution, and on risk analysis, is open for comments, it remains a question whether they could and should be incorporated in the GIPS standards. No uniform rules for compliance can be verified uniformly (i.e. is subjective).

However we recommend that, if performance attribution or a risk analysis provides an additional insight in the performance track record, this information should be included in the GIPS compliant performance report, and it should at all times be made clear that the Supplemental Information has not been verified. It should be noted in the report from the Verifier, that all information labeled as Supplemental Information has not been verified.

We would like to draw attention to the points 5.B.1. and 5.B.2. of the GIPS Standards. Though 5.B. contains recommendations, a level of freedom is incorporated whether information “should be included in the composite presentation or disclosed as supplemental information”. We expect that our suggestions, as stated above, will contribute to an enhancement of 5.B. of GIPS.

Question 2: Do you agree with the definition of Supplemental Information?

VBA-PPS answer to question 2: (“definition”)

We generally agree with the definition. We share AIMR’s view that Supplemental Information should consist of performance-related information. It should not be restricted to performance figures. The inclusion of any information that enhances the interpretation of the performance figures must be encouraged.

At the same time we wonder what is exactly meant by *performance-related* information. It implies a possibility for cherry-picking (by showing individual returns).

Question 3: Do you agree with the examples of Supplemental Information provided?

VBA-PPS answer to question 3: (“examples”)

Please find below our remarks, both general and specific, to the given examples:

- The list consists almost entirely of quantifiable information. We argue that investment managers should be given the opportunity to add non-quantifiable information, as long as this enhances the interpretation of the performance track record of a particular composite presentation.

- “Charts and graphs” should not be included as an example as these are examples of the style of the presentation without reference to the content of the information in the charts or graphs.
- “Carved-out returns excluding cash” should not be included. In this respect we specifically refer to our comment on “The Addition of Carve-Out Treatment and Guidance to the GIPS Standards”.
- “Representative client type returns (like an ERISA account)”. We find the wording “Representative” not proper, as it does not reflect the origin of the Supplemental Information. We therefore opt for the wording: “Explicit client type returns”, as we think this identifies the Supplemental Information as showing a part of the composite.

If you have any remarks given our comments please don't hesitate to contact us,

Kind regards,

Utrecht, 14 November 2002

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