

# IMAS Annual Conference 2004

## Embracing GPS : Getting a Bang for Your Buck \*

23 September 2004

# Agenda

Overview

Key Themes and Challenges

A Case Study of Successful GIPS Implementation

# Agenda

## Overview

- Going for Gold
- Global trends in investment performance measurement
- The Singapore evolution

## Key Themes and Challenges

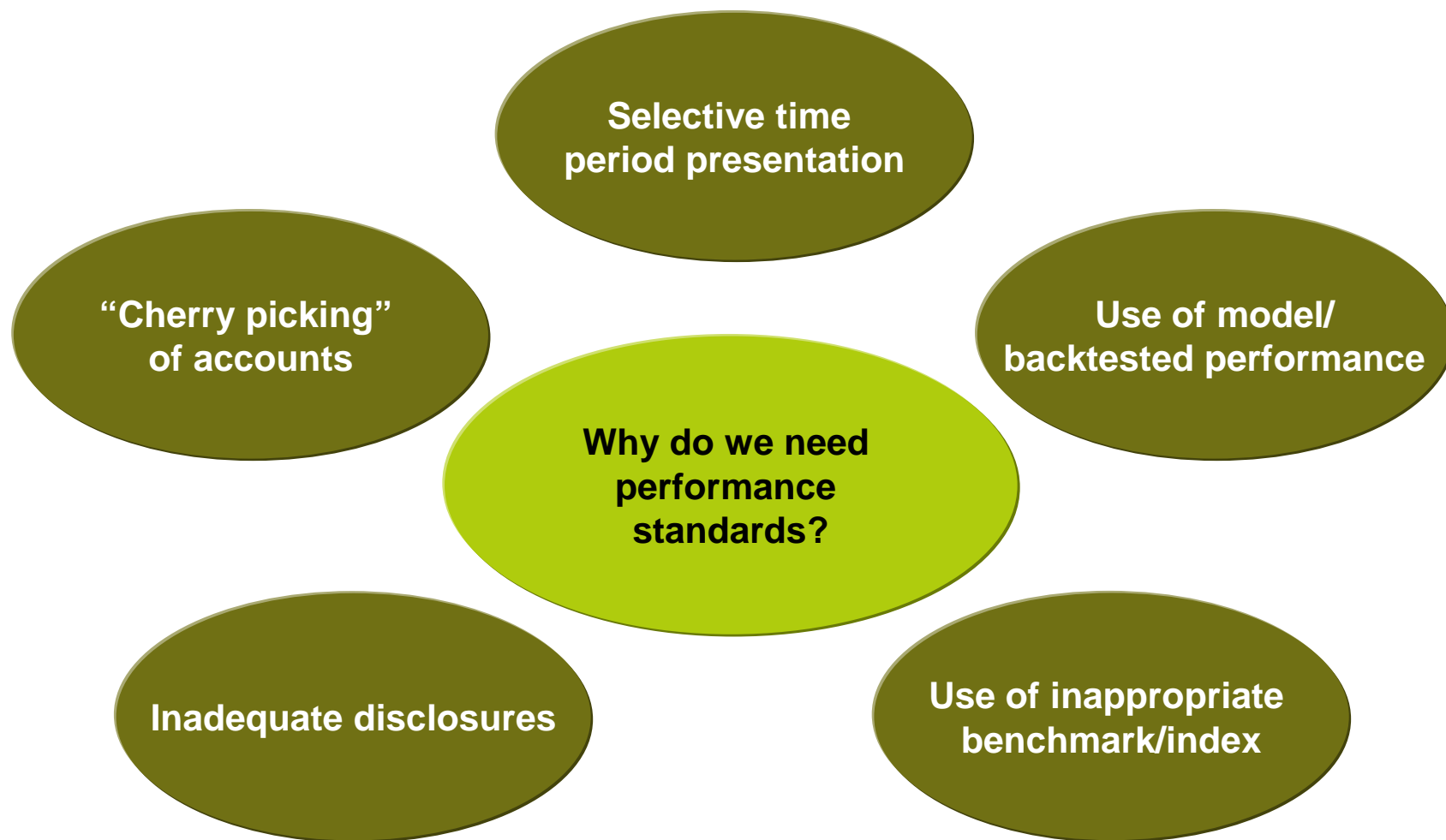
## A Case Study of Successful GIPS Implementation

Why measure performance?

“If it ain’t measured, it ain’t managed”

- Process creates control
- To understand risks
- To see if managers are achieving objectives
- To see if fund is achieving objectives

This is where performance standards play a role.....



## The state of investment management today



# Is the investment management industry in Asia prepared?

Source: PwC Global Investment Management Survey 2003  
– Asia (ex-Japan) Response



The Global Investment Performance Standards (GIPS®) are converging towards a truly singular global standard

Implementation date : 1 January 2006

## Current GIPS

- Incorporate Technical Sub-com proposals
- Upgrade selected recommendations to requirements
- Improve and clarify current GIPS wording
- Formalise Guidance Statements provisions
- Introduce well established best practices from CVGs
- Final editing of the Gold GIPS
- Release for public comment



## Finalised Provisions/Guidance Statements

	Effective Date
Real Estate Provisions and Interpretive Guidance	Jan 2005
Fee Provisions and Interpretive Guidance	Jan 2005
Private Equity Provisions and interpretive	Jan 2005
GIPS Advertising Guidelines	Jun 2004
Treatment of Carve-Outs Guidance Statement	Jun 2004
Calculation Methodology	Jun 2004
Use of Supplemental Information	Jan 2004
Definition of the firm	Apr 2002
Composite Definition	Apr 2002
Treatment of Significant Cash Flows	Jun 2002
Guidance for verification	Mar 2002
Portability Guidance	May 2001
GIPS Para 21	May 2001

## Provisions/Guidance Statements - Under Review and In-Process

- Leverage & Derivatives Provisions
- Error Correction
- Record Keeping
- Composite Maintenance
- Taxation Guidance

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Gold  
GIPS

## Some key revisions from Gold GIPS

- Must provide a compliant presentation to all prospective clients
- As of 2010, verification by a third party will be mandatory
- Must asset-weight portfolio returns to compute a composite return at least monthly
- Must value portfolios as of calendar month-end from 1.1.2006
- Must value portfolios on the date of any external cash flow in 2010
- Discontinued composites must be on the firm's list of composites for at least 5 years after discontinuation

## Timetable for GOLD GIPS implementation

	Effective Date
Gold GIPS released for public comment	Feb 2004
Comment Period	Aug 2004
IPC reviews comments and revises “gold” GIPS	Aug-Dec 2004
Technical provisions take effect	Jan 2005
Final Version approved by AIMR board	Feb 2005
TGs and CVGs incorporate changes	Feb 2005 - Dec 2005
<b>ALL FIRMS MUST COMPLY WITH GOLD GIPS</b>	<b>1 Jan 2006</b>

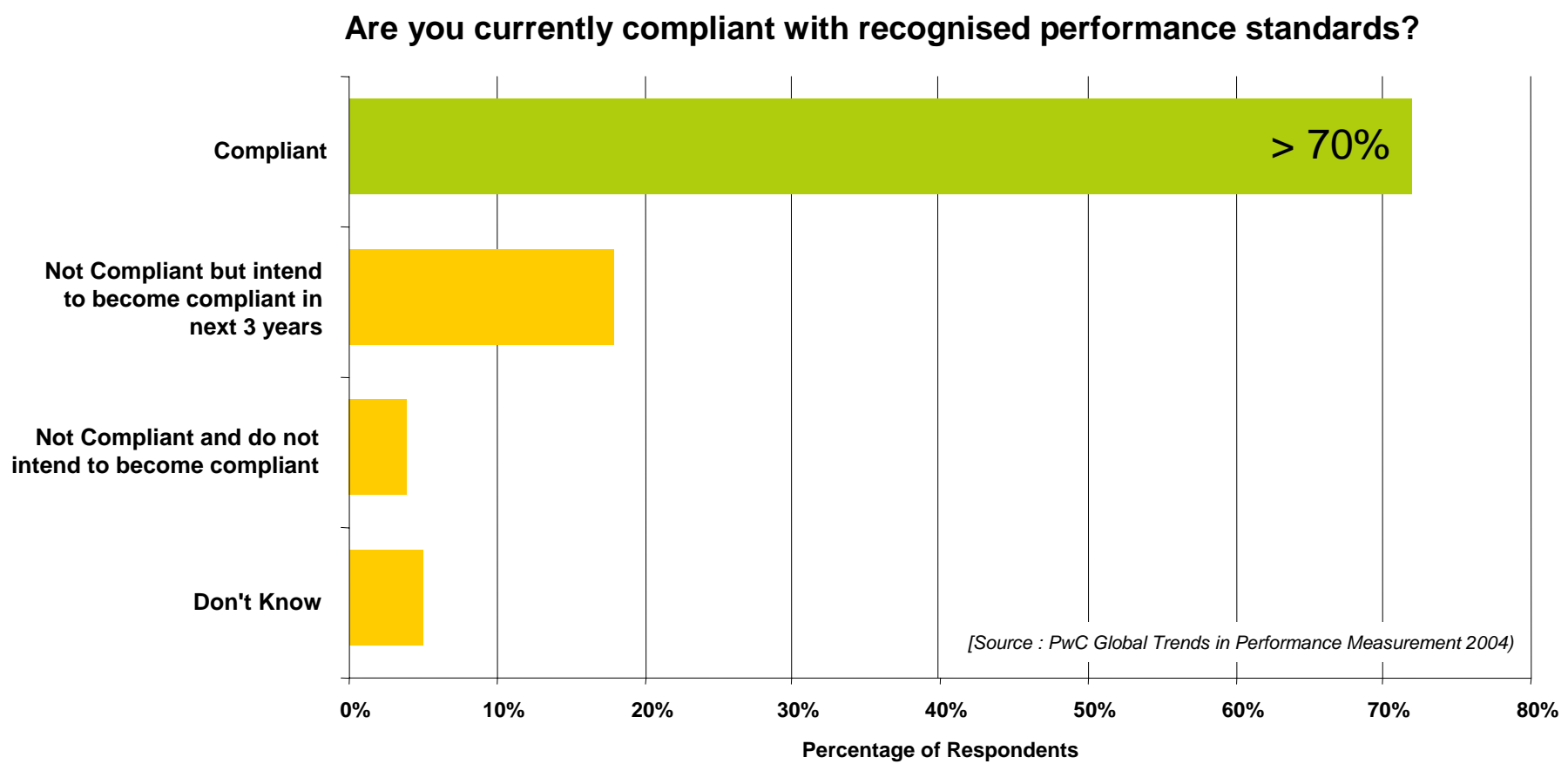
## Adoption on GIPS is growing on a global scale

GIPS	Translation of GIPS	Country Version of GIPS
Belgium *	Austria	Australia
Luxembourg	Denmark	Canada
New Zealand	France	Egypt *
Portugal	Germany *	Ireland
Singapore **	Hungary	Italy
Sweden	Netherlands	Japan
	Norway	South Africa
	Poland	Switzerland
	Spain	United Kingdom
		United States

\* Indicates submission has been received, but not yet endorsed by the IPC

\*\* Singapore (through IMAS) has adopted GIPS, but has not yet applied for formal recognition by the AIMR/CFA Institute

Most global players are already compliant with the standards, and the rest are following

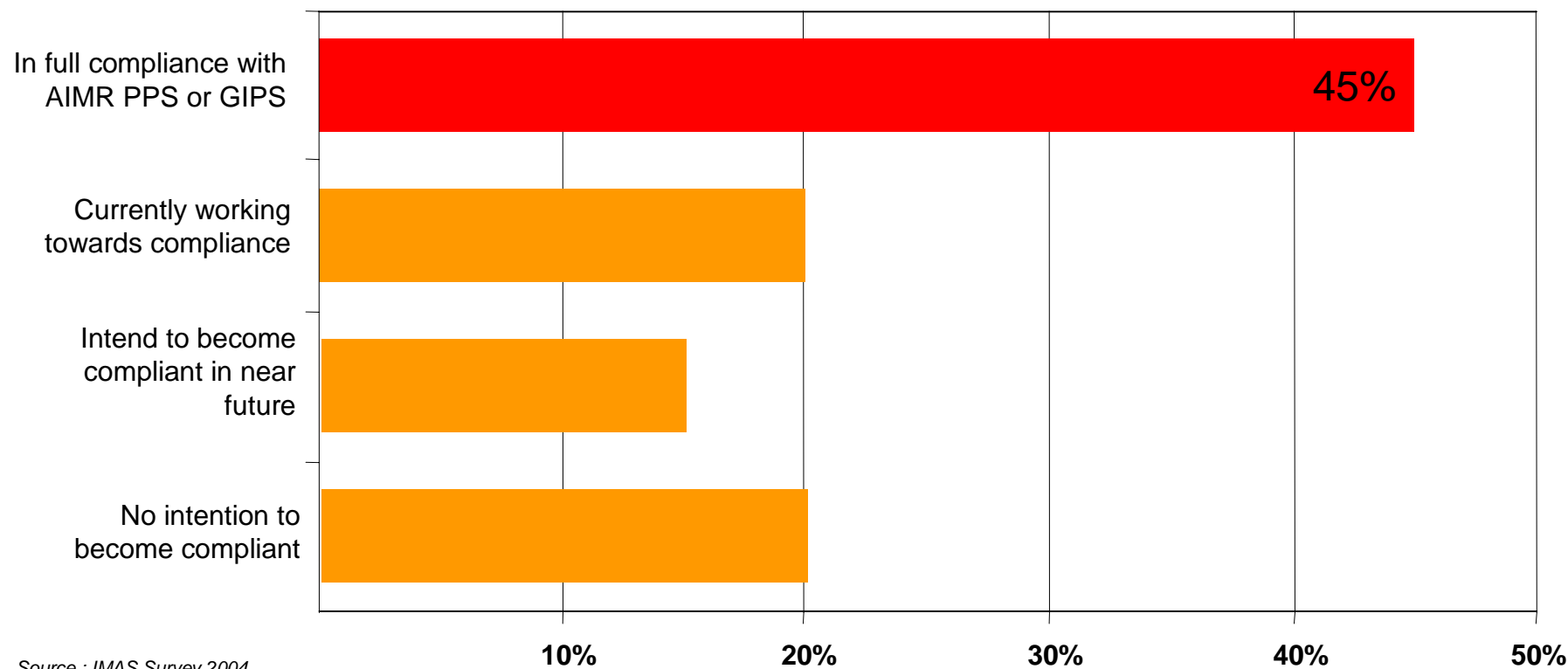


## IMAS recently conducted a survey of members' compliance with performance standards

- This was intended to give a snapshot of progress since the adoption of GIPS in 2001 as the industry standard
- Survey is based on 40 questionnaire responses received from members of IMAS
- Results indicate a positive trend towards GIPS awareness and growth in compliance of performance standards

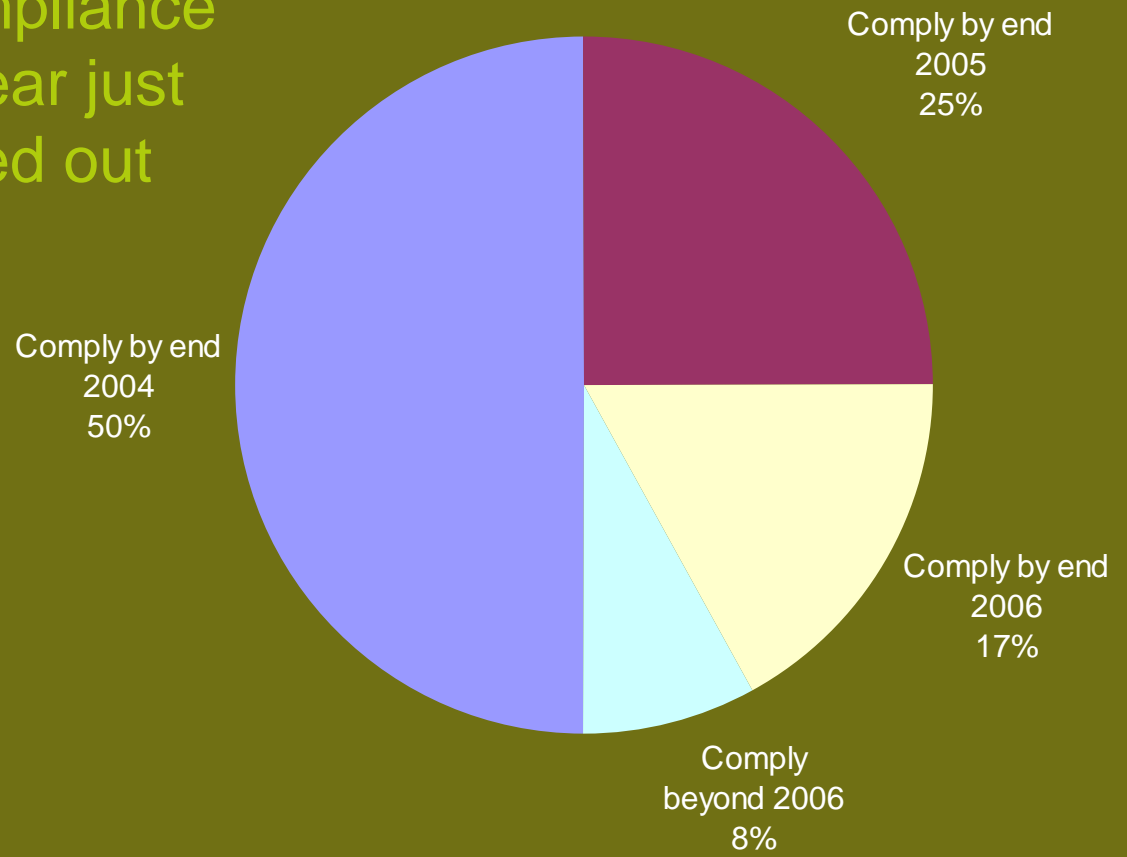


Close to half of the respondents were already in compliance, and another 35% were in the process of getting into compliance, or intended to within the near future



## Compliance in the near future is a common target

Most expect to be in compliance before the end of next year just before Gold GIPS is rolled out



## Issues noted in getting in compliance with GIPS

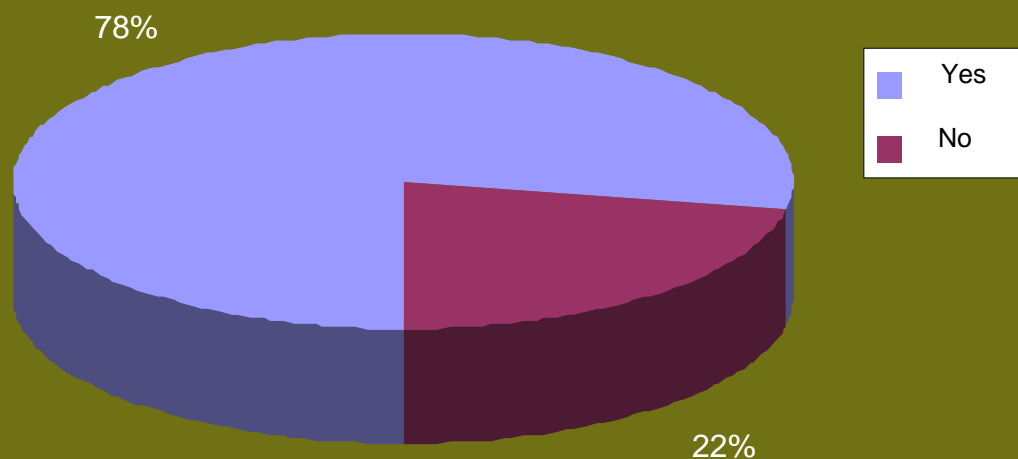
- manpower constraints
- costs involved
- system constraints
- legacy issues on systems, funds and records

For those not seeking compliance, the reasons were:

- resource constraints
- perception that standards are not yet uniformly accepted
- decision is made at head office level, so no local control

Nonetheless, compliance is viewed by the majority as being a competitive advantage

Compliance with GIPS is a Competitive Advantage



- Important for global marketing, especially in US and Europe
- Enhances credibility and image
- Demonstrates good internal controls and conformance to global standards

## Where are we heading?

- IMAS will be going to the IPC for official recognition and country sponsorship once Gold GIPS is approved for implementation in early 2005
- Fund managers in Singapore are still waiting to see whether local institutional funds and government bodies will GIPS a “mandatory” requirement for beauty parades
- Double tax deductions for costs in getting in compliance with GIPS?

## Where is Hong Kong heading?

- Interest in GIPS is picking up in Hong Kong
- More RFPs are coming through with questions in relation to performance standards compliance
- HKSFA are planning to promote GIPS next year in 2005 to coincide with timing of Gold GIPS finalisation and also to bring awareness to large fund houses
- A HKSFA GIPS Committee has already been set-up

Where are you heading?

Only 15 months away

What are you doing  
about it?

# Agenda

## Overview

### Key Themes and Challenges

- Issues in achieving GIPS
- Using GIPS for marketing and advertising
- Applying GIPS for manager performance assessment

## A Case Study of Successful GIPS Implementation



What does compliance with GIPS bring? What does it take to be compliant?

## The Schroders' experience

## The GIPS Claim of Compliance – Your Reward

### Advertisements

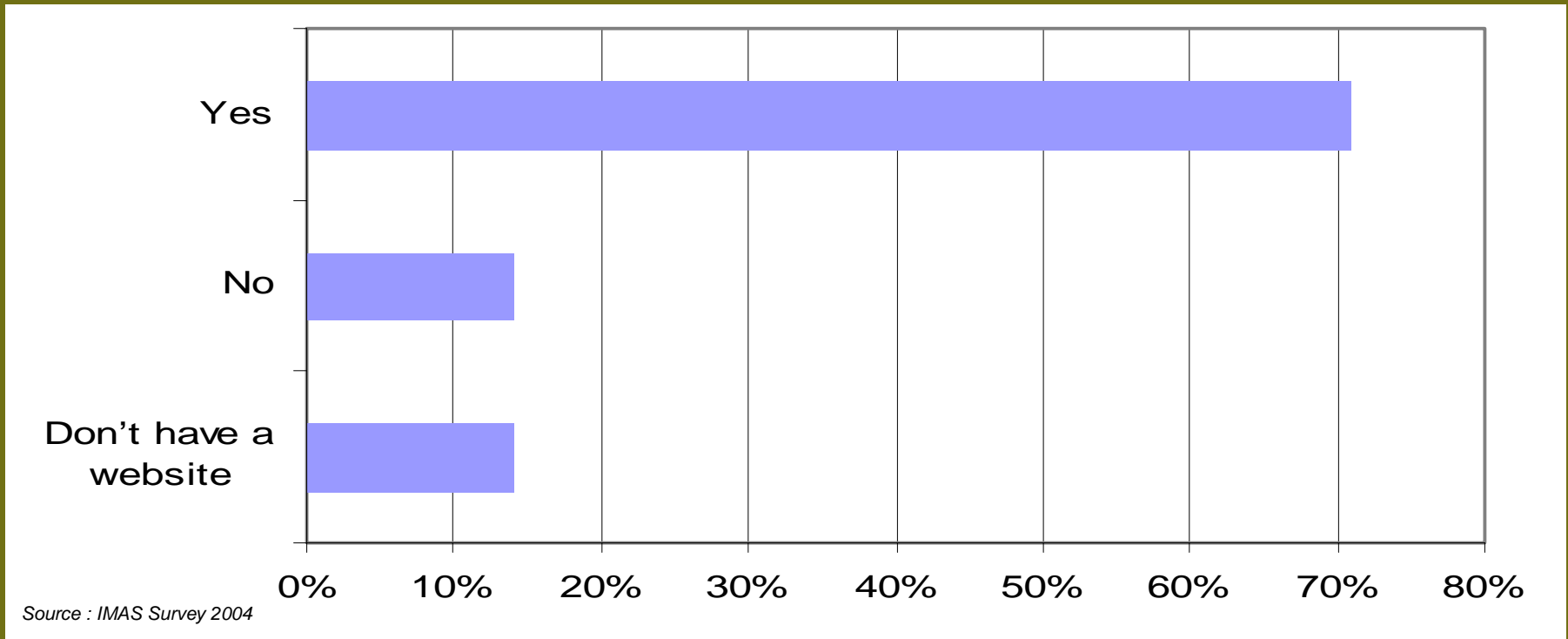
XYZ Asset Management Ltd claims compliance with the  
Global Investment Performance Standards®

### Presentations

XYZ Asset Management Ltd has prepared and  
presented this report in compliance with the  
Global Investment Performance Standards®

If you have it, flaunt it!

The majority of Singapore investment managers include performance results on websites and marketing materials



## But only half of respondents in Singapore publicise their GIPS/AIMR-PPS compliance

- Due mainly to lack of knowledge
- More needs to be done to help marketing teams understand how to use GIPS compliance to their best advantage
- Reference ➔ The GIPS Advertising Guidelines

## Adding value through GIPS Compliance

- Currently, performance is measured largely based on individual mandates
- Managers are also tasked with specialisms by
  - products (equities, bonds, derivatives etc)
  - country/markets
- Who therefore is responsible for the overall strategy/portfolio being marketed?

## Practice what you preach

- GIPS should be used as an additional measure of performance at the individual, team and firm level
- If composites are what you are marketing, then it should also be what you should be assessed on, and rewarded for

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- The Schroders Experience