Dear Sirs,

Find attached SFF’s (the Swedish country sponsor of GIPS) comments to the three revised Guidance Statements currently open for public comment.

- Private Equity guidance statement (appendix 1)
- Real Estate guidance statement (appendix 2)
- Verification guidance statement (appendix 3)

Please feel free to contact me if you should have any queries regarding our submitted material.

Yours Sincerely

Nils Liliedahl
Secretary General
Swedish Society of Financial Analysts
Private Equity guidance statement

Our review of the proposed guidance statement has lead to the following comments:

Fund of Funds vs Direct Investments
There are some proposed recommendations and requirements that are specifically for Fund of Funds and some specifically for direct investments. It is not perfectly clear for all of the recommendations/requirements which of them apply to FoF, direct investments or both. For instance, does 7.A.6 and 7.B.4 apply to Fund of Funds as well?

Carried Interest
7.A.6 and 7.A.7 both deal with the very complex matter of Carried interest. 7.A.6 states that a Fund of Funds must deduct all fees including Carried interest of underlying funds when calculating NoF returns. It is however not clearly stated if this also includes accrued carried interest in the same way as it does for the direct investing funds or only realized Carry. In practice it is extremely difficult for a Fund of Fund investor to make a calculation that includes accrued Carried Interest of the underlying funds since the Carry is usually is defined as something that a General Partner has the right to if the fund as a whole gives excess return upon realization of the entire fund at the end of the 10 year period that the fund is active. The real carry is therefore not really possible to estimate until the end of the funds lifecycle and not something that can be accrued during the entire period of the fund. A more applicable approach could be to include only Realized carry and let the accrued Carry be only a recommendation and not a requirement.
Real Estate guidance statement

1. Do you agree with the proposed requirement to include new portfolios in a composite upon portfolio inception? Should this be a recommendation? Should this be an optional policy?

Yes - requirement to include new portfolios in a composite upon portfolio inception, as portfolio inception typically is the date of the portfolio's first external cash flow.

2. Do you believe this requirement should be limited to new portfolios in real estate closed-end fund composites?

No - We believe it should hold for all types of vehicles.

3. Do you believe there should be a corresponding disclosure requirement regarding partial-period returns? If so, please explain.

Yes - We believe there should be a disclosure requirement regarding partial-period returns. Due to the asset class having unique characteristics with infrequent acquisition and disposition activity.

4. Alternatively, if a portfolio experiences an event that materially impacts performance prior to the portfolio’s inclusion in a composite (the period from a portfolio’s inception up to the beginning of the first full period), should this impact be brought forward and reflected in performance once the portfolio is included in the composite? If so, should this be required or recommended?

We don't believe this impact should be brought forward. However, according to above should be captured in disclosure.

5. Should portfolios be required to remain in composites until the portfolio is terminated?

Yes as a requirement - should be treated in line with inclusion of portfolios. Exception only in special cases, e.g. all assets been deinvested but pending tax descision is only remoan of the portfolio.

6. Are there any composite construction or calculation issues that arise as a result of the proposed changes?

We haven't identified any. However, we find it most unlikely composites will hold more than one portfolio in general.

7. Would the proposed changes create any issues in regards to benchmarks?

We don't believe so.
Verification guidance statement

We have reviewed the Draft of the Guidance Statement on Verification and we believe that the guidance statement is appropriately designed to give necessary additional guidance on how to perform and report on the verification of compliance with the 2010 edition of the GIPS standards. In general, we believe that the inclusion of the knowledge of the firm policies in the verification guidance statement is appropriate and we also believe that the items required to be included in the verification report are appropriate. We have however some comments and recommendations for changes in any specific item in order to clarify and emphasize certain aspects:

- Verifier qualification requirements: In addition to the listed qualities, verifiers should possess the knowledge of the auditing techniques developed by the audit profession for third-party assurance engagements such as GIPS verification (a specific reference can be made in this respect to the International Standard on Assurance Engagements 3000 or the US Attestation Standard AT 101).

- Those verifiers that are not members of professional bodies and not formally subject to any code of ethics and professional conduct, should be required to sign up for a relevant ethical standard, e.g., the CFA Code of Ethics and Standards of Professional Conduct.

- Knowledge of Firm Policies: The list of the firm’s policies and procedures that verifiers are supposed to understand should include the policy on the construction and calculation of composite benchmarks, the definition of the firm as well as the policy on error correction. In addition, we suggest the following wording for bullet 8 of the corresponding list: “Handling of cash flows (assumptions on the timing of capital inflows/outflows and handling of large and, where applicable, significant cash flows”.

- Additionally, we suggest that GIPS as a global standard should include, in the list of the required elements of the verification report (last bullet point on page 3), a reference to the International Standards on Auditing (ISA), in addition to the local auditing standards.