Investment Performance Council
Meeting
7:30am to 9:00am
Tuesday, 10 December 2002
Conference Call Meeting

North America  1.888.677.5721
Outside North America  1.712.257.2760
Passcode:   IPC
Call Leader:   Jamie Hollis

* Due to the large number of participants, please dial-in at least 5 minutes prior to the scheduled start time.

1. Approval of the Minutes (26 September 2002 In-Person Meeting)  Action Requested J. Hollis  5 min
2. Overview of AIMR and IPC as a Subcommittee of AIMR J. Mann & A. Licata  10 min
3. IPC Update  15 min
   • Guidelines for Subcommittee Confidentiality J. Mann
   • New Interpretations and Verification Subcommittee members A. Licata
   • Appointment of IPC Nominations Committee Candidates A. Licata
   • New Web Pages for Users of Performance Information N. Donohue
4. Country Standards SubCommittee Update  Action Requested G. Solomon  20 min
   • Update of “Gold GIPS” Evolution and Implementation Plan
   • Endorsement of GIPS (Luxembourg) as a Translation of GIPS
   • Acknowledgement of the APAF-Associação Portuguesa de Analistas Financeiros as a Country Sponsor of GIPS (in English)
5. Interpretations Subcommittee Update  Information Only C. Bacon  10 min
6. Verification Subcommittee Update  Information Only K. Vincent  10 min
7. Update: Issues out for Comment  Information Only N. Donohue  5 min
   • Invitation to Comment: GIPS Advertising Guidelines – closes 31 December 2002
   • Invitation to Comment: Venture Capital and Private Equity – closes 31 March 2003
   • Invitation to Comment: Leverage & Derivatives – closes 30 April 2003
8. Future Meetings  5 min
   • 6 March 2003, In-Person Meeting in Vancouver at Fairmont Hotel Vancouver
   • 24 June 2003, Conference Call Meeting 7:30am – 9:00am (EST) (to be confirmed)
   • 25 September 2003, In-Person Meeting in Sydney (to be confirmed)
9. Any Other Business
10. Questions From Observers  10 min
AIMR BOARD STRUCTURE

AIMR Board

Planning Committee

External Relations & Volunteer Involvement Committee (ERVIC)

Performance Oversight & Audit Committee

Professional Standards and Advocacy
Welcome.

If you're looking for a trusted investment advisor who offers objective insights, real-world experience, and a commitment to putting your interests first—this resource will help you find out how a CFA® charterholder can help you.

Why The CFA Designation Matters

Who Is AIMR?
The CFA® program is overseen and administered by the Association for Investment Management and Research (AIMR®).

"Hotter than an MBA" (April 2002)

"Back to School: Wall Street Analysts Need Pedigrees"

"Routers" (August 17, 2001)

CFA® charterholders work for a variety of firms from around the world and AIMR regularly profiles them in its member newsletter The AIMR Exchange. Read these Exchange articles to learn more about the value of a CFA charterholder.

The Educated Investor

White Paper Series

- Why Select a CFA Charterholder? (pdf)
- How to Select an Investment Advisor (pdf)
- Defining Your Investment Objectives (pdf)
- Managing The Relationship Between You and Your
STANDARDS HOME PAGE

AIMR Board approves Trade Management Guidelines
Final Trade Management Guidelines
Adopting Release - AIMR Trade Management Guidelines (PDF)

Proposed Guidance Statements
Open for Public Comment
Use of Supplemental Information (PDF)
Open for comment until 15 November 2002

Advertising Guidelines (PDF)
Open for comment until 31 December 2002

Venture Capital and Private Equity Provisions (PDF)
Open for comment until 31 March 2003

Leverage & Derivatives Provisions and Guidance (PDF)
Open for comment until 30 April 200

Join the Performance Standards E-Mail Alert List

GIPS Handbook (First edition)
Workshops
AIMR-PPS Interactive Workshop
5 December 2002, Toronto, Canada

New Webcasts
Best Execution - from ICAA
Conference 8 April 2002

Recently Adopted Guidance Statements:
Treatment of Significant Cash Flows (PDF)
Definition of the Firm (PDF)
Composite Definition (PDF)
Verification (PDF)

The Educated Investor: Performance Standards Resources

Measuring Investment Performance - National Association of Pension Funds (NAPF)
Guidance For Assessing Managers’ Performance Presentations - UK Investment Performance Committee (UKIPC)
Guidance For Users Of Attribution Analysis - European Investment Performance Committee (EIPC)
GIPS (In English), TG and CVG Submissions

Portugal
The CSSC held a conference call meeting on 21 November and reviewed a request from the Portuguese Society Of Financial Analysts to be formally recognized by the IPC as adopting GIPS (in English). A separate report is attached.

Luxembourg
The CSSC has also received its first request from Luxembourg to acknowledge both the ALFI - Association Luxembourgoise des Fonds d’Investissement (investment funds’ association) and ALGAFI - Association Luxembourgoise des gestionnaires de portefeuilles et analystes financiers (financial analysts’ society) as the country sponsors. Additionally, these groups are requesting IPC endorsement to adopt multiple TGs, as there is more than one official language in Luxembourg. Specifically, they are seeking to adopt GIPS (in English), the French Translation of GIPS, and the Austrian Translation of GIPS (in German). A separate report is attached.

the Netherlands
As instructed by the IPC in Berlin, the CSSC has also conducted a final review of the TG submission from the Netherlands and is satisfied that the TG satisfies the fundamental principles agreed upon in Berlin, specifically:

- title of the standards is now VBA-PPS standards® 2003, the Dutch Translation of GIPS,
- other than the title, preface and the claim of compliance statement, it is a strict translation of the GIPS standards,
- the claim of compliance statement is italicized in the Introduction of the VBA-PPS standards, as it references the VBA-PPS standards 2003.

A copy of the final Dutch TG is attached.

Other Countries
Good progress continues in the implementation of the IPC’s convergence strategy. The CSSC expects to commence its assessment work on a TG from Poland and expects to receive requests from Belgium and Sweden to adopt GIPS (in English) before the end of 2002. The CSSC also continues to work with the DVFA on its submission options and hopes to have a recommendation ready for the IPC possibly in time for its next in-person meeting in Vancouver.
Update on the “Gold” GIPS Evolution and Implementation Plan

The CSSC continues its work on the seven elements of the evolution plan, namely focusing on:
- the review of current GIPS recommendations to determine which should be upgraded to requirements, and
- the review of all IPC approved Guidance Statements to determine whether there are any provisions that should be formalized.

It has completed the majority of its work on these two elements and is simply waiting to receive feedback from some of the technical Subcommittees (including the Interpretations and Verification Subcommittees) on specific issues.

The next step in the process entails the consultative review of the Real Estate, Fees and Advertising Subcommittee proposals as these three groups work to finalize their provisions for the March in-person IPC meeting in Vancouver.

The CSSC would also like to remind all country sponsors to respond to the request sent by Mr. MacKendrick and Ms. Licata earlier this year requesting they send any local best practices, suggestions or improvements for consideration in the “gold” GIPS release to Ms. Licata at standardsetting@aimr.org prior to 31 December 2002. The CSSC will also being to work on this phase of the evolution process (Review and Improve the Current GIPS Standards) in early 2003 and will promptly need the local country sponsor input.
1. Recommendation

The CSSC has completed its assessment of the GIPS (Luxembourg) and recommends that it be endorsed by the IPC as a TG.

2. Country Sponsor

The Luxembourgish TG is sponsored by the ALFI - Association Luxembourgeoise des Fonds d’Investissement (investment funds’ association) and ALGAFI - Association Luxembourgeoise des gestionnaires de portefeuilles et analystes financiers (financial analysts’ society).

3. Confirmations

a) The CSSC is satisfied that are no competing local standards.

b) The country sponsor has committed to:

   (i.) Incorporate any future modifications or additions to GIPS

   (ii.) Embrace the centralized GIPS interpretations

4. TGs to be Adopted and Promoted in Luxembourg

- GIPS (in English);
- GIPS (French);
- Austrian GIPS (German).

Luxembourg has French, German, Luxembourgish as official languages and English as a recognized language. ALFI and ALGAFI have already approached both the French and Austrian country sponsors and have received their approval to use the endorsed TGs. Additionally, the ALFI and ALGAFI conducted a cross-check of the language used in both the French and Austrian TGs against the original GIPS standards (in English) to ensure the words chosen in the TGs appropriately convey the intent of the GIPS standards in their local country dialect.

5. Promotion of TG

An introductory course has been developed and is offered to professionals of the banking sector. Also, the ALFI and ALGAFI have organized for a regular meeting of major Luxembourgish professional associations to take place before/after EIPC meetings to convey news, relay questions, disseminate & promote GIPS. Also, the Luxembourg regulator (CSSF) has been informed and will continue to be informed of progress.
6. **Attachments**

The TG has no attachments.

7. **Effective date of TG**

The effective date of the TG will be 1 January 2003.
INVESTMENT PERFORMANCE COUNCIL (IPC)

GIPS (IN ENGLISH) – COUNTRY SPONSOR ACKNOWLEDGEMENT

1. **Action Requested**

The Associação Portuguesa De Analistas Financeiros (APAF), Portuguese Society of Financial Analysts, requests to be formally acknowledged by the IPC as a country sponsor of the GIPS standards (in English).

2. **Confirmations**

   a) There are no competing local standards.

   b) APAF commits to:

      (i.) Incorporate any future modifications or additions to GIPS

      (ii.) Embrace the centralized GIPS interpretations

1. **Promotion of GIPS**

APAF is comprised of a network of over 300 financial professionals from several money management and consulting firms in Portugal. As in the recent past, APAF will continue promoting the importance of using performance standards through the organization of several events and develop training courses on the specifics of GIPS. As an example GIPS has been included as mandatory in the year-long training programs on Investment Analysis.

The continued work of the PIPC-Portuguese Investment Performance Committee who includes members from money management, consulting and auditing firms, supported by EIPC, will also help to clarify some issues, making it easier for managers to understand the role and importance of GIPS.

The newsletter has already been another important tool to spread the adoption of GIPS not only by APAF's members but also by the Portuguese Financial world in general.

Another effort has been with the contacts with the Supervisory Institutions in Portugal, claiming the importance of GIPS from the investor's viewpoint regarding transparency and accuracy.
INVESTMENT PERFORMANCE COUNCIL (IPC)

UPDATE REPORT OF THE INTERPRETATIONS SUBCOMMITTEE
AS OF 27 NOVEMBER 2002

**Purpose**
The purpose of the Interpretations Subcommittee is to ensure the integrity, consistency and applicability of the Global Investment Performance Standards (GIPS®). It will achieve this by expanding the GIPS standards through interpretations that effectively respond to the need for guidance and new issues presented by the global investment industry. The Subcommittee’s mission is to supply the industry with a library of resources related to the application of the Standards.

**Review of Status**
Within the Terms of Reference of the Interpretations Subcommittee, consideration was given to the current process for responding to industry constituent requests for specific or general interpretations of the GIPS standards. To maintain the integrity of the GIPS standards and to be responsive to the industry’s need for education and interpretation of the Standards, the Subcommittee intends to concentrate on the following four areas: 1. working with and assisting the AIMR staff in creating and maintaining a structure for giving consistent, quality responses; 2. creating an organized, hierarchical library of interpretations; 3. developing guidance statements and; 4. maintaining communications and gathering input from other IPC subcommittees.

1. **Help Desk Update.** AIMR staff has responded to over 300 questions since the IPC meeting in Berlin. The average response time remains between one to three business days.

2. **The GIPS Library/Database.** The GIPS Interpretations Library is available on the AIMR website at [www.aimr.org/standards/pps/gips_library.html](http://www.aimr.org/standards/pps/gips_library.html). The library includes all recently issued Guidance Statement and a Q&A database. The Interpretations Subcommittee has added six new Questions and Answers to the database on topics such as trade-date accounting, client reporting, and definition of the firm.

3. **Meeting in Charlottesville.** Carl Bacon, the new chairman of the Interpretations Subcommittee, visited AIMR staff in Charlottesville in October to gain a better understanding of the Q&A process, review working arrangements for the Interpretations committee, establish the agenda of upcoming items and a meeting schedule for 2003, and provide input to a number of outstanding Q&A’s. The meeting was also a good opportunity to discuss comments received on recent guidance statements.

4. **Guidance Statements.** The Interpretations Subcommittee has established a process for developing Guidance Statements. Guidance Statements are developed to respond to questions that raise new and novel issues that are beyond the scope of the simple application of the Standards and/or require additional interpretation and clarification.
They incorporate all of the applicable existing interpretations that have been published on a subject in an effort to consolidate all related information.

a) **Current Status.** The Interpretations Subcommittee is currently working on the following Guidance Statements:

i. **Carve-Outs.** The Subcommittee completed its work on the proposed *Guidance Statement on the Treatment of Carve-Outs* and released it for public comment. The public comment period concluded 15 September 2002.

ii. **Calculation Methodology.** The Subcommittee completed its work on the proposed *Guidance Statement on Calculation Methodologies* and released it for public comment. The public comment period concluded 30 October 2002.

iii. **Supplemental Information.** The Subcommittee completed its work on the proposed *Guidance Statement on the Use of Supplemental Information* and released it for public comment. The public comment period concluded 15 November 2002.

b) **Future Guidance Statement Topics.** The Subcommittee is considering, or has already begun work on the following topics for future Guidance Statements:

- error correction/restating returns
- record keeping
- composite construction/maintenance

AIMR includes a list of future Guidance Statements on its website so that members of the industry are able to offer general comments while the Subcommittee is developing the guidance.

c) **Measurement Periods.** As a result of the concerns raised at the IPC meeting in Singapore, the Interpretations Subcommittee gathered additional information regarding the proposal to require month-end valuations from the EIPC. It was determined that most markets were already valuing portfolios at month-end. The Interpretations Subcommittee continues to work with the French Experts Group to develop a mutually agreeable resolution and will keep the IPC apprised of its progress.

d) **Gold GIPS Standards.** The Interpretations Subcommittee was asked by the Country Standards Subcommittee to review several potential issues under consideration by the CSSC for inclusion in the “gold” GIPS standards. The Interpretations Subcommittee will continue to assist the CSSC in its efforts to evolve the GIPS standards.

5. **Other Subcommittee Input.** The Interpretation Subcommittee has received input from other subcommittees of the IPC regarding topics for future Guidance Statements as well as comments on Guidance Statements in progress. The Subcommittee welcomes these comments and strongly encourages IPC members to comment during the public comment period, as well as encourage their colleagues to comment.
INVESTMENT PERFORMANCE COUNCIL (IPC)

UPDATE REPORT OF THE VERIFICATION SUBCOMMITTEE
AS OF 3 DECEMBER 2002

Purpose
The purpose of the Verification Subcommittee is to act as a forum for understanding verification
issues and deciding how verification is practically applied in the marketplace. The
Subcommittee will work to ensure a consistency of approach and objectives among verifiers.

Key Verification Issues Discussed

• Evolution of GIPS – Mandating Verification: The Subcommittee has been charged by
  the Country Standards Sub Committee (CSSC) to investigate the possibility of upgrading
  the current recommendation to have the firm’s claim of compliance verified to a
  requirement. The Subcommittee is investigating the ability and quality of verification
  services around the globe.

  The Subcommittee has agreed to seek input from each of the country sponsors and
  regional subcommittees for feedback, on a country-by-country basis, as to how each
  country perceives the need for verification, as well as the quality of available verification
  services. A survey has been drafted, is expected to be finalized shortly, and will then be
  sent to country sponsors for their input.

• EIPC Verification Working Group "Verifier RFP": The Subcommittee provided input
  to the European Investment Performance Committee’s (EIPC) Verification Working
  Group's "Verifier RFP", and all comments have been incorporated. The document has
  been renamed "Suggested Questions for Verifiers", and has been completed by the EIPC.
  The Subcommittee will now consider the final document and determine whether the
  document, in its final form, can and should be incorporated into guidance provided to the
  public by the Verification Subcommittee.

• Upward Reporting Responsibilities of Verifiers: The Subcommittee has agreed to
  address the topic of reporting responsibilities of verifiers, when there is more than one
  verification firm involved. The Subcommittee plans to present an update on this topic at
  the Vancouver IPC meeting in March 2003.

• Verification Clarification & Guidance: The Subcommittee is working on verification
  case studies, as well as frequently asked questions and answers pertaining to verification.
  The Subcommittee plans to make this information available to the public through a link
  on the AIMR website. The Subcommittee plans to present a draft of these materials at the
  Vancouver IPC meeting in March 2003.