ANSWER:

Since all of the portfolios in the composite were either terminated or fell below the minimum level and according to the firm's policies were removed from the composite, the performance record of the composite would come to an end as of 31 July 2005. Since after a period of time portfolios moved above the minimum or new portfolios were added to the composite, the prior performance history of the composite must be shown but must not be linked to the ongoing composite performance results.

For the purpose of performance presentation, as of 31 December 2007, the composite had an uninterrupted performance track record from 1 January 2004 to 31 July 2005, a "performance break" or "performance gap" from 1 August 2005 to 30 April 2006, and an uninterrupted performance track record from 1 May 2006 to 31 December 2007.

Under the principles of fair representation and full disclosure, the GIPS standards require firms to handle such cases with the highest transparency. In this instance, the firm must present both periods of performance. However, the periods before and after the break must be presented separately—for example:

	Period Returns (%)				Assets Under Management as of End of Period, (USD millions)	
Period	**Composite**	**Benchmark**	**Composite Dispersion (%)**	**Number of Portfolios as of End of Period**	**Composite**	**Total Firm**
1 Jan 2007–31 Dec 2007	X%	X%	X%	5	X	X
1 May 2006–31 Dec 2006	X%	X%	—	2	X	X
1 Jan.2005–31 Jul 2005	X%	X%	—	—	—	—
1 Jan 2004–31 Dec 2004	X%	X%	X%	10	X	X

While the firm may present a cumulative return for the period from 1 January 2004 through 31 July 2005, it must not link periods with "performance breaks" and present a cumulative return over such periods (e.g., from 1 January 2004 to 31 December 2007). The same would apply to presentation of any recommended risk measures based on cumulated periods (e.g., volatility).

The firm may not choose to omit performance for the incomplete years (e.g., for 2005 and 2006 in the previous example), justifying this by the GIPS requirement to present annual returns. Such interpretation would not meet the goals of fair representation and full disclosure.