



Global Investment Performance Standards

GIPS Standards Today

2008

Outline

- Summary and Benefits
- Brief History
- Governance Structure
- Verification
- SEC Audit Findings
- Research Survey Results
- Current and Future Focus

What Are Global Investment Performance Standards?

Ethical principles to achieve full disclosure and fair representation of investment performance—the “Global Passport”



The Global Passport

GIPS Objectives

- To ensure accurate and consistent data
- To obtain worldwide acceptance of standards for calculating and presenting results
- To promote fair, global competition among investment firms
- To promote industry self-regulation on a global basis

Benefits of GIPS

- Enhanced ability to compare performance results from one firm to the next – or even one composite to the next within the same firm
- Consistency in calculation and presentation of performance results, such as frequency of valuation, treatment of large cash flows and handling of accruals
- Full disclosure of important details on performance data presented, such as fees, composite construction criteria, dispersion of returns, etc.

What is a GIPS report?

This report does not necessarily contain all required disclosures

GIPS complaint presentations are based on unique situations of firms and composites

Sample 2 Asset Management Company
Equities World BM MSCI Active Mandates Direct

Reporting Currency CHF Creation Date 01 July 1999

Period	Total Return (%)	MSCI World (r) in CHF Benchmark Return (%)	Number of Portfolios	Composite Dispersion (Range)	Total Composite Assets (millions)	Percentage of Firm Assets (%)
2004	18.0	19.6	6	0.2	84.3	<0.1
2003	-35.3	-33.0	8	0.7	126.6	0.1
2002	-16.0	-14.5	8	1.5	233.0	0.2
2001	-13.5	-11.8	7	1.3	202.1	0.2
2000	60.2	46.1	<5	N/A	143.7	0.2
1999	21.3	17.5	<5	N/A	62.8	<0.1
1998	22.5	26.3	<5	N/A	16.1	<0.1

Benchmark

Sources of foreign exchange rates may be different between the composite and the benchmark.

Fees

Performance figures are presented gross of management fees, custodial fees, and withholding taxes but net of all trading expenses.

List of Composites

A complete listing and description of all composites is available on request.

Verification

Sample 2 Asset Management Company has been verified by an independent verifier on an annual basis from 1998 through 2003.

Fee Schedule

The standard fixed management fee for accounts with assets under management of up to CHF50 million is 0.35% per annum.

Minimum Account Size

The minimum portfolio size for inclusion in Equities World BM MSCI composite is CHF1 million.

Compliance Statement

Sample 2 Asset Management Company has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).

Definition of the Firm

Sample 2 Asset Management Company is an independent investment management firm established in 1997. Sample 2 Asset Management Company manages a variety of equity, fixed income, and balanced assets for primarily Swiss and European clients. Additional information regarding the firm's policies and procedures for calculating and reporting performance returns is available upon request.

Who Benefits from the GIPS standards?

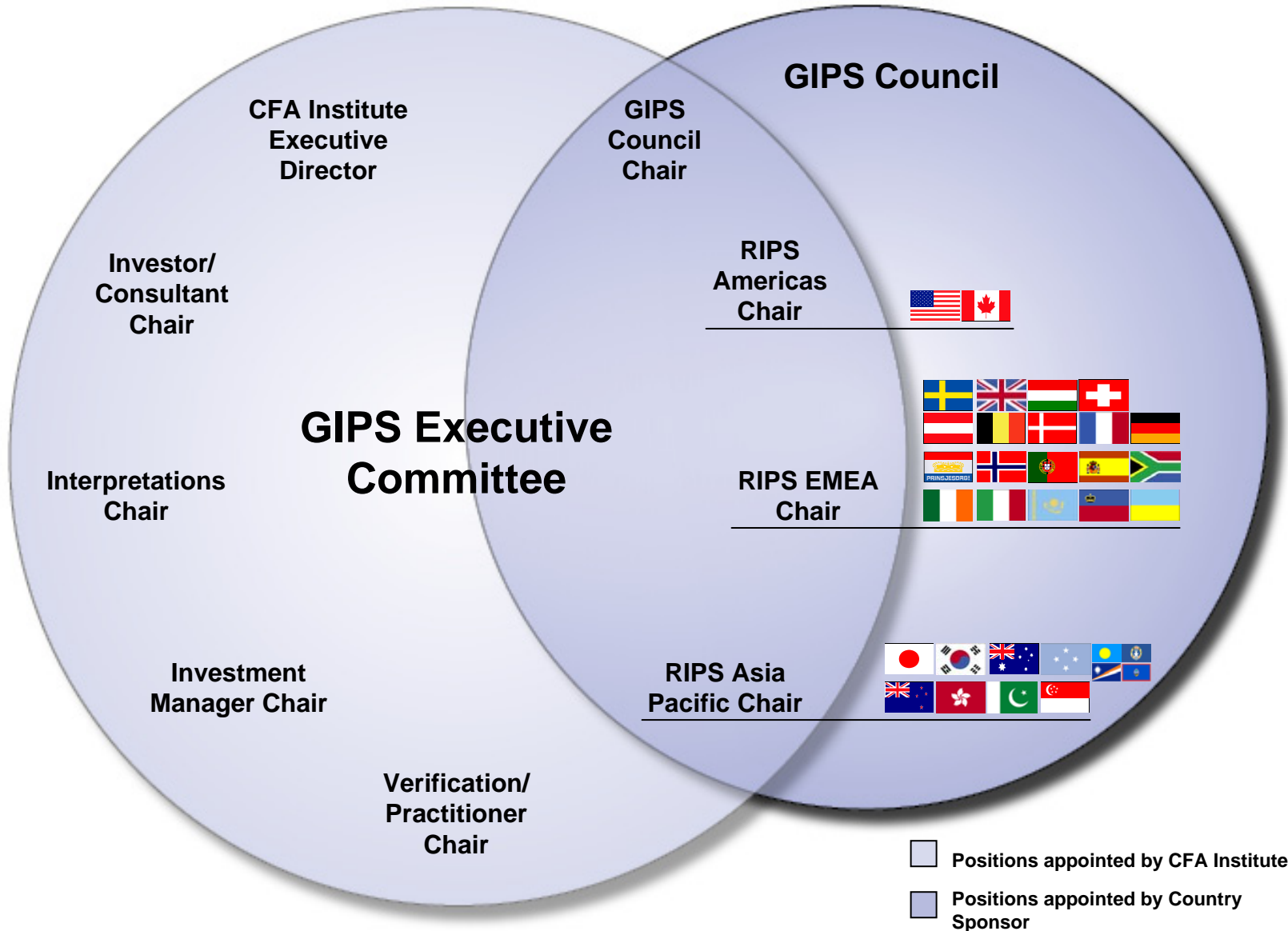
- Investment Managers
 - Traditional investment managers
 - Alternatives managers (hedge funds and private equity funds)
- Investors
 - Plan sponsors
 - High-net-worth investors
 - Retail investors
- Intermediaries
 - Consultants
 - SMA program sponsors

GIPS Has an Evolutionary Approach

Three-Pronged Process

1. Extending the scope of the GIPS standards to adequately address:
 - Additional investment vehicles (e.g., private equity, hedge funds)
 - Technical areas (e.g., fees, derivatives, tax)
2. Evolving the Standards:
 - By providing ongoing guidance and interpretations (GIPS Library)
 - By reviewing the whole contents of the GIPS standards periodically (2010, 2015 etc.)
3. Endorsing Translations of GIPS (TGs) and acknowledging Country Sponsors of GIPS

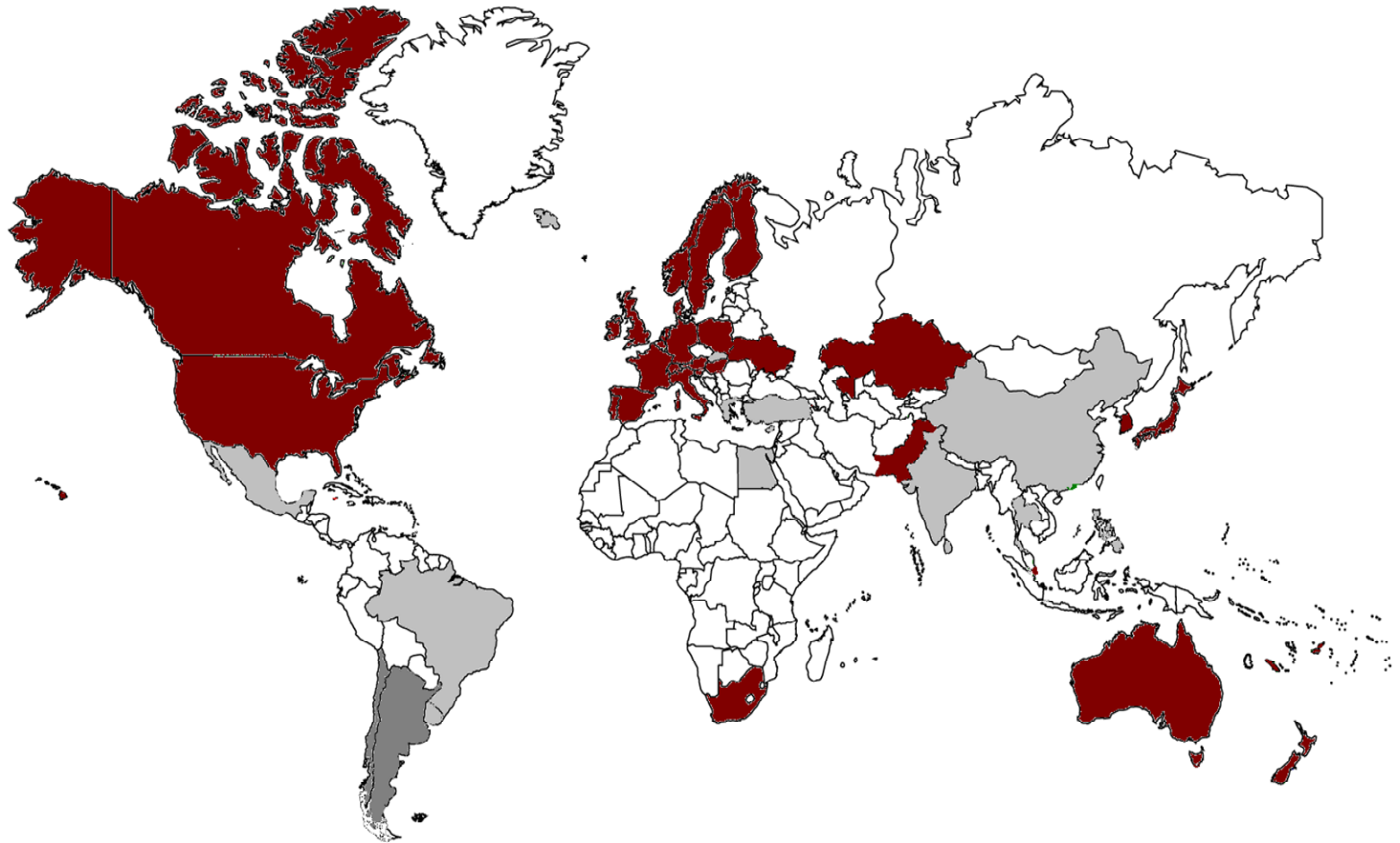
GIPS Governance Structure



Goal of the GIPS Executive Committee

To have all countries adopt the GIPS standards as the standard for investment firms to present historical investment performance

Status of GIPS Adoption



- Countries that have adopted the GIPS® standards
 - Countries with interest in adopting the GIPS® standards
- Revised as of November 2007

Verification

- Verification is the review of an investment management firm's performance measurement processes and procedures by an independent third party, testing:
 - That the firm complies with all the composite construction requirements of the GIPS standards on a firm-wide basis
 - That the firm's processes and procedures designed to calculate and present performance results are in compliance with the GIPS standards
- Applies to entire firm – not specific composites
- Firms should assess the benefits of improved internal processes and procedures, which are as significant as the marketing advantages of verification

Verification – Next Steps

- Currently a recommendation in the GIPS standards
- Encouraged by the GIPS Executive Committee
- The GIPS 2010 Exposure Draft will include a proposed change to include an explicit disclosure of whether or not the firm has been verified
- Verified firms are encouraged to disclose that they have been verified; such disclosures must include the periods verified if presentation includes results for periods not subjected to a firm-wide verification

Comments on the SEC's Recent Compliance Alert

- SEC conducted a “performance sweep” Some details regarding this were included in a recent “Compliance Alert” that the SEC issued
 - See www.sec.gov/about/offices/ocie/complialert.htm
- Of 31 firms examined, 22 claimed compliance with GIPS and 21 of these 22 had some “deficiency”
- Of these, 14 had been verified (the only one that had no deficiencies had also been verified)

SEC Cited Top 10 Deficiencies

- 10 Carve-out disclosures missing
- 9 Number of portfolios and amount of assets in composite disclosures
- 8 Fee schedules not included
- 7 Method used to allocate cash to carve-outs not explained
- 6 Availability of list and description of composites not indicated
- 5 Total firm assets missing
- 4 Failure to abide by the rule that all fee-paying accounts be in at least one composite
- 3 Website claim of compliance needed details
- 2 Firm claimed compliance in only some advertisements
- 1 Insufficient or no Policies & Procedures

GIPS Research Survey

Results as of 1 January 2008

- Tremendous Response
- 20 Country Sponsors
- 806 Stakeholders Worldwide:

Industry:

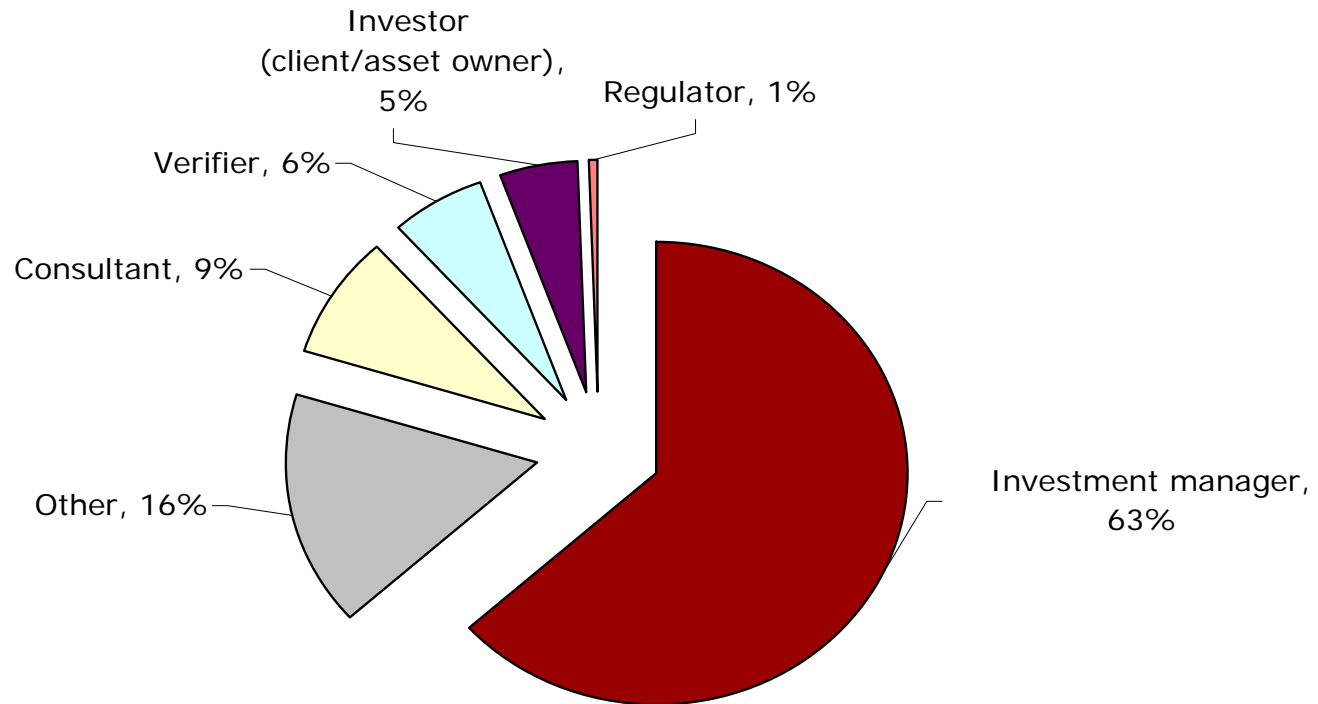
- 63% Investment Managers
- 9% Consultants
- 6% Verifiers
- 5% Investors
- 1% Regulators

Geographic:

- 33% United Kingdom
- 31% United States
- 10% Japan

GIPS Research Survey Stakeholder Response

Profile of Respondents: Job Function
(N=806)



GIPS Research Survey

- Verification
 - Data provided helpful guidance to GIPS Executive Committee in developing Verification Statement proposal
 - Press Release issued 8 November 2007
- GIPS 2010 Review
 - Data instrumental in decisions regarding future effective dates and current recommendations
 - Data provided to Interpretations and Verification/ Practitioner Subcommittees
- Ongoing Analysis and Review of Survey Data
 - Local data from Stakeholders provided to Country Sponsors to facilitate further discussion

GIPS Research Survey – Key Findings

- Are there 2005 GIPS recommendations that should become requirements in 2010 GIPS?
- 62% of Country Sponsors responded yes
- BUT -
- Only 14% Stakeholders responding yes

Recommendations Cited:

- Annualized ROR 1,3,5
- Present Risk Measures
- 2.B.2 (Firms should calculate returns by asset weighting the number of portfolios at least monthly; 2.B.3 (Firms should value portfolios on the date of all large external cash flows)
- 1.B.3 (Calculate month-end values on last business day of month)
- 4.B.2 (Firms should disclose when a change in calculation/valuation results in a material impact on composite performance)

GIPS Research Survey – Key Findings

Do future effective dates in 2005 GIPS need to be re-evaluated?

- Vast Majority of Country Sponsors (73%) and Stakeholders (71%) do not believe an adjustment is needed -

GIPS Research Survey – Key Findings

Specific areas of 2005 GIPS that need to be addressed/clarified:

Country Sponsors

- Verification
Position/Decision
- Presentation of Risk
- Section 6 – Real Estate
- Section 7 – Private Equity
- 3.A.7 Carve-Out
Administration

Stakeholders

- Carve-Out Treatment
- Treatment of Fees
(management,
performance, broker)
- Risk Reporting
- Valuation - Private Equity
- Section 6 – Real Estate

GIPS Research Survey – Key Findings

New areas or issues to be addressed:

Country Sponsors

- Benchmark Selection and Presentation
- Hedge Funds
- Risk

Stakeholders

- Hedge Funds, Derivative Treatment, Leverage
- Risk
- Attribution Analysis

GIPS Research Survey – Key Findings

Most important topics identified to be developed for inclusion in the GIPS standards (not necessarily 2010):

Country Sponsors

- Risk Measures
- Benchmarks
- Alternative Investment Vehicles and Strategies
- Leverage
- Fund of Funds

Stakeholders

- Alternative Investment Vehicles and Strategies
- Leverage
- Performance Fees
- Benchmarks
- Risk Measures

What's Happening Today?

- The EC is beginning to address the next version of the GIPS standards (GIPS 2010)
- Timeline (Subject to change)
 - 2007: Review current provisions and client/industry needs
 - 2008: Draft GIPS 2010
 - 2009: GIPS 2010 public comment period
 - 2009: Finalize revised Standards and get approval by GIPS committees as well as by CFA Institute's board
 - 2010: Effective date is 1 January 2010 with an implementation period of 12 months.
 - From 2011: Performance reported following GIPS 2010

Future Requirements Forthcoming...

1 January 2008

- Real Estate investments must be valued at least quarterly (6.A.1)

1 January 2010

- Must value portfolios on date of all large external cash flows (1.A.3)
- Must value portfolios as of the calendar month-end of last day of month or last business day of month(1.A.4)
- Composite returns must be calculated by asset weighting the individual portfolio returns at least monthly (2.A.6)
- Carve-out returns are not permitted in single asset class composite returns unless actually managed separately with own cash balances (3.A.7)

The EC decided that all these future requirements will become effective as per the dates specified

What Are the Next Steps with GIPS 2010?

- Review of the current recommendations as candidates for new requirements
- Review of the proposed implementation dates for specific requirements
- Research the current needs of the users of the GIPS standards (clients, consultants, asset management industry, regulators, etc.)
- Develop new interpretations and guidance statements where necessary

Possible Topics for Future Provisions / Guidance Recommendations

- Alternative Investment Strategies
- Risk
- Attribution
- Performance Reporting to Existing Clients

Current Translations of GIPS®

Endorsed translations of GIPS 2005

- Hungarian
- Dutch
- Spanish
- Simplified Chinese
- Ukrainian
- Japanese
- Italian

Interpretations & Support

- GIPS website
- Helpdesk (gips@cfainstitute.org)
- Q&A database available on website
- Complete list of Guidance Statements (effective and proposed)
- E-mail alert list (standards@cfainstitute.org)
- GIPS Executive Committee
- GIPS Country Sponsors around the world

www.gipsstandards.org