



**ΕΛΛΗΝΙΚΗ ΕΝΩΣΗ CFA**  
**CFA SOCIETY OF GREECE**

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GIPS Committee  
CFA Society Greece

CFA Institute  
Global Investment Performance Standards  
standards@cfainstitute.org

December 19, 2018

**Re: Global Investments Performance Standards (GIPS®) 2020 Exposure Draft**

Dear Madam/Sir,

On behalf of the CFA Society Greece, as the GIPS country sponsor in Greece, we'd like to thank you for the opportunity to comment on the GIPS 2020 Exposure Draft.

In general, we like the direction of the new version. Please find below our comments and answers to each question posed in the exposure draft.

**Request for Comment #1**

We use the terms “limited distribution pooled fund” and “broad distribution pooled fund.” A limited distribution pooled fund is typically sold in one-on-one presentations and offers participation in that specific fund (e.g., hedge funds, commingled funds). In some markets, these funds are not highly regulated. Broad distribution pooled funds are typically sold to the general public, and the firm may not know the client. These funds are typically highly regulated.

a. Are the terms limited distribution pooled fund and broad distribution pooled fund easily understood?

Yes, we believe that the terms are easily understood, especially after providing the above examples. The term “private funds” might create the impression that participation is limited only to some investors, irrespectively of their profile.

b. Are there terms that would better differentiate these two categories of funds? One suggestion is to use the terms “private funds” and “public funds.”

No

### **Request for Comment #2**

Currently, the GIPS standards are silent on how quickly firms must update GIPS compliant presentations. (The term compliant presentation has been replaced with GIPS Composite Reports and GIPS Pooled Fund Reports. We also use the term GIPS Report to include both GIPS Composite Reports and GIPS Pooled Fund Reports.) Some firms present returns that are several years old, often providing as the rationale the fact that they are waiting for the verification to be completed before updating the reports. We believe that firms should be required to update GIPS reports on a timely basis, even if the verification is not complete.

a. Do you agree that firms should be required to update GIPS reports within a specified time period?

Yes, if the GIPS reports are made available after a long time, which means that in practice they produce little added value. We believe that six months after the end of the fiscal year is appropriate.

b. Do you agree that six months is the appropriate amount of time?

Yes

### **Request for Comment #3**

Firms are required to include terminated pooled funds on the respective list for at least five years after the pooled fund termination date. This approach is consistent with the requirement for the list of composites.

a. Is it appropriate for firms to include terminated pooled funds on these lists when the pooled funds are not available for prospective investors?

Yes, because we believe that all the information should be used to reach an investment decision.

### **Request for Comment #4**

Currently, firms are required to provide a complete list of composite descriptions to any prospective client that makes such a request. Under the new GIPS 2020 structure, firms can manage strategies for three types of products: composites, limited distribution pooled funds, and broad distribution pooled funds. This approach also creates three types of prospects: prospective clients for composites, prospective investors for limited distribution pooled funds, and prospective investors for broad distribution pooled funds.

a. Considering limited distribution pooled funds, we expect that firms would either wish to or would be required by regulation to tailor the list of these funds to the individual prospect. For example, a firm that offers these funds to prospects throughout the world would include only the funds appropriate to an investor in Switzerland if a Swiss prospect asked for this list. Do you agree that firms should be required to provide a list of only those funds that are appropriate to the specific prospect?

Yes, in order to follow the principle of suitability for each investor

b. Unlike the lists for composites and limited distribution pooled funds, which must include both the name and the description of either all composites or limited distribution pooled funds, firms that manage broad distribution pooled funds would instead be required to have a list of such funds, and provide that list upon request. As a second step, firms would be required to provide the description of any broad

distribution pooled fund upon request. We took this approach to acknowledge that many firms manage very large numbers of such funds, and maintaining a list of descriptions could be very challenging. We also acknowledge that most firms have very limited contact with prospects for these funds, if any. Do you agree with this two-step approach for broad distribution pooled funds?

Yes, we agree as an effort to limit somehow the work burden. The information available for the broad distribution pooled funds is much more and easily accessible than the relevant info for the limited distribution pooled funds.

### **Request for Comment #5**

In the GIPS 2010 edition, the notion of portability hinges on the requirement that performance from a past firm or affiliation must be linked to or used to represent the historical performance of a new or acquiring firm if, on a composite-specific basis, certain criteria are met. We have received feedback over the years that firms that do not want to meet the criteria will not do so, and portability will not be achieved. We decided to change the perspective and allow firms to choose to port returns if certain criteria are met.

a. Do you agree that firms should be allowed to choose, for each composite or pooled fund, when returns from a prior firm or affiliation are used to present the historical performance of the new or acquiring firm, if certain tests are met?

Yes, if the criteria are met

b. The one-year grace period allows a firm that acquires a non-compliant firm to not lose its compliant status because it does not immediately meet the requirements of the GIPS standards for the acquired assets. Do you agree that the one-year grace period should apply only to performance at the new or acquiring firm, and that firms should be able to port history from the prior firm or affiliation after the one-year grace period?

Yes

c. In addition to the three tests that a firm must meet if it wishes to link performance from a prior firm or affiliation, there is a fourth test that must be met. There must not be a break in the track record between the prior firm or affiliation and the new or acquiring firm. Should this test be specified within this provision?

Yes, it must be included and specified within the provision to avoid misunderstandings

### **Request for Comment #6**

Firms may choose to present money-weighted returns instead of time-weighted returns for a specific composite or pooled fund if the firm controls the cash flows and meets at least one of the additional criteria for the composite or pooled fund.

a. Are the additional criteria the correct criteria for determining if money-weighted returns may be presented?

Yes, we believe they are

b. Are the appropriate names used for these additional criteria?

Yes. 1.A.31 There must be a clear definition for the "significant part" of the ILLIQUID INVESTMENTS as part of the investment strategy

c. Should firms instead be required to present money-weighted returns versus time-weighted returns for a specific composite or pooled fund when the firm controls the cash flows and it meets at least one of the additional criteria?

Yes, so that a common approach is followed

#### **Request for Comment #7**

Currently, total firm assets must include both discretionary and non-discretionary assets managed by the firm. In the GIPS 2020 Exposure Draft, this requirement still holds. In the GIPS 2020 Exposure Draft, however, we allow firms to present advisory-only assets that are not managed by the firm but require that advisory-only assets be presented separately from total firm assets. This approach is to recognize that many firms' business models are changing. Also, firms have approached the treatment of committed capital differently when calculating total firm assets. Some firms consider committed capital to be part of total firm assets because the firm is charging an investment management fee on the committed capital. Other firms exclude committed capital because it is not under management before capital is called. We propose that firms must not include committed capital in total firm assets.

a. Do you agree that firms should be required to not include advisory-only assets in total firm assets?

Yes. But there must be a requirement that advisory-only assets be presented separately from total firm assets

b. Do you agree that firms should be required to not include committed capital in total firm assets?

No. As long there is a legal commitment and an investment management fee is charged there must be included

#### **Request for Comment #8**

Currently, all returns must be calculated after the deduction of actual trading expenses incurred during the period, and estimated trading expenses are not allowed. When the GIPS standards were originally created, trading expenses were generally higher than they are now and were more standardized. Today, trading expenses can be charged in a variety of ways and may not be under a firm' control. Indeed, in some instances, firms may not have the ability to determine how or where trading expenses are charged. We have decided to introduce allowing estimated transaction costs (the term that replaces trading costs) for composites if returns calculated using estimated transaction costs are equal to or lower than those that would have been calculated using actual transaction costs.

a. Do you agree that estimated transaction costs should be allowed?

Yes

b. Do you believe that firms will have the ability to determine if estimated transaction costs are more conservative than actual transaction costs?

Yes

Research costs and their relationship to transaction costs have become a focus in some markets. We do not specify how research costs must be treated, and we also do not require any related disclosures.

c. Should firms be required or recommended to treat research costs in a specific way?

Yes, required

d. Should firms be required or recommended to disclose how research costs are reflected in returns?

Yes, required

e. Should firms be required or recommended to disclose if research costs are separately charged to clients?

Yes, required

### **Request for Comment #9**

The Guidance Statement on Alternative Investment Strategies and Structures provides guidance for firms that manage alternative strategies if the firm places reliance on valuations that are received with a significant time lag (e.g., for portfolios or funds invested in third-party hedge funds). There is some concern that firms may adopt the use of preliminary, estimated values for liquid strategies where more appropriate valuations are available.

a. Should this guidance be limited to certain types of assets, such as investments in third-party private market investment funds?

Yes. This guidance should be limited to few, certain types of assets to avoid making adjustments when final values are received

b. Should this guidance instead continue to be included in guidance rather than included as a provision?

Yes. It should be continue to be included in guidance because of high possibility of future change due to the development of types of assets

### **Request for Comment #10**

When calculating since-inception internal rates of returns (now referred to as money-weighted returns), currently private equity portfolios are required to use daily external cash flows for periods beginning on or after 1 January 2011. Real estate closed-end funds are required to use quarterly or more frequent external cash flows. It is proposed that all portfolios and pooled funds, including private equity, would be required to use daily cash flows when calculating money-weighted returns for periods beginning on or after 1 January 2020, and quarterly external cash flows for periods prior to 1 January 2020.

a. Do you agree that firms should be required to use daily external cash flows as of 1 January 2020 when calculating money-weighted returns?

Yes

b. Is the change to lessen the required frequency for private equity for periods prior to 1 January 2020 appropriate?

No. It might create complication

### **Request for Comment #11**

Currently, real estate investments are required to receive an external valuation at least once every 12 months, with an exception for when clients opt out of the external valuation. In that case, firms must obtain an external valuation at least once every 36 months. We expanded the notion of external valuation beyond the current requirement for real estate to private market investments but broadened the type of valuations that are allowed. Private market investments include real estate, infrastructure, timberland, private equity, and similar investments that are illiquid and not traded on an exchange. These assets must have an external valuation, valuation review, or be subject to a financial statement audit at least once every 12 months.

a. Do you agree that private market investments should be required to have an external valuation, valuation review, or be subject to a financial statement audit?

Yes

b. Is once every 12 months the appropriate valuation frequency given the expanded types of valuation that are allowed?

Yes

c. Are there any other types of valuation that should also be allowed?

Yes, Should be an update when necessary

### **Request for Comment #12**

Currently, firms are required to present returns both with and without side pockets, when a composite includes only one pooled fund that has discretionary side pockets. Composites with multiple portfolios are not required to present returns both with and without side pockets. To eliminate differences between composites and pooled funds, and to acknowledge that firms should be accountable for all returns, including those of side pockets, firms will be required to present returns that include side pockets. Firms will not be required to present returns that do not include side pockets.

a. Do you agree with this approach?

Yes, since it is part of the pooled fund the firm should be accountable for total (all) return and not make any separation

### **Request for Comment #13**

Firms are recommended to use gross-of-fees returns when calculating risk measures.

a. Do you believe that firms should instead be recommended to use net-of-fees returns to calculate risk measures when only net-of-fees returns are presented in a GIPS Composite Report or GIPS Pooled Fund Report?

Yes, net-of-fees returns should be recommended for similarity reasons

b. Would your answer differ when there are performance-based fees or carried interest?

No, it would be the same

### **Request for Comment #14**

Currently, firms are allowed to create sponsor-specific composites that include only that specific sponsor's wrap fee portfolios, when presenting performance to that sponsor. We removed the concept of a sponsor-specific wrap fee composite. Firms may still present sponsor-specific performance, but we view this as client reporting versus composite reporting to a prospective client. We also changed the term from wrap fee/SMA to wrap fee.

a. Do you agree with these changes?

Yes, sponsor-specific composites might create concerns for the objectivity in general

### **Request for Comment #15**

To be responsive to specific constituencies, including private wealth managers and managers of private market investments, we propose that firms may once again allocate cash to carve-outs. If firms choose to allocate cash to a carve-out, they must do this for all carve-outs managed in that strategy. Once a firm obtains a standalone portfolio managed in the same strategy as the carve-out, the firm must create a composite that includes only standalone portfolios and must present the performance of this composite alongside the performance of the composite that includes carve-outs with allocated cash.

a. Do you agree that firms should be allowed to include in composites carve-outs with allocated cash?

No

b. Should firms be required to use a specific method to allocate cash to carve-outs?

No, if the above rule changes then there should be a specific method

c. Do you agree that firms should be required to create and maintain a composite that includes only standalone portfolios?

No

### **Request for Comment #16**

In GIPS 2010, firms are required to present income and capital component returns for real estate composites. When calculating these component returns, firms are required to calculate each component return separately. As part of the move to eliminate asset class provisions, we have deleted these real estate-specific requirements and have expanded the concept of component returns to all composites and pooled funds. Firms would be allowed to derive one of the component returns as the difference between the total return and one of the calculated component returns. We acknowledge that component returns are widely used in some markets, but not in others. We therefore are recommending component returns to be included in GIPS Composite and Pooled Fund Reports that include time-weighted returns, and we expect that firms will present component returns where it is customary for a specific market to do so.

a. Do you agree with eliminating the requirement for real estate portfolios to present component returns?

No, the information must be there, income return vs capital return, it is crucial piece of information for real estate investments

b. Do you agree with eliminating the requirement for real estate portfolios to separately calculate component returns?

No

c. Do you agree that component returns should be recommended for all composites and pooled funds when time-weighted returns are presented?

Yes

### **Request for Comment #17**

We frequently hear that too many disclosures are required in GIPS reports. We have introduced sunset provisions where possible—that is, although all disclosures must be included for at least one year, some disclosures may subsequently be deleted once the firm determines that they are no longer relevant to interpreting the performance track record.

a. Do you agree that firms should be allowed to delete some disclosures once the firm determines that they are no longer relevant to interpreting the performance track record?

Yes

b. Did we correctly identify the disclosures that should be allowed to be deleted once the firm determines that they are no longer relevant to interpreting the performance track record?

No, there should be an update when necessary

### **Request for Comment #18**

A Guidance Statement on Overlay Strategies has been exposed for public comment but has not been finalized. A key concept within this Guidance Statement is discussion of the various methods that can be used to calculate returns for overlay strategy portfolios. Because of the unique nature of overlay strategy portfolio return calculations, we propose requiring firms to disclose details about these calculations.

a. Do you agree that firms should be required to disclose details about these calculations for overlay strategy composites?

Yes

b. Are there other disclosures that would be meaningful that are specific to overlay strategy returns calculations?

Yes, there should be an update when necessary

### **Request for Comment #19**

We have expanded the ability to present money-weighted returns beyond private equity composites and closed-end real estate funds, if certain criteria are met. In GIPS 2010, compliant presentations for private equity composites and closed-end real estate funds are required to include since-inception internal rates of return (now renamed money-weighted returns) through each annual period end. For example, a private equity composite that has been in existence for four years would present four since-inception money-weighted returns. We propose to instead require firms to present money-weighted returns for only one period: from the composite's inception through the most recent annual period end.

a. Do you agree that firms should be required to present returns for only one period—from inception through the most recent annual period end?

No. The information is already there, so it might help an investor to draw conclusions

### **Request for Comment #20**

Subscription lines of credit are being used by more firms and for longer periods. These lines of credit can have a significant effect on returns. As has been widely discussed in the industry, there has also been a lack of consistency in return calculations when lines of credit are used. For comparability and transparency, we propose requiring firms to present returns both with and without the subscription line of credit activity, whenever any line of credit has been used. A return with the line of credit reflects line of credit activity as an external cash flow.

a. Do you agree that firms should be required to present returns both with and without the subscription line of credit activity?

Yes, for comparability and transparency reasons

b. Should we be describing returns with and without the subscription line of credit differently? For example, some firms refer to these returns as levered and unlevered returns.

Yes, we believe levered-unlevered are better known terms and should be an update when necessary

c. Do you agree that firms should be required to treat all lines of credit the same and not differentiate between short-term and long-term lines of credit?

Yes

d. We propose requiring returns with and without the subscription line of credit activity only when money-weighted returns are presented. There is no comparable requirement when time-weighted returns are presented. Do you agree that this is the correct approach?

No, there should be an update when necessary

### **Request for Comment #21**

In GIPS 2010, compliant presentations for private equity composites and closed-end real estate funds are required to include certain information about committed capital, distributions, and related multiples as of each annual period end. For example, a private equity composite that has been in existence for four years would present four series of information about committed capital, distributions, and related multiples. Consistent with the proposed change to require firms to present only one return—the since-inception money-weighted return through the most recent annual period end—we require information about committed capital, distributions, and related multiples as of the most recent annual period end.

a. Do you agree that firms should be required to present information about committed capital, distributions, and related multiples only as of the most recent annual period end?

[No. The information is already there, so it might help an investor to draw conclusions](#)

### **Request for Comment #22**

Once a firm obtains standalone portfolios that are managed in the same strategy as the carve-out with allocated cash, the firm must create a composite that includes only standalone portfolios and must present the performance of the composite of standalone portfolios along with the performance of the composite that includes portfolios with allocated cash. The composite that includes carve-outs with allocated cash will have a different inception date from the composite of standalone portfolios.

a. Do since-inception money-weighted returns with different start dates provide helpful information to prospective clients?

[Yes](#)

### **Request for Comment #23**

We frequently hear that too many disclosures are required in GIPS reports. We have introduced sunset provisions where possible—that is, although all disclosures must be included for at least one year, some disclosures may subsequently be deleted once the firm determines that they are no longer relevant to interpreting the performance track record.

a. Do you agree that firms should be allowed to delete some disclosures once the firm determines that they are no longer relevant to interpreting the performance track record?

[Yes](#)

b. Did we correctly identify the disclosures that should be allowed to be deleted once the firm determines that they are no longer relevant to interpreting the performance track record?

[No, there should be an update when necessary](#)

### **Request for Comment #24**

Investors in a pooled fund will be impacted by all fees and costs incurred by the fund. Therefore, we require firms to present pooled fund returns that are net of all fees and expenses.

a. Do you agree the firms should be required to present pooled fund returns that are net of all fees and expenses?

[Yes, because this is what investors receive at end](#)

### **Request for Comment #25**

In GIPS 2010, firms are required to present income and capital component returns for real estate composites. When calculating these component returns, firms are required to calculate each component return separately. As part of the move to eliminate asset class provisions, we have deleted these real estate-specific requirements and have expanded the concept of component returns to all composites and pooled funds. Firms would be allowed to derive one of the component returns as the difference between the total return and one of the calculated component returns. We acknowledge that component returns are widely used in some markets but not in others. We therefore are recommending component returns to be included in GIPS Composite and Pooled Fund Reports that include time-weighted returns, and we expect that firms will present component returns where it is customary for a specific market to do so.

a. Do you agree with eliminating the requirement for real estate portfolios to present component returns?

[No. The information must be there, income return vs capital return, it is crucial piece of information for real estate investments](#)

b. Do you agree with eliminating the requirement for real estate portfolios to separately calculate component returns?

[No](#)

c. Do you agree that component returns should be recommended for all composites and pooled funds when time-weighted returns are presented?

[Yes](#)

### **Request for Comment #26**

We frequently hear that too many disclosures are required in GIPS reports. We have introduced sunset provisions where possible—that is, although all disclosures must be included for at least one year, some disclosures may subsequently be deleted once the firm determines that they are no longer relevant to interpreting the performance track record.

a. Do you agree that firms should be allowed to delete some disclosures once the firm determines that they are no longer relevant to interpreting the performance track record?

[Yes](#)

b. Did we correctly identify the disclosures that should be allowed to be deleted once the firm determines that they are no longer relevant to interpreting the performance track record?

[No, there should be an update when necessary](#)

### **Request for Comment #27**

In GIPS 2010, compliant presentations for private equity composites and closed-end real estate funds are required to include since-inception internal rates of return (now renamed money-weighted returns) through each annual period end. For example, a private equity composite that has been in existence for four years would present four since-inception money-weighted returns. We propose to instead require firms to present money-weighted returns for only one period: from the pooled fund's inception through the most recent annual period end. Also, investors in a pooled fund will be impacted by all fees and costs incurred by the fund. Therefore, we require firms to present pooled fund returns that are net of all fees and expenses.

a. Do you agree that firms should be required to present returns for only one period—from inception through the most recent annual period end?

[No. The information is already there, so it might help an investor to draw conclusions](#)

b. Do you agree the firms should be required to present pooled fund returns that are net of all fees and expenses?

Yes, because this is what investors receive at end

### **Request for Comment #28**

Subscription lines of credit are being used by more firms and for longer periods. These lines of credit can have a significant effect on returns. As has been widely discussed in the industry, there has also been a lack of consistency in return calculations when lines of credit are used. For comparability and transparency, we propose requiring firms to present returns both with and without the subscription line of credit activity, whenever any line of credit has been used. A return with the line of credit reflects line of credit activity as an external cash flow.

a. Do you agree that firms should be required to present returns both with and without the subscription line of credit activity?

Yes, for comparability and transparency reasons

b. Should we be describing returns with and without the subscription line of credit differently? For example, some firms refer to these returns as levered and unlevered returns.

Yes, we believe levered-unlevered are better known terms and should be an update when necessary

c. Do you agree that firms should be required to treat all lines of credit the same and not differentiate between short-term and long-term lines of credit?

Yes

d. We propose requiring returns with and without the subscription line of credit activity only when money-weighted returns are presented. There is no comparable requirement when time-weighted returns are presented. Do you agree that this is the correct approach?

No, there should be an update when necessary

### **Request for Comment #29**

In GIPS 2010, compliant presentations for private equity composites and closed-end real estate funds are required to include certain information about committed capital, distributions, and related multiples as of each annual period end. For example, a private equity composite that has been in existence for four years would present four series of information about committed capital, distributions, and related multiples. Consistent with the proposed change to require firms to present only one return—the since-inception money-weighted return through the most recent annual period end—we require information about committed capital, distributions, and related multiples as of the most recent annual period end.

a. Do you agree that firms should be required to present information about committed capital, distributions, and related multiples only as of the most recent annual period end?

No. The information is already there, so it might help an investor to draw conclusions

### **Request for Comment #30**

We frequently hear that too many disclosures are required in GIPS reports. We have introduced sunset provisions where possible—that is, although all disclosures must be included for at least one year, some

disclosures may subsequently be deleted once the firm determines that they are no longer relevant to interpreting the performance track record.

a. Do you agree that firms should be allowed to delete some disclosures once the firm determines that they are no longer relevant to interpreting the performance track record?

Yes

b. Did we correctly identify the disclosures that should be allowed to be deleted once the firm determines that they are no longer relevant to interpreting the performance track record?

No, there should be an update when necessary

### **Request for Comment #31**

Currently, the GIPS standards are silent on how quickly asset owners must update GIPS-compliant presentations. (For Asset Owners, the term compliant presentation has been replaced with GIPS Asset Owner Report.) Although we have not seen this happen with asset owners, some firms present returns that are several years old, often providing as the rationale the fact that they are waiting for the verification to be completed before updating the reports. We believe that firms and asset owners should be required to update GIPS reports on a timely basis, even if the verification is not complete.

a. Do you agree that asset owners should be required to update GIPS reports within a specified time period?

Yes

b. Do you agree that six months is the appropriate amount of time?

No, we believe that 12 months period is more appropriate

### **Request for Comment #32**

Consistent with the Guidance Statement on the Application of the GIPS Standards to Asset Owners, if an asset owner has the authority to compete for business by marketing to prospective clients, as is done by firms, the part of the asset owner that is competing for assets must be defined as a separate firm. This separate firm must follow all sections of the GIPS standards related to firms and all applicable requirements.

a. Do you agree that this concept should continue?

Yes

### **Request for Comment #33**

Asset owners may choose to present time-weighted returns or money-weighted returns for additional composites.

a. Do you agree that asset owners should be allowed to choose which returns are presented for the optional additional composites?

Yes, as long it is justified

### **Request for Comment #34**

Currently, all returns must be calculated after the deduction of actual trading expenses incurred during the period, and estimated trading expenses are not allowed. When the GIPS standards were originally created, trading expenses were generally higher than they are now and were more standardized. Today, trading expenses can be charged in a variety of ways and may not be under an asset owner's control. Indeed, in some instances, asset owners may not have the ability to determine how or where trading expenses are charged. We have decided to introduce allowing estimated transaction costs (the term that

replaces trading costs) if returns calculated using estimated transaction costs are equal to or lower than those that would have been calculated using actual transaction costs.

a. Do you agree that estimated transaction costs should be allowed?

Yes,

b. Do you believe that asset owners will have the ability to determine if estimated transaction costs are more conservative than actual transaction costs?

No. It might be but it depends on many different factors, so they might not have that ability in reality

### **Request for Comment #35**

The Guidance Statement on Alternative Investment Strategies and Structures provides guidance for asset owners that manage alternative strategies if the asset owner places reliance on valuations that are received with a significant time lag (e.g., for portfolios or funds invested in third-party hedge funds). There is some concern that asset owners may adopt the use of preliminary, estimated values for liquid strategies where more appropriate valuations are available.

a. Should this guidance be limited to certain types of assets, such as investments in third-party private market investment funds?

No

b. Should this guidance instead continue to be included in guidance rather than included as a provision?

Yes

### **Request for Comment #36**

When calculating since-inception internal rates of returns (now referred to as money-weighted returns), currently private equity portfolios are required to use daily external cash flows for periods beginning on or after 1 January 2011. Real estate closed-end funds are required to use quarterly or more frequent external cash flows. It is proposed that all portfolios and pooled funds, including private equity, would be required to use daily cash flows when calculating money-weighted returns for periods beginning on or after 1 January 2020, and quarterly external cash flows for periods prior to 1 January 2020.

a. Do you agree that asset owners should be required to use daily external cash flows as of 1 January 2020 when calculating money-weighted returns?

Yes

b. Is the change to lessen the required frequency for private equity for periods prior to 1 January 2020 appropriate?

No, we believe that uniformity will facilitate understating

### **Request for Comment #37**

Currently, real estate investments are required to receive an external valuation at least once every 12 months, with an exception for when clients opt out of the external valuation. In that case, asset owners must obtain an external valuation at least once every 36 months. We expanded the notion of external valuation beyond the current requirement for real estate to private market investments but broadened the type of valuations that are allowed. Private market investments include real estate, infrastructure, timberland, private equity, and similar investments that are illiquid and not traded on an exchange. These assets must have an external valuation, valuation review, or be subject to a financial statement audit at least once every 12 months.

a. Do you agree that private market investments should be required to have an external valuation, valuation review, or be subject to a financial statement audit?

Yes, it will improve transparency and comparability

b. Is once every 12 months the appropriate valuation frequency given the expanded types of valuation that are allowed?

Yes

c. Are there any other types of valuation that should also be allowed?

Yes, Should be an update when necessary

### **Request for Comment #38**

Asset owners will be required to present returns that include side pockets but will not be required to present returns that do not include side pockets.

a. Do you agree with this approach?

Yes, since it is part of the pooled fund the firm should be accountable for total (all) return and not make any separation

### **Request for Comment #39**

Asset owners are recommended to use gross-of-fees returns when calculating risk measures.

a. Do you believe that asset owners should instead be recommended to use net-of-fees returns to calculate risk measures when only net-of-fees returns are presented in a GIPS Asset Owner Report?

Yes, net of fees return is what actually investors receive

b. Would your answer differ when there are performance-based fees or carried interest?

No

### **Request for Comment #40**

In GIPS 2010, asset owners are required to present income and capital component returns for real estate composites. When calculating these component returns, asset owners are required to calculate each component return separately. As part of the move to eliminate asset class provisions, we have deleted these real estate-specific requirements and have expanded the concept of component returns to all composites and total funds. Asset owners would be allowed to derive one of the component returns as the difference between the total return and one of the calculated component returns. We acknowledge that component returns are widely used in some markets but not in others. We therefore are recommending component returns to be included in GIPS Asset Owner Reports that include time-weighted returns, and we expect that asset owners will present component returns where it is customary for a specific market to do so.

a. Do you agree with eliminating the requirement for real estate portfolios to present component returns?

No. The information must be there, income return vs capital return, it is crucial piece of information for real estate investments

b. Do you agree with eliminating the requirement for real estate portfolios to separately calculate component returns?

No

c. Do you agree that component returns should be recommended for all total funds and composites when time-weighted returns are presented?

Yes

### **Request for Comment #41**

We frequently hear that too many disclosures are required in GIPS reports. We have introduced sunset provisions where possible—that is, although all disclosures must be included for at least one year, some disclosures may subsequently be deleted once the asset owner determines that they are no longer relevant to interpreting the performance track record.

a. Do you agree that asset owners should be allowed to delete some disclosures once the asset owner determines that they are no longer relevant to interpreting the performance track record?

Yes

b. Did we correctly identify the disclosures that should be allowed to be deleted once the asset owner determines that they are no longer relevant to interpreting the performance track record?

No, there should be an update when necessary

### **Request for Comment #42**

Asset owners may choose to present money-weighted returns for additional composites in a GIPS Asset Owner Report. In GIPS 2010, compliant presentations for private equity composites and closed-end real estate funds are required to include since-inception internal rates of return (now renamed money-weighted returns) through each annual period end. For example, a private equity composite that has been in existence for four years would present four since-inception money-weighted returns. We propose to instead require asset owners to present money-weighted returns for only one period: from the composite's inception through the most recent annual period end. If the asset owner does not have records to support this track record, however, the asset owner must present the annualized money-weighted return for the longest period for which the asset owner has such records, through the most recent annual period end. This is to acknowledge that asset owners have very long histories and some of the earlier records may not be sufficient to support the entire track record.

a. Do you agree that asset owners should be required to present only one return: the since-inception money-weighted return through the most recent annual period end?

No. The information is already there, so it might help an investor to draw conclusions

b. When asset owners do not have records to support the entire track record, do you agree that asset owners should instead be required to present the money-weighted return for the longest period for which the asset owner has such records?

Yes

### **Request for Comment #43**

In GIPS 2010, compliant presentations for private equity composites and closed-end real estate funds are required to include certain information about committed capital, distributions, and related multiples as of each annual period end. For example, a private equity composite that has been in existence for four years would present four series of information about committed capital, distributions, and related multiples. Consistent with the proposed change to require asset owners to present only one return—the since-inception money-weighted return through the most recent annual period end or, in the absence of records, the money-weighted returns for the longest period for which the records are available through the most recent annual period end—we require information about committed capital, distributions, and related multiples as of the most recent annual period end.

a. Do you agree that asset owners should be required to present information about committed capital, distributions, and related multiples only as of the most recent annual period end?

No. The information is already there, so it might help an investor to draw conclusions

#### **Request for Comment #44**

We frequently hear that too many disclosures are required in GIPS reports. We have introduced sunset provisions where possible—that is, although all disclosures must be included for at least one year, some disclosures may subsequently be deleted once the asset owner determines that they are no longer relevant to interpreting the performance track record.

a. Do you agree that asset owners should be allowed to delete some disclosures once the asset owner determines that they are no longer relevant to interpreting the performance track record?

Yes

b. Did we correctly identify the disclosures that should be allowed to be deleted once the asset owner determines that they are no longer relevant to interpreting the performance track record?

No, should be an update when necessary

#### **Request for Comment #45**

Except for broad distribution pooled funds, firms and asset owners are not required to include risk measures, either quantitative or qualitative, in GIPS advertisements that include performance.

a. Should firms and asset owners be required or recommended to include risk measures in all GIPS advertisements?

No

#### **Request for Comment #46**

Do you agree that firms should be required to include benchmark returns in a GIPS Advertisement for a broad distribution pooled fund that includes performance?

Yes

#### **Request for Comment #47**

The term “sales charges and loads” is defined as the costs associated with buying or selling shares of a pooled fund.

a. Is this a well-understood term, or is there a better term?

Yes, we believe it is a well-known and understood term

Sincerely yours,

GIPS Committee  
CFA Society Greece