13 June 2011

GIPS Executive Committee
C/o CFA Institute
Global Investment Performance Standards
Re: Comments on Exposure Draft of Guidance Statement on Alternative Investment Strategies and Structures
P.O. Box 3668
Charlottesville, Virginia 22903

Dear Sir/Madam,

Thank you for your invitation to comment on the Exposure Draft of the revised Guidance Statements on Alternative Investment Strategies and Structure.

The Securities Analysts Association of Japan (SAAJ) is a not-for-profit organization for investment professionals consisting of more than 24,000 individual members who hold the CMA® (Chartered Member of SAAJ) designation and around 500 corporate members from the broad financial/investment industry.

The comments below have been developed as the GIPS Country Sponsor in Japan based on a review of the above comments by the SAAJ IPS Committee which is chaired by Mr. Yoh Kuwabara consisting of 27 members from investment managers, verifiers, pension plan sponsors, consultants, and service providers.

Sincerely yours,

Kazumichi Karita
Senior Vice President
The Securities Analysts Association of Japan
SAAJ's Comments on Exposure Draft: Guidance Statements on Alternative Investment Strategies and Structures. Our comments are included after each question in italicized letters:

1. Do you agree with the proposed requirements related to the frequency of portfolio valuations? Why or why not?

   *We agree with proposed requirements related to the frequency of portfolio valuations. We believe that there is a sufficient flexibility in the treatment of frequency.*

2. Do you agree with the proposed treatment of estimated versus final values? Do you support different guidance for pooled funds and managed portfolios? Do you agree with requiring the disclosure of the use of estimated values? Why or why not?

   *We agree with the proposed treatment of estimated versus final values. We support the different guidance for pooled funds and managed portfolios. We also agree with requiring the disclosure of the use of estimated values.*

3. Do you agree with the proposed treatment of gross-of-fees returns and net-of-fees returns for master-feeder structures? Why or why not?

   *We have some difficulty in understanding the proposed treatment of gross-of-fees and net-of-fees return for master-feeder structures. While we understand it is normal that the investment management fees are not charged in the master fund but are charged at the feeder level, we cannot think of such situation that the investment management fees are not charged at the feeder level, but charged at the master fund level. If the investment management fees are already deducted at the master level, how is it possible that the feeder level is gross of the investment management fees? Please explain how such case is possible with actual example.*

4. Do you agree with the proposed treatment of side pockets? Why or why not?

   Should a firm be required to disclose the creation of a side pocket in all instances? Or, only when a side pocket is created to hold non-discretionary assets that are no longer reflected in composite performance? What should be required to be disclosed?

   *We agree with the proposed treatment of side pockets.*

   *A firm should be required to disclose the creation of a side pocket in all instances. It is generally understood that creation of a side pocket might cause less transparency, thus we support the disclosure of the creation of a side pocket in all instances.*

5. Do you agree with the proposed treatment of illiquid investments? Why or why not?

   *We agree with the proposed treatment of illiquid investments.*
6. Should portfolios managed with discretionary leverage be allowed to be deleveraged for inclusion in composite performance? Why or why not?

*Portfolios managed with discretionary leverage should not be allowed to be deleveraged for inclusion in composite performance. It is misleading to include deleveraged performance in the composite presentation. It is appropriate to present the deleveraged performance as supplemental information.*

Should portfolios managed with nondiscretionary leverage be allowed to be deleveraged for inclusion in composite performance? Why or why not?

*Portfolios managed with non-discretionary leverage should not be allowed to be deleveraged for inclusion in the composite presentation. It is appropriate to present the deleveraged performance as supplemental information.*

7. Should firms be allowed to adjust portfolio and composite performance for the double counting of assets? Alternatively, do you agree that firms should be prohibited from recalculating portfolio and composite performance to eliminate double-counted assets? Why or why not?

*We agree that firms should be prohibited from recalculating portfolio and composite performance to eliminate double-counted assets. It seems there is no harm in using performance calculated without consideration of cross-investments.*

*We believe that double-counting of assets in determination of composite/firm asset should be prohibited.*

8. When presenting net-of-fees returns, firms are allowed to reduce gross-of-fees returns by the actual investment management fee incurred by each portfolio or a model fee. The model fee must be the highest investment management fee incurred by portfolios in the composite.

Should firms also be allowed to present net-of-fees returns that are reduced by a model fee which is the maximum investment management fee applicable to the prospective client, even if it is not the highest investment management fee that is incurred by portfolios in the composite? Why or why not?

*Firms should not be allowed to present net-of-fees returns that are reduced by a model fee which is the maximum investment management fee applicable to the prospective client, even if it is not the highest investment management fee that is incurred by portfolios in the composite. If we permit such treatment, it might be possible that firm may be able to apply the fees to retail clients while presenting to an institutional wholesale or vice versa.*
It would be much more desirable to use either the actual fee or gross of fee returns, unless there is a strong need to use the model fee.

9. In addition to above comments, we have the following question:
   In 1.2 scope, investment types and portfolio structures are listed. While currency overlay strategies are widely used, we are not familiar with “interest overlay strategies”. Is it different from “interest rate swaps”, if not we would need additional explanation and concrete example.