27th April 2016

CFA Institute
Global Investment Performance Standards
915 E. High Street
Charlottesville, VA 22902
U.S.A.

By Email: standards@cfainstitute.org

Dear Sir/ Madam,

Re: Exposure Draft of the Guidance Statement on Broadly Distributed Pooled Funds

The Hong Kong Society of Financial Analysts (HKSFA) appreciates the opportunity to comment on the “Exposure Draft of the Guidance Statement on Broadly Distributed Pooled Funds”. We have gathered the general feedback from industry practitioners in Hong Kong. Please find our responses to the questions posed in the exposure draft.

Questions - Defined Terms

Q.1 Does your country or region require sales charges and loads to be included in the calculation of the pooled fund returns?

Answer Q.1:
No.

Q.2 Are the explanations of the defined terms sufficiently clear?

Answer Q.2:
Yes.

Q.3 Are there other terms that should be defined?

Answer Q.3:
Not aware of.
Q.4
*Do the terms themselves clearly indicate the concepts being presented?*

Answer Q.4:
Yes.

**Questions - Required Items**

Q.5
*Do you agree that all the required items listed above should be required items? Are there any other items that should be required?*

Answer Q.5:
Yes.
If there are different share classes in the same fund, how to apply the Guidance Statement on it? The presentation method may need to be clarified. According to marketing practice, the benchmark total return may not be common method, it is suggested to also consider the price only benchmark return.

With regard to the performance transparency by applying 3 options in the required item 3, which 2 of them are 1, 3, 5 years rolling annualized return which is different from the requirement of compliance presentation, it seems lack of transparency and might be inviting cherry picking.

Q.6
*Do you agree that a pooled fund net/net return should not reflect the deduction of sales charges and loads? Why or why not?*

Answer Q.6:
Asset owners and investment management firms have different views. Please take various stakeholders’ interest into consideration.

Q.7
*Should the required items be required in official pooled fund documents unless prohibited by local regulators? Why or why not?*

Answer Q.7:
Yes, it will help to make official pooled fund documents being in line with the Guidance Statement. However, the CFA Institute may need to think about the options if the local regulators have very clear and strict requirement on the contents in the official pooled fund documents. Instead of using the terms “required” and “in official pooled fund documents”, we suggest to replacing them with “recommended” and “in fund fact sheets or fund-specific marketing materials”.
Q.8
*Should the required items be required in fund-specific marketing material created for prospective pooled fund investor? Why or why not?*

Answer Q.8:
Yes. It should be required in fund-specific marketing materials.

**Questions - Recommended Items**

Q.9
*If returns reflect the deduction of sales loads, should firms be required to disclose this deduction?*

Answer Q.9:
Yes. It should be required which will help to clarify the difference with the regular methodology.

Q.10
*Do you agree that including this GIPS pooled fund claim of compliance in the official pooled fund document and in the fund-specific marketing material should be a recommendation? Why or why not?*

Answer Q.10:
Yes. It is better to include it as a recommendation.

**Questions about Offer and Provision of a Compliance Presentation**

Q.11
*Do you agree that the offer of a compliant presentation in the official pooled fund document and the fund-specific marketing material should be neither required nor recommended? Why or why not?*

Answer Q.11:
Yes. To avoid any unexpected confusion of prospective pooled fund investors, it should be neither required nor recommended.

Q.12
*Do you agree that firms should not be required to provide a compliant presentation to prospective pooled fund investors unless requested to do so by a prospective pooled fund investor? Why or why not?*

Answer Q.12:
Yes. There can be too many prospective pooled fund investors, and the firm needs to check whether they are also qualified as the prospective client for a certain composite.
**Q.13**

*In cases where there are direct interactions between a firm and a prospective pooled fund investor, should it be a requirement or a recommendation (or neither) that a compliant presentation be given to the prospective pooled fund investor?*

Answer Q.13:

Yes. It should be neither a requirement nor a recommendation unless the interaction is indicating that the prospective pooled fund investor is also a prospective client.

How will the Guidance Statement affect Plan Sponsors and Pension Fund investors?

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We welcome the efforts of the CFA Institute to continuously develop the GIPS standards and provide further guidance for users of the Standards.

Yours sincerely,

For and on Behalf of

The Hong Kong Society of Financial Analysts

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