



1 July, 2011

CFA Institute
Global Investment Performance Standards
Re: Guidance Statement on Alternative Investment Strategies and Structures
P.O. Box 3668
Charlottesville, Virginia 22903

By email: standards@cfainstitute.org

Dear Sirs/Madam,

Exposure Draft of the Guidance Statement on Alternative Investment Strategies and Structures

The Performance Analyst Group of Australia (P-Group), the Global Investment Performance Standards (GIPS) Editorial Committee (GIPS EC), thanks the CFA Institute for the opportunity to comment on the proposed Guidance Statement on Alternative Investment Strategies and Structures.

The GIPS EC is a sub-committee of the Financial Services Council's Investment Board Committee (IFSA) and is the Australian country sponsor organisation of the GIPS. The GIPS-EC is responsible for ensuring that the GIPS are kept up to date and in line with external changes within Australia. Responses from the GIPS-EC are therefore reflective of the Australian financial services industry and the P-Group.

Our submission's main concern centres on a need for greater clarity in the purpose and scope of this specific Guidance Note Exposure Draft and as well as a more detailed response to some of the questions posed in Exposure Draft.

We note the executive summary on page of the exposure draft states that

"The GIPS standards provide a general framework that can be applied to many different circumstances and a firm managing alternative investment has always been able to comply with the GIPS standards"

We concur with this statement but given that alternative investment strategies and structure are not a unique asset class, akin to say private equity or real estate, we query the genuine need to document a new guidance note which is repetitive of the GIPS.



It is unclear to us how this guidance statement will interact with the GIPS themselves. Does it replace or supplement the GIPS standards? Is this to be guidance only? How will this guidance statement sit alongside existing Real Estate and Private Equity (alternative asset) provisions. Will these eventually supplement or replace? Are we to expect separate alternative provisions to be added in the future? What precedent will this set? We look forward to seeing clarity from the CFA Institute to address these concerns.

In summary, therefore, we submit that we would prefer to see "alternatives" more clearly defined, and defined to include both real estate and PE but also, for example, hedge funds. We would then like to see a common set of provisions and guidance statements to cover all these non-traditional asset classes.

Should you have any questions, please feel free to contact Cecilia Storniolo, Senior Policy Manager, on cstorniolo@fsc.org.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Cecilia Storniolo', written in a cursive style.

Cecilia Storniolo
Senior Policy Manager



DETAILED RESPONSE

2.2 Input Data

2.2.2 Frequency of Valuation of Portfolios

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

Yes we agree with this proposal. Portfolios with illiquid assets should be valued monthly or at the time of significant cash flows, accepting that this may involve model or internally calculated prices. Disclosure to the internal calculation of prices is required, as is the inputs/model characteristics. However, to ensure both comparability and that this internal valuation is conducted by a separate functional unit (and fit for purpose) perhaps a standard GIPS statement can be provided. For example "Period XYZ for this composite was calculated using prices calculated internal to The Firm but separate to the investment management process, as required by the valuation principles"

2.2.3 Estimated Versus Final Values

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?

Yes we agree with the options presented for dealing with estimated and final values, provided that estimated composite performance presentations are clearly disclosed as such, and subject to firm-wide, defined policies on dealing with amendments that are practicable (i.e., sending out final versions of composite presentation to all existing and prospective clients once valuations have been completed, would not be practicable to me.)

However we query whether it is possible to differentiate between "errors" and "updates" in the policies and procedures.

Further, we do not agree with separate treatment between pooled funds and discrete mandates.



2.3 Calculation Methodology

2.3.1. Return calculation and treatment of fees

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?

Sensitive to differing terminology used globally, we politely request that the term Master-Feeder be clearly defined and linked back to phrases used in other markets (e.g., Mother-Baby, Parent-Child)

2.4 Composite Construction

2.4.3 Segregated investments (“side pockets”)

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?

No comment

2.5 Disclosure and Presentation

2.5.2. Illiquid Investments

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

Yes agreed. However, we would like to see some sort of agreed quantitative liquidity measure or scale included in the provisions