G·I·P·S

Global Investment Performance Standards

2005

CFA INSTITUTE

Centre for Financial Market Integrity

GLOBAL INVESTMENT PERFORMANCE STANDARDS (GIPS®)

As Revised by the Investment Performance Council 7 December 2004 and Adopted by the CFA Institute Board of Governors 4 February 2005

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PREFACE: BACKGROUND OF THE GIPS STANDARDS

Investment practices, regulation, performance measurement, and reporting of performance results have historically varied considerably from country to country. Some countries have established performance calculation and presentation guidelines that are domestically accepted, and others have few standards for presenting investment performance. These practices have limited the comparability of performance results between firms in different countries and have hindered the ability of firms to penetrate markets on a global basis.

CFA Institute (formerly known as the Association for Investment Management and Research or AIMR) recognized the need for a global set of performance presentation standards, and in 1995, it sponsored and funded the Global Investment Performance Standards (GIPS®) Committee to develop a single standard for presenting investment performance. In February 1999, the GIPS committee finalized the GIPS standards and presented them to the AIMR Board of Governors, who formally endorsed them.

Although CFA Institute is funding and administering the activities of the GIPS standards, the success of the Standards is the result of an alliance among experts from a variety of fields within the global investment industry. The following key industry groups have been involved in and contributed significantly to promoting and developing the GIPS standards:

Australia — Performance Analyst Group of Australia
Austria — Österreichischen Verreinigung für Finanzanalyse und Asset Management und der Vereinigung Österreichischer Investmentgesellschaften
Belgium — Belgian Association for Pension Institutions
Denmark — The Danish Society of Investment Professionals, The Danish Society of Financial Analysts
France — Société Francaise des Analystes Financiers and Association Francaise de la Gestion Financière
Germany — BVI Bundesverband Investment und Asset Management e.V., Deutsche Vereinigung für Finanzanalyse und Asset Management, and German CFA Society
Hong Kong — The Hong Kong Society of Financial Analysts
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Poland — Polski Komitet Wyników Inwestycyjnych
Portugal — Associação Portuguesa de Analistas Financeiros
Singapore — Investment Management Association of Singapore
Spain — CFA Spain
South Africa — Investment Management Association of South Africa
Sweden — Swedish Society of Financial Analysts
Switzerland — Swiss Bankers Association
United Kingdom — National Association of Pension Funds Ltd
United States and Canada — CFA Institute

With the release of the GIPS standards in 1999, the GIPS committee was replaced by the Investment Performance Council (IPC), which serves as the global committee responsible for the Standards. It consists of 36 members from 15 countries. The IPC's members have diverse and in-depth investment experience. They come from firms of all sizes and specialize in mutual funds, private wealth management, insurance, pension funds, private equity and venture capital, real estate, investment consulting services, and performance measurement and verification.

The principal goal of the IPC is to have all countries adopt the GIPS standards as the standard for investment firms seeking to present historical investment performance. The IPC envisions GIPS compliance acting as a "passport" that allows firms to enter the arena of investment management competition on a global basis and to compete on an equal footing. The GIPS passport will level the playing field and promote global competition among investment firms, which will, in turn, provide prospective clients with a greater level of confidence in the integrity of performance presentations as well as the general practices of a compliant firm.

In order to achieve this goal, over the past 5 years, the IPC has used a dual approach convergence strategy to (1) transition the existing local standards to the GIPS standards and (2) evolve the GIPS standards to incorporate local best practices from all regional standards so as to form one improved standard for investment performance calculation and reporting.

The IPC strongly encourages countries without an investment performance standard in place to accept the GIPS standards as the local standard and translate them into the native language when necessary, thus promoting a "translation of GIPS" (TG). However, to effectively transition existing regional standards, the IPC acknowledges that some countries need to adopt certain long-standing requirements in addition to the GIPS standards.

Since 1999, the IPC has promoted the "Country Version of GIPS" (CVG) approach, whereby countries that had existing performance standards could adopt the GIPS standards as the core. This core was only to be supplemented to satisfy local regulatory or legal requirements and well-established practices. Any other differences were to be transitioned out of the CVG so that the CVG would converge with the GIPS standards. The CVG model has facilitated the movement of the industry toward one standard for the calculation and presentation of investment performance.

Today, 25 countries throughout North America, Europe, Africa, and the Asia Pacific Region have adopted the GIPS standards, encouraging investment management firms to follow the Standards when calculating and reporting their performance results. Out of these 25 countries, 9 have an IPC-endorsed CVG (Australia, Canada, Ireland, Italy, Japan, South Africa, Switzerland, United Kingdom, and United States). The remaining IPC-endorsed standards are either translations of GIPS (German, Danish, French, Hungarian, Dutch, Norwegian, Polish, and Spanish) or GIPS (in English).

In addition to improving the original GIPS standards, this version includes new sections to address real estate and private equity investments as well as new provisions to address fees. It also includes guidelines for claiming compliance with the GIPS standards in advertisements and formalizes positions resulting from the development of guidance statements (such as firm definition, composite definition, and portability) and incorporates local best practices for performance measurement and reporting from around the world. A glossary and several examples have been included to assist with the application of the GIPS standards. (Words appearing in CAPITAL letters are defined in the GIPS Glossary in Appendix E.) The GIPS standards are no longer a minimum worldwide standard. Instead, this version promotes the highest performance measurement and presentation practices and eliminates the need for separate local standards.

We are now entering the second phase of the convergence strategy to the GIPS standards—namely to evolve the GIPS standards to incorporate local best practices from all regional standards. To effectively move toward one globally accepted standard for investment performance calculation and presentation, the IPC strongly encourages countries without an investment performance standard in place to accept the GIPS standards in English or translate them into the local language, adopting a TG approach.

By revising the GIPS standards, it is the IPC's hope that CVGs will no longer be necessary. Instead, all CVG-compliant firms will be granted reciprocity for periods prior to 1 January 2006. Their CVG-compliant history will satisfy the GIPS requirement to show at least a 5-year track record. In this way, firms from all countries will comply with one standard, the GIPS standards, from 1 January 2006 and the industry will achieve convergence of all standards.

I. INTRODUCTION

A. PREAMBLE — WHY IS A GLOBAL STANDARD NEEDED?

1. The financial markets and the investment management industry are becoming increasingly global in nature. Given the variety of financial entities and countries involved, this globalization of the investment process and the exponential growth of assets under management demonstrate the need to standardize the calculation and presentation of investment performance.

2. Prospective clients and investment management firms will benefit from an established standard for investment performance measurement and presentation that is recognized worldwide. Investment practices, regulation, performance measurement, and reporting of performance results vary considerably from country to country. Some countries have guidelines that are widely accepted within their borders, and others have few recognized standards for presenting investment performance.

3. Requiring investment management firms to adhere to performance presentation standards will help assure investors that the performance information is both complete and fairly presented. Investment management firms in countries with minimal presentation standards will be able to compete for business on an equal footing with investment management firms from countries with more developed standards. Investment management firms from countries with established practices will have more confidence that they are being fairly compared with "local" investment management firms when competing for business in countries that have not previously adopted performance standards.

4. Both prospective and existing clients of investment management firms will benefit from a global investment performance standard by having a greater degree of confidence in the performance numbers presented by the investment management firms. Performance standards that are accepted in all countries enable all investment management firms to measure and present their investment performance so that clients can readily compare investment performance among investment management firms.

B. VISION STATEMENT

5. A global investment performance standard leads to readily accepted presentations of investment performance that (1) present performance results that are readily comparable among investment management firms without regard to geographical location and (2) facilitate a dialogue between investment managers and their prospective clients about the critical issues of how the investment management firm achieved performance results and determines future investment strategies.

C. OBJECTIVES

6. To obtain worldwide acceptance of a standard for the calculation and presentation of investment performance in a fair, comparable format that provides full disclosure.

7. To ensure accurate and consistent investment performance data for reporting, record keeping, marketing, and presentations.

8. To promote fair, global competition among investment management firms for all markets without creating barriers to entry for new investment management firms.

9. To foster the notion of industry "self-regulation" on a global basis.

D. OVERVIEW

10. The Global Investment Performance Standards ("GIPS standards" or "Standards") have several key characteristics:

    a. For the purpose of claiming compliance with the GIPS standards, investment management FIRMS MUST define an entity that claims compliance ("FIRM"). The FIRM MUST be defined as an investment FIRM, subsidiary, or division held out to clients or potential clients as a DISTINCT BUSINESS ENTITY.

    b. The GIPS standards are ethical standards for investment performance presentation to ensure fair representation and full disclosure of a FIRM'S performance.

    c. The GIPS standards REQUIRE FIRMS to include all actual fee-paying, discretionary PORTFOLIOS in COMPOSITES defined according to similar strategy and/or investment objective and REQUIRE FIRMS to initially show GIPS-compliant history for a minimum of five (5) years or since inception of the FIRM or COMPOSITE if in existence less than 5 years. After presenting at least 5 years of compliant history, the FIRM MUST add annual performance each year going forward up to ten (10) years, at a minimum.

    d. The GIPS standards REQUIRE FIRMS to use certain calculation and presentation methods and to make certain disclosures along with the performance record.

    e. The GIPS standards rely on the integrity of input data. The accuracy of input data is critical to the accuracy of the performance presentation. For example, BENCHMARKS and COMPOSITES SHOULD be created/selected on an EX-ANTE basis, not after the fact.

    f. The GIPS standards consist of provisions that FIRMS are REQUIRED to follow in order to claim compliance. FIRMS are encouraged to adopt the RECOMMENDED provisions to achieve best practice in performance presentation.

    g. The GIPS standards MUST be applied with the goal of full disclosure and fair representation of investment performance. Meeting the objectives of full disclosure and fair representation will likely require more than compliance with the minimum REQUIREMENTS of the GIPS standards. If an investment FIRM applies the GIPS standards in a performance situation that is not addressed specifically by the Standards or is open to interpretation, disclosures other than those REQUIRED by the GIPS standards may be necessary. To fully explain the performance included in a presentation, FIRMS are encouraged to present all relevant ADDITIONAL INFORMATION and SUPPLEMENTAL INFORMATION.

    h. All requirements, clarifications, updated information, and guidance MUST be adhered to when determining a FIRM'S claim of compliance and will be made available via the *GIPS Handbook* and the CFA Institute website (www.cfainstitute.org).

i. In cases where applicable local or country-specific law or regulation conflicts with the GIPS standards, the Standards REQUIRE FIRMS to comply with the local law or regulation and make full disclosure of the conflict.

j. The GIPS standards do not address every aspect of performance measurement, valuation, attribution, or coverage of all asset classes. The GIPS standards will evolve over time to address additional aspects of investment performance. Certain RECOMMENDED elements in the GIPS standards may become REQUIREMENTS in the future.

k. Within the GIPS standards are supplemental REAL ESTATE and PRIVATE EQUITY provisions that MUST be applied to these asset classes. (See sections II.6 and II.7.)

E. SCOPE

11. Application of the GIPS Standards: FIRMS from any country may come into compliance with the GIPS standards. Compliance with the GIPS standards will facilitate a FIRM'S participation in the investment management industry on a global level.

12. Historical Performance Record:

a. FIRMS are REQUIRED to present, at a minimum, 5 years of annual investment performance that is compliant with the GIPS standards. If the FIRM or COMPOSITE has been in existence less than 5 years, the FIRM MUST present performance since the inception of the FIRM or COMPOSITE; and

b. After a FIRM presents 5 years of compliant history, the FIRM MUST present additional annual performance up to 10 years, at a minimum. For example, after a FIRM presents 5 years of compliant history, the FIRM MUST add an additional year of performance each year so that after 5 years of claiming compliance, the FIRM presents a 10-year performance record.

c. FIRMS may link a non-GIPS-compliant performance record to their compliant history so long as no noncompliant performance is presented after 1 January 2000 and the FIRM discloses the periods of noncompliance and explains how the presentation is not in compliance with the GIPS standards.

d. FIRMS previously claiming compliance with an Investment Performance Council-endorsed Country Version of GIPS (CVG) are granted reciprocity to claim compliance with the GIPS standards for historical periods prior to 1 January 2006. (See "Background of GIPS Standards" for more details on CVGs). If the FIRM previously claimed compliance with a CVG, at a minimum, the FIRM MUST continue to show the historical CVG-compliant track record up to 10 years (or since inception).

Nothing in this section shall prevent FIRMS from initially presenting more than 5 years of performance results.

F. COMPLIANCE

13. Effective Date: The GIPS standards were amended by the IPC on 7 December 2004 and adopted by the CFA Institute Board of Governors on 4 February 2005. The effective date of the revised Standards is 1 January 2006. All presentations that include performance results for periods after 31 December 2005 MUST meet all the REQUIREMENTS of the revised GIPS standards. Performance presentations that

include results through 31 December 2005 may be prepared in compliance with the 1999 version of the GIPS standards. Early adoption of these revised GIPS standards is encouraged.

14. REQUIREMENTS: FIRMS MUST meet all the REQUIREMENTS set forth in the GIPS standards to claim compliance with the GIPS standards. Although the REQUIREMENTS MUST be met immediately by a FIRM claiming compliance, the following REQUIREMENTS do not go into effect until a future date:

    a. For periods beginning 1 January 2008, REAL ESTATE investments MUST be valued at least quarterly.

    b. For periods beginning 1 January 2010, FIRMS MUST value PORTFOLIOS on the date of all LARGE EXTERNAL CASH FLOWS.

    c. For periods beginning 1 January 2010, FIRMS MUST value PORTFOLIOS as of the calendar month-end or the last business day of the month.

    d. For periods beginning 1 January 2010, COMPOSITE returns MUST be calculated by asset weighting the individual PORTFOLIO returns at least monthly.

    e. For periods beginning 1 January 2010, CARVE-OUT returns are not permitted to be included in single asset class COMPOSITE returns unless the CARVE-OUTS are actually managed separately with their own cash balances.

    Until these future REQUIREMENTS become effective, these provisions SHOULD be considered RECOMMENDATIONS. FIRMS are encouraged to implement these future REQUIREMENTS prior to their effective dates. To ease compliance with the GIPS standards when the future REQUIREMENTS take effect, the industry should immediately begin to design performance software to incorporate these future REQUIREMENTS.

15. Compliance Check: FIRMS MUST take all steps necessary to ensure that they have satisfied all the REQUIREMENTS of the GIPS standards before claiming compliance with the GIPS standards. FIRMS are strongly encouraged to perform periodic internal compliance checks and implement adequate business controls on all stages of the investment performance process—from data input to presentation material—to ensure the validity of compliance claims.

16. Third-Party Performance Measurement and COMPOSITE Construction: The GIPS standards recognize the role of independent third-party performance measurers and the value they can add to the FIRM'S performance measurement activities. Where third-party performance measurement is an established practice or is available, FIRMS are encouraged to use this service as it applies to the FIRM. Similarly, where the practice is to allow third parties to construct COMPOSITES for FIRMS, FIRMS can use such COMPOSITES in a GIPS-compliant presentation only if the COMPOSITES meet the REQUIREMENTS of the GIPS standards.

17. Sample Presentations: Sample presentations, shown in Appendix A, provide examples of what a compliant presentation might look like.

G. IMPLEMENTING A GLOBAL STANDARD

18. In 1999, the Investment Performance Council (IPC) was created and given the responsibility to meet the ongoing needs for maintaining and developing a high-quality global investment performance standard. The IPC provides a practical and effective implementation structure for the GIPS standards and encourages wider public participation in an industry-wide standard.

19. One of the principal objectives of the IPC is for all countries to adopt the GIPS standards as the common method for calculating and presenting investment performance. As of December 2004, more than 25 countries around the world had adopted or were in the process of adopting the GIPS standards. The IPC believes the establishment and acceptance of the GIPS standards are vital steps in facilitating the availability of comparable investment performance history on a global basis. GIPS compliance provides FIRMS with a "passport" and creates a level playing field where all FIRMS can compete on equal footing.

20. The presence of a local sponsoring organization for investment performance standards is essential for their effective implementation and on-going operation within a country. Such country sponsors also provide an important link between the IPC, the governing body for the GIPS standards, and the local markets where investment managers operate.

    The country sponsor, by actively supporting the GIPS standards and the work of the IPC, will ensure that the country's interests can and will be taken into account as the GIPS standards are developed going forward. Compliance with the GIPS standards is voluntary, but support from the local country sponsor will help drive the success of the GIPS standards.

21. The IPC strongly encourages countries without an investment performance standard in place to accept the GIPS standards as the local standard and translate them into the local language when necessary, thus promoting a "translation of GIPS" (TG).

22. Compliance with the GIPS standards will provide FIRMS with a "right of access" to be considered alongside all investment managers, thereby allowing all FIRMS to be evaluated on equal terms.

23. Although the GIPS standards may be translated into many languages, if a discrepancy arises between the different versions of the Standards (e.g., TGs), the English version of GIPS standards is controlling.

24. The IPC will continue to develop the GIPS standards so that they maintain their relevance within the changing investment management industry and has committed to evaluating the Standards every 5 years.

25. The self-regulatory nature of the GIPS standards necessitates a strong commitment to ethical integrity. Self-regulation also assists regulators in exercising their responsibility for ensuring the fair disclosure of information to and within the financial markets in general. Regulators are encouraged to:

    - recognize the benefit of voluntary compliance with standards that represent global best practices,
    - give consideration to adopting a function favored by some regulators, namely to enforce sanctions upon false claims of compliance with the GIPS standards as fraudulent advertising, and
    - recognize and encourage independent verification services.

26. Where existing laws or regulations already impose performance presentation standards, FIRMS are strongly encouraged to comply with the GIPS standards in addition to those local requirements. Compliance with applicable law or regulation does not necessarily lead to compliance with the GIPS standards. When complying with the GIPS standards and local law or regulation, FIRMS MUST disclose any local laws and regulations that conflict with the GIPS standards.

II. PROVISIONS OF THE GLOBAL INVESTMENT PERFORMANCE STANDARDS

The GIPS standards are divided into eight sections that reflect the basic elements involved in presenting performance information: fundamentals of compliance, input data, calculation methodology, COMPOSITE construction, disclosures, presentation and reporting, REAL ESTATE, and PRIVATE EQUITY.

The provisions for each section are divided between REQUIREMENTS, listed first in each section, and RECOMMENDATIONS. FIRMS MUST meet all the REQUIREMENTS to claim compliance with the GIPS standards. FIRMS are strongly encouraged to adopt and implement the RECOMMENDATIONS to ensure that the FIRM fully adheres to the spirit and intent of the GIPS standards. Examples of GIPS-compliant presentations are included as Appendix A. A Glossary is included as Appendix E to serve as a reference and provide brief descriptions of key words and terms in the GIPS standards. Words appearing in CAPITAL letters are defined in the GIPS Glossary.

0. Fundamentals of Compliance: Critical issues that a FIRM MUST consider when claiming compliance with the GIPS standards are defining the FIRM, documenting FIRM policies and procedures, maintaining compliance with updates to the GIPS standards, and properly using the claim of compliance and references to verification. The definition of the FIRM is the foundation for FIRM-wide compliance and creates defined boundaries whereby TOTAL FIRM ASSETS can be determined. Once a FIRM meets all of the REQUIREMENTS of the GIPS standards, it MUST appropriately use the claim of compliance to state compliance with the GIPS standards.

1. Input Data: Consistency of input data is critical to effective compliance with the GIPS standards and establishes the foundation for full, fair, and comparable investment performance presentations.

2. Calculation Methodology: Achieving comparability among FIRMS' performance presentations requires uniformity in methods used to calculate returns. The Standards mandate the use of certain calculation methodologies for both PORTFOLIOS and COMPOSITES. [corrected January 2006]

3. Composite Construction: A COMPOSITE is an aggregation of one or more PORTFOLIOS into a single group that represents a particular investment objective or strategy. The COMPOSITE return is the asset-weighted average of the performance results of all the PORTFOLIOS in the COMPOSITE. Creating meaningful, asset-weighted COMPOSITES is critical to the fair presentation, consistency, and comparability of results over time and among FIRMS.

4. Disclosures: Disclosures allow FIRMS to elaborate on the raw numbers provided in the presentation and give the end user of the presentation the proper context in which to understand the performance results. To comply with the GIPS standards, FIRMS MUST disclose certain information about their performance presentation and policies adopted by the FIRM. Disclosures are to be considered static information that does not normally change from period to period. Although some disclosures are REQUIRED of all FIRMS, others are specific to certain circumstances and thus may not be REQUIRED. No "negative assurance" language is needed for nonapplicable disclosures.

5. Presentation and Reporting: After gathering the input data, calculating returns, constructing the COMPOSITES, and determining the necessary disclosures, the FIRM MUST incorporate this information in presentations based on the REQUIREMENTS set out in the GIPS standards for presenting the investment performance returns. No finite set of provisions can cover all potential situations or anticipate future developments in investment industry structure, technology, products, or practices. When appropriate, FIRMS have the responsibility to include other information not necessarily covered by the Standards in a GIPS-compliant presentation.

6. Real Estate: These provisions apply to all investments where returns are primarily from the holding, trading, development, or management of REAL ESTATE assets. REAL ESTATE includes land, buildings under development, completed buildings, and other structures or improvements held for investment purposes. The provisions apply regardless of the level of control the FIRM has over management of the investment. The provisions apply irrespective of whether a REAL ESTATE asset or investment is producing revenue. They also apply to REAL ESTATE investments with leverage or gearing.

7. Private Equity: These provisions apply to all PRIVATE EQUITY investments other than OPEN-END or EVERGREEN FUNDS (which MUST follow the main GIPS provisions). PRIVATE EQUITY investments MUST be valued according to the GIPS PRIVATE EQUITY Valuation Principles found in Appendix D. PRIVATE EQUITY refers to investments in nonpublic companies that are in various stages of development and encompasses venture investing, buyout investing, and mezzanine investing. Fund-of-funds investing as well as secondary investing are also included in PRIVATE EQUITY. Investors typically invest in PRIVATE EQUITY assets either directly or through a fund of funds or LIMITED PARTNERSHIP.

0. FUNDAMENTALS OF COMPLIANCE

0.A Definition of the Firm — Requirements

0.A.1 The GIPS standards MUST be applied on a FIRM-wide basis.

0.A.2 FIRMS MUST be defined as an investment firm, subsidiary, or division held out to clients or potential clients as a DISTINCT BUSINESS ENTITY.

0.A.3 TOTAL FIRM ASSETS MUST be the aggregate of the MARKET VALUE of all discretionary and nondiscretionary assets under management within the defined FIRM. This includes both fee-paying and non-fee-paying assets.

0.A.4 FIRMS MUST include the performance of assets assigned to a subadvisor in a COMPOSITE provided the FIRM has discretion over the selection of the subadvisor.

0.A.5 Changes in a FIRM'S organization are not permitted to lead to alteration of historical COMPOSITE results.

0.B Definition of the Firm — Recommendations

0.B.1 FIRMS are encouraged to adopt the broadest, most meaningful definition of the FIRM. The scope of this definition SHOULD include all geographical (country, regional, etc.) offices operating under the same brand name regardless of the actual name of the individual investment management company.

0.A Document Policies and Procedures — Requirements

0.A.6 FIRMS MUST document, in writing, their policies and procedures used in establishing and maintaining compliance with all the applicable REQUIREMENTS of the GIPS standards.

0.A Claim of Compliance — Requirements

0.A.7 Once a FIRM has met all the REQUIRED elements of the GIPS standards, the FIRM MUST use the following compliance statement to indicate that the FIRM is in compliance with the GIPS standards:

> "[Insert name of FIRM] has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®)."

0.A.8 If the FIRM does not meet all the REQUIREMENTS of the GIPS standards, the FIRM cannot represent that it is "in compliance with the Global Investment Performance Standards except for...".

0.A.9 Statements referring to the calculation methodology used in a COMPOSITE presentation as being "in accordance [or compliance] with the Global Investment Performance Standards" are prohibited.

0.A.10 Statements referring to the performance of a single, existing client as being "calculated in accordance with the Global Investment Performance Standards" are prohibited except when a GIPS-compliant FIRM reports the performance of an individual account to the existing client.

0.A Firm Fundamental Responsibilities — Requirements

0.A.11 FIRMS MUST make every reasonable effort to provide a compliant presentation to all prospective clients. That is, FIRMS cannot choose to whom they want to present compliant performance. (As long as a prospective client has received a compliant presentation within the previous 12 months, the FIRM has met this REQUIREMENT.)

0.A.12 FIRMS MUST provide a COMPOSITE list and COMPOSITE DESCRIPTION to any prospective client that makes such a request (a sample list and COMPOSITE DESCRIPTION are included in Appendix B). FIRMS MUST list "discontinued" COMPOSITES on the FIRM'S list of COMPOSITES for at least 5 years after discontinuation.

0.A.13 FIRMS MUST provide a compliant presentation for any COMPOSITE listed on the FIRM'S list and a COMPOSITE DESCRIPTION to any prospective client that makes such a request.

0.A.14 When the FIRM jointly markets with other FIRMS, the FIRM claiming compliance with the GIPS standards MUST be sure that it is clearly defined and separate relative to any other FIRMS being marketed and that it is clear which FIRM is claiming compliance.

0.A.15 FIRMS are encouraged to comply with the RECOMMENDATIONS and MUST comply with all applicable REQUIREMENTS of the GIPS standards, including any updates, reports, guidance statements, interpretations, or clarifications published by CFA Institute and the Investment Performance Council, which will be made available via the CFA Institute website (www.cfainstitute.org) as well as the *GIPS Handbook*.

0.B Verification — Recommendations

0.B.2 FIRMS are encouraged to undertake the verification process, defined as the review of a FIRM'S performance measurement processes and procedures by an independent third-party verifier. A single verification report is issued in respect to the whole FIRM; verification cannot be carried out for a single COMPOSITE. The primary purpose of verification is to establish that a FIRM claiming compliance with the GIPS standards has adhered to the Standards.

0.B.3 FIRMS that have been verified are encouraged to add a disclosure to COMPOSITE presentations or advertisements stating that the FIRM has been verified. FIRMS MUST disclose the periods of verification if the COMPOSITE presentation includes results for periods that have not been subject to FIRM-wide verification. The verification disclosure language SHOULD read:

> "[Insert name of FIRM] has been verified for the periods [insert dates] by [name of verifier]. A copy of the verification report is available upon request."

1. INPUT DATA

1.A Input Data — Requirements

1.A.1 All data and information necessary to support a FIRM'S performance presentation and to perform the REQUIRED calculations MUST be captured and maintained.

1.A.2 PORTFOLIO valuations MUST be based on MARKET VALUES (not cost basis or book values).

1.A.3 For periods prior to 1 January 2001, PORTFOLIOS MUST be valued at least quarterly. For periods between 1 January 2001 and 1 January 2010, PORTFOLIOS MUST be valued at least monthly. For periods beginning 1 January 2010, FIRMS MUST value PORTFOLIOS on the date of all LARGE EXTERNAL CASH FLOWS.

1.A.4 For periods beginning 1 January 2010, FIRMS MUST value PORTFOLIOS as of the calendar month-end or the last business day of the month.

1.A.5 For periods beginning 1 January 2005, FIRMS MUST use TRADE DATE ACCOUNTING.

1.A.6 ACCRUAL ACCOUNTING MUST be used for fixed-income securities and all other assets that accrue interest income. MARKET VALUES of fixed-income securities MUST include accrued income.

1.A.7 For periods beginning 1 January 2006, COMPOSITES MUST have consistent beginning and ending annual valuation dates. Unless the COMPOSITE is reported on a noncalendar fiscal year, the beginning and ending valuation dates MUST be at calendar year-end (or on the last business day of the year).

1.B Input Data — Recommendations

1.B.1 ACCRUAL ACCOUNTING SHOULD be used for dividends (as of the ex-dividend date).

1.B.2 When presenting NET-OF-FEES RETURNS, FIRMS SHOULD accrue INVESTMENT MANAGEMENT FEES.

1.B.3 Calendar month-end valuations or valuations on the last business day of the month are RECOMMENDED.

2. CALCULATION METHODOLOGY

2.A Calculation Methodology — Requirements

2.A.1 Total return, including realized and unrealized gains and losses plus income, MUST be used. [corrected September 2005]

2.A.2 TIME-WEIGHTED RATES OF RETURN that adjust for EXTERNAL CASH FLOWS MUST be used. Periodic returns MUST be geometrically linked. EXTERNAL CASH FLOWS MUST be treated in a consistent manner with the FIRM'S documented, COMPOSITE-specific policy. At a minimum:

a. For periods beginning 1 January 2005, FIRMS MUST use approximated rates of return that adjust for daily-weighted EXTERNAL CASH FLOWS.

b. For periods beginning 1 January 2010, FIRMS MUST value PORTFOLIOS on the date of all LARGE EXTERNAL CASH FLOWS.

2.A.3 COMPOSITE returns MUST be calculated by asset weighting the individual PORTFOLIO returns using beginning-of-period values or a method that reflects both beginning-of-period values and EXTERNAL CASH FLOWS.

2.A.4 Returns from cash and cash equivalents held in PORTFOLIOS MUST be included in TOTAL RETURN calculations.

2.A.5 All returns MUST be calculated after the deduction of the actual TRADING EXPENSES incurred during the period. Estimated TRADING EXPENSES are not permitted.

2.A.6 For periods beginning 1 January 2006, FIRMS MUST calculate COMPOSITE returns by asset weighting the individual PORTFOLIO returns at least quarterly. For periods beginning 1 January 2010, COMPOSITE returns MUST be calculated by asset weighting the individual PORTFOLIO returns at least monthly.

2.A.7 If the actual direct TRADING EXPENSES cannot be identified and segregated from a BUNDLED FEE:

a. when calculating GROSS-OF-FEES RETURNS, returns MUST be reduced by the entire BUNDLED FEE or the portion of the BUNDLED FEE that includes the direct TRADING EXPENSES. The use of estimated TRADING EXPENSES is not permitted.

b. when calculating NET-OF-FEES RETURNS, returns MUST be reduced by the entire BUNDLED FEE or the portion of the BUNDLED FEE that includes the direct TRADING EXPENSES and the INVESTMENT MANAGEMENT FEE. The use of estimated TRADING EXPENSES is not permitted.

2.B Calculation Methodology — Recommendations

2.B.1 Returns SHOULD be calculated net of nonreclaimable withholding taxes on dividends, interest, and capital gains. Reclaimable withholding taxes SHOULD be accrued.

2.B.2 FIRMS SHOULD calculate COMPOSITE returns by asset weighting the member PORTFOLIOS at least monthly.

2.B.3 FIRMS SHOULD value PORTFOLIOS on the date of all LARGE EXTERNAL CASH FLOWS.

3. COMPOSITE CONSTRUCTION

3.A Composite Construction — Requirements

3.A.1 All actual, fee-paying, discretionary PORTFOLIOS MUST be included in at least one COMPOSITE. Although non-fee-paying discretionary PORTFOLIOS may be included in a COMPOSITE (with appropriate disclosures), nondiscretionary PORTFOLIOS are not permitted to be included in a FIRM'S COMPOSITES.

3.A.2 COMPOSITES MUST be defined according to similar investment objectives and/or strategies. The full COMPOSITE DEFINITION MUST be made available on request.

3.A.3 COMPOSITES MUST include new PORTFOLIOS on a timely and consistent basis after the PORTFOLIO comes under management unless specifically mandated by the client.

3.A.4 Terminated PORTFOLIOS MUST be included in the historical returns of the appropriate COMPOSITES up to the last full measurement period that the PORTFOLIO was under management.

3.A.5 PORTFOLIOS are not permitted to be switched from one COMPOSITE to another unless documented changes in client guidelines or the redefinition of the COMPOSITE make it appropriate. The historical record of the PORTFOLIO MUST remain with the appropriate COMPOSITE.

3.A.6 Convertible and other hybrid securities MUST be treated consistently across time and within COMPOSITES.

3.A.7 CARVE-OUT segments excluding cash are not permitted to be used to represent a discretionary PORTFOLIO and, as such, are not permitted to be included in COMPOSITE returns. When a single asset class is carved out of a multiple asset class PORTFOLIO and the returns are presented as part of a single asset COMPOSITE, cash MUST be allocated to the CARVE-OUT returns in a timely and consistent manner. Beginning 1 January 2010, CARVE-OUT returns are not permitted to be included in single asset class COMPOSITE returns unless the CARVE-OUT is actually managed separately with its own cash balance.

3.A.8 COMPOSITES MUST include only assets under management within the defined FIRM. FIRMS are not permitted to link simulated or model PORTFOLIOS with actual performance.

3.A.9 If a FIRM sets a minimum asset level for PORTFOLIOS to be included in a COMPOSITE, no PORTFOLIOS below that asset level can be included in that COMPOSITE. Any changes to a COMPOSITE-specific minimum asset level are not permitted to be applied retroactively.

3.B Composite Construction — Recommendations

3.B.1 CARVE-OUT returns SHOULD not be included in single asset class COMPOSITE returns unless the CARVE-OUTS are actually managed separately with their own cash balance.

3.B.2 To remove the effect of a significant EXTERNAL CASH FLOW, the use of a TEMPORARY NEW ACCOUNT is RECOMMENDED (as opposed to adjusting the COMPOSITE composition to remove PORTFOLIOS with significant EXTERNAL CASH FLOWS).

3.B.3 FIRMS SHOULD not market a COMPOSITE to a prospective client who has assets less than the COMPOSITE'S minimum asset level.

4. DISCLOSURES

4.A Disclosures — Requirements

4.A.1 FIRMS MUST disclose the definition of "FIRM" used to determine the TOTAL FIRM ASSETS and FIRM-wide compliance.

4.A.2 FIRMS MUST disclose the availability of a complete list and description of all of the FIRM'S COMPOSITES.

4.A.3 FIRMS MUST disclose the minimum asset level, if any, below which PORTFOLIOS are not included in a COMPOSITE. FIRMS MUST also disclose any changes to the minimum asset level.

4.A.4 FIRMS MUST disclose the currency used to express performance.

4.A.5 FIRMS MUST disclose the presence, use, and extent of leverage or derivatives (if material), including a sufficient description of the use, frequency, and characteristics of the instruments to identify risks.

4.A.6 FIRMS MUST clearly label returns as GROSS-OF-FEES or NET-OF-FEES.

4.A.7 FIRMS MUST disclose relevant details of the treatment of withholding tax on dividends, interest income, and capital gains. If using indexes that are net-of-taxes, the FIRM MUST disclose the tax basis of the BENCHMARK (e.g., Luxembourg based or U.S. based) versus that of the COMPOSITE.

4.A.8 FIRMS MUST disclose and describe any known inconsistencies in the exchange rates used among the PORTFOLIOS within a COMPOSITE and between the COMPOSITE and the BENCHMARK.

4.A.9 If the presentation conforms with local laws and regulations that differ from the GIPS REQUIREMENTS, FIRMS MUST disclose this fact and disclose the manner in which the local laws and regulations conflict with the GIPS standards.

4.A.10 For any performance presented for periods prior to 1 January 2000 that does not comply with the GIPS standards, FIRMS MUST disclose the period of non-compliance and how the presentation is not in compliance with the GIPS standards.

4.A.11 For periods prior to 1 January 2010, when a single asset class is carved out of a multiple asset PORTFOLIO and the returns are presented as part of a single asset COMPOSITE, FIRMS MUST disclose the policy used to allocate cash to the CARVE-OUT returns.

4.A.12 FIRMS MUST disclose the FEE SCHEDULE appropriate to the presentation.

4.A.13 If a COMPOSITE contains PORTFOLIOS with BUNDLED FEES, FIRMS MUST disclose for each annual period shown the percentage of COMPOSITE assets that is BUNDLED FEE PORTFOLIOS.

4.A.14 If a COMPOSITE contains PORTFOLIOS with BUNDLED FEES, FIRMS MUST disclose the various types of fees that are included in the BUNDLED FEE.

4.A.15 When presenting GROSS-OF-FEES RETURNS, FIRMS MUST disclose if any other fees are deducted in addition to the direct TRADING EXPENSES.

4.A.16 When presenting NET-OF-FEES RETURNS, FIRMS MUST disclose if any other fees are deducted in addition to the INVESTMENT MANAGEMENT FEE and direct TRADING EXPENSES.

4.A.17 FIRMS MUST disclose that ADDITIONAL INFORMATION regarding policies for calculating and reporting returns is available upon request.

4.A.18 Beginning 1 January 2006, FIRMS MUST disclose the use of a subadvisor(s) and the periods a subadvisor(s) was used.

4.A.19 FIRMS MUST disclose all significant events that would help a prospective client interpret the performance record.

4.A.20 FIRMS MUST disclose the COMPOSITE DESCRIPTION.

4.A.21 If a FIRM is redefined, the FIRM MUST disclose the date and reason for the redefinition.

4.A.22 If a FIRM has redefined a COMPOSITE, the FIRM MUST disclose the date and nature of the change. Changes to COMPOSITES are not permitted to be applied retroactively.

4.A.23 FIRMS MUST disclose any changes to the name of a COMPOSITE.

4.A.24 FIRMS MUST disclose the COMPOSITE CREATION DATE.

4.A.25 FIRMS MUST disclose if, prior to 1 January 2010, calendar month-end PORTFOLIO valuations or valuations on the last business day of the month are not used.

4.A.26 FIRMS MUST disclose which DISPERSION measure is presented.

4.B Disclosures — Recommendations

4.B.1 If a parent company contains multiple defined FIRMS, each FIRM within the parent company is encouraged to disclose a list of the other FIRMS contained within the parent company.

4.B.2 FIRMS SHOULD disclose when a change in a calculation methodology or valuation source results in a material impact on the performance of a COMPOSITE return.

4.B.3 FIRMS that have been verified SHOULD add a disclosure to their COMPOSITE presentation stating that the FIRM has been verified and clearly indicating the periods the verification covers if the COMPOSITE presentation includes results for periods that have not been subject to FIRM-wide verification.

5. PRESENTATION AND REPORTING

5.A Presentation and Reporting — Requirements

5.A.1 The following items MUST be reported for each COMPOSITE presented:

a. At least 5 years of performance (or a record for the period since FIRM or COMPOSITE inception if the FIRM or COMPOSITE has been in existence less than 5 years) that meets the REQUIREMENTS of the GIPS standards; after presenting 5 years of performance, the FIRM MUST present additional annual performance up to 10 years. (For example, after a FIRM presents 5 years of compliant history, the FIRM MUST add an additional year of performance each year so that after 5 years of claiming compliance, the FIRM presents a 10-year performance record.)

b. Annual returns for all years.

c. The number of PORTFOLIOS and amount of assets in the COMPOSITE, and either the percentage of the TOTAL FIRM ASSETS represented by the COMPOSITE or the amount of TOTAL FIRM ASSETS at the end of each annual period. If the COMPOSITE contains 5 PORTFOLIOS or less, the number of PORTFOLIOS is not REQUIRED. [corrected September 2005]

d. A measure of DISPERSION of individual PORTFOLIO returns for each annual period. If the COMPOSITE contains 5 PORTFOLIOS or less for the full year, a measure of DISPERSION is not REQUIRED. [corrected September 2005]

5.A.2 FIRMS may link non-GIPS-compliant returns to their compliant history so long as the FIRMS meet the disclosure REQUIREMENTS for noncompliant performance and only compliant returns are presented for periods after 1 January 2000. (For example, a FIRM that has been in existence since 1995 and that wants to present its entire performance history and claim compliance beginning 1 January 2005 MUST present returns that meet the REQUIREMENTS of the GIPS standards at least from 1 January 2000 and MUST meet the disclosure REQUIREMENTS for any noncompliant history prior to 1 January 2000.)

5.A.3 Returns of PORTFOLIOS and COMPOSITES for periods of less than 1 year are not permitted to be annualized.

5.A.4 a. Performance track records of a past FIRM or affiliation MUST be linked to or used to represent the historical record of a new FIRM or new affiliation if:

i. Substantially all the investment decision makers are employed by the new FIRM (e.g., research department, PORTFOLIO managers, and other relevant staff),
ii. The staff and decision-making process remain intact and independent within the new FIRM, and
iii. The new FIRM has records that document and support the reported performance.

b. The new FIRM MUST disclose that the performance results from the past FIRM are linked to the performance record of the new FIRM,

c. In addition to 5.A.4.a and 5.A.4.b, when one FIRM joins an existing FIRM, performance of COMPOSITES from both FIRMS MUST be linked to the ongoing returns if substantially all the assets from the past FIRM'S COMPOSITE transfer to the new FIRM.

d. If a compliant FIRM acquires or is acquired by a noncompliant FIRM, the FIRMS have 1 year to bring the noncompliant assets into compliance.

5.A.5 Beginning 1 January 2006, if a COMPOSITE includes or is formed using single asset class CARVE-OUTS from multiple asset class PORTFOLIOS, the presentation MUST include the percentage of the COMPOSITE that is composed of CARVE-OUTS prospectively for each period.

5.A.6 The total return for the BENCHMARK (or BENCHMARKS) that reflects the investment strategy or mandate represented by the COMPOSITE MUST be presented for each annual period. If no BENCHMARK is presented, the presentation MUST explain why no BENCHMARK is disclosed. If the FIRM changes the BENCHMARK that is used for a given COMPOSITE in the performance presentation, the FIRM MUST disclose both the date and the reasons for the change. If a custom BENCHMARK or combination of multiple BENCHMARKS is used, the FIRM MUST describe the BENCHMARK creation and re-balancing process. [corrected January 2006]

5.A.7 If a COMPOSITE contains any non-fee-paying PORTFOLIOS, the FIRM MUST present, as of the end of each annual period, the percentage of the COMPOSITE assets represented by the non-fee-paying PORTFOLIOS.

5.B Presentation and Reporting — Recommendations

5.B.1 It is RECOMMENDED that FIRMS present the following items:

a. COMPOSITE returns gross of INVESTMENT MANAGEMENT FEES and ADMINISTRATIVE FEES and before taxes (except for nonreclaimable withholding taxes),

b. Cumulative returns for COMPOSITE and BENCHMARKS for all periods,

c. Equal-weighted mean and median returns for each COMPOSITE,

d. Graphs and charts presenting specific information REQUIRED or RECOMMENDED under the GIPS standards,

e. Returns for quarterly and/or shorter time periods,

f. Annualized COMPOSITE and BENCHMARK returns for periods greater than 12 months,

g. COMPOSITE-level country and sector weightings.

5.B.2 It is RECOMMENDED that FIRMS present relevant COMPOSITE-level risk measures, such as beta, tracking error, modified duration, information ratio, Sharpe ratio, Treynor ratio, credit ratings, value at risk (VaR), and volatility, over time of the COMPOSITE and BENCHMARK. [corrected September 2005]

5.B.3 After presenting the REQUIRED 5 years of compliant historical performance, the FIRM is encouraged to bring any remaining portion of its *historical* track record into compliance with the GIPS standards. (This does not preclude the REQUIREMENT that the FIRM MUST add annual performance to its track record on an *on-going* basis to build a 10-year track record.)

6. REAL ESTATE

Following are provisions that apply to the calculation and presentation of REAL ESTATE assets. The REAL ESTATE provisions supplement all the REQUIRED and RECOMMENDED elements of the GIPS standards (outlined in Section II.0. through Section II.5.), except the REAL ESTATE provisions that override the existing GIPS provisions for valuation: II.6.A.1, II.6.A.2, II.6.B.1, and II.6.B.2. Investment types not considered as REAL ESTATE and, therefore, addressed elsewhere in the general provisions of the GIPS standards include: [corrected January 2006]

- Publicly traded REAL ESTATE securities, including any listed securities issued by public companies,
- Commercial mortgage-backed securities (CMBS),
- Private debt investments, including commercial and residential loans where the expected return is solely related to contractual interest rates without any participation in the economic performance of the underlying REAL ESTATE.

If a PORTFOLIO includes a mix of REAL ESTATE and other investments that are not REAL ESTATE, then these REQUIREMENTS and RECOMMENDATIONS only apply to the REAL ESTATE portion of the PORTFOLIO, and when the FIRM CARVES-OUT the REAL ESTATE portion of the PORTFOLIO, the GIPS CARVE-OUT provisions (see II.3.A.7) MUST also be applied.

6.A Real Estate Input Data — Requirements

6.A.1 REAL ESTATE investments MUST be valued at MARKET VALUE at least once every 12 months. For periods beginning 1 January 2008, REAL ESTATE investments MUST be valued at least quarterly.

6.A.2 REAL ESTATE investments MUST be valued by an external PROFESSIONALLY DESIGNATED, CERTIFIED, OR LICENSED COMMERCIAL PROPERTY VALUER/APPRAISER at least once every 36 months. In markets where neither professionally designated nor appropriately sanctioned valuers or appraisers are available and valuers or appraisers from other countries bearing such credentials do not commonly operate, then the party responsible for engaging such services locally shall take necessary steps to ensure that only well-qualified property valuers are used.

6.B Real Estate Input Data — Recommendations

6.B.1 REAL ESTATE investments SHOULD be valued at least quarterly.

6.B.2 REAL ESTATE investments SHOULD be valued by an external valuer or appraiser at least once every 12 months.

6.B.3 If calculating the INTERNAL RATE OF RETURN, FIRMS SHOULD use quarterly cash flows at a minimum.

6.A Real Estate Disclosures — Requirements

6.A.3 In addition to the other disclosure REQUIREMENTS of the GIPS standards, performance presentations for REAL ESTATE investments MUST disclose:

a The calculation methodology for component returns—that is, component returns are (1) calculated separately using chain-linked TIME-WEIGHTED RATES OF RETURN, or (2) adjusted such that the sum of the INCOME RETURN and the CAPITAL RETURN is equal to the TOTAL RETURN, [corrected September 2005]

b. The FIRM'S description of discretion,

c. The valuation methods and procedures (e.g., discounted cash flow valuation model, capitalized income approach, sales comparison approach, the valuation of debt payable in determining the value of leveraged REAL ESTATE),

d. The range of performance returns for the individual accounts in the COMPOSITE,

e. The source of the valuation (whether valued by an external valuer or INTERNAL VALUATION or whether values are obtained from a third-party manager) for each period,

f. The percent of total MARKET VALUE of COMPOSITE assets (asset weighted not equally weighted) to total REAL ESTATE assets valued by an EXTERNAL VALUATION for each period, and [corrected September 2005]

g. The frequency REAL ESTATE investments are valued by external valuers.

6.B Real Estate Disclosures — Recommendations

6.B.4 If since-inception INTERNAL RATE OF RETURN performance results are shown, the FIRM SHOULD disclose the time period that is covered as well as the frequency of the cash flows used in the calculation.

6.A Real Estate Presentation and Reporting — Requirements

6.A.4 The income and capital appreciation component returns MUST be presented in addition to TOTAL RETURN.

6.B Real Estate Presentation and Reporting — Recommendations

6.B.5 When available, the capital and income segments of the appropriate REAL ESTATE BENCHMARK SHOULD be presented.

6.B.6 It is RECOMMENDED that FIRMS present the since-inception INTERNAL RATE OF RETURN for the COMPOSITE.

6.B.7 It is RECOMMENDED that the following items be presented, especially in those circumstances when the investment manager has the ability to control the timing of investor capital call tranches during the fund's or PORTFOLIO'S initial acquisition period:

a. GROSS- and NET-OF-FEES (including incentive allocations) annualized since inception TIME-WEIGHTED RATE OF RETURN and INTERNAL RATE OF RETURN (terminal value based on ENDING MARKET VALUE net assets of the COMPOSITE) to the last year reported for the COMPOSITE.

b. GROSS- and NET-OF-FEES (including incentive allocations) annualized since inception TIME-WEIGHTED RATE OF RETURN and INTERNAL RATE OF RETURN (based on realized cash flows only, excluding unrealized gains) to the last year reported for the COMPOSITE.

c. In addition, other performance measures may provide additional useful information for both prospective and existing investors. The GIPS PRIVATE EQUITY Provisions (See GIPS standards II.7) provide guidance with regard to such additional measures as investment and REALIZATION MULTIPLES and ratios relating to PAID-IN-CAPITAL.

7. PRIVATE EQUITY

Following are provisions that apply to the calculation and presentation of PRIVATE EQUITY investments other than OPEN-END or EVERGREEN FUNDS (which MUST follow the main GIPS provisions). The PRIVATE EQUITY provisions supplement all the REQUIRED and RECOMMENDED elements of the GIPS standards (outlined in Section II.0. through Section II.5), except these PRIVATE EQUITY provisions that override the existing GIPS provisions for valuation (II.7.A.1 and II.7.B.1), calculation methodology (II.7.A.2 and II.7.A.3), fees (II.7.A.4 and II.7.A.5), and presentation and reporting of returns (II.7.A.20). [corrected January 2006]

7.A Private Equity Input Data — Requirements

7.A.1 PRIVATE EQUITY investments MUST be valued (preferably quarterly but at least annually) according to the GIPS PRIVATE EQUITY Valuation Principles provided in Appendix D.

7.B Private Equity Input Data — Recommendations

7.B.1 PRIVATE EQUITY investments SHOULD be valued quarterly.

7.A Private Equity Calculation Methodology — Requirements

7.A.2 FIRMS MUST calculate the annualized since-inception INTERNAL RATE OF RETURN (SI-IRR).

7.A.3 The annualized SI-IRR MUST be calculated using either daily or monthly cash flows and the period-end valuation of the unliquidated remaining holdings. Stock DISTRIBUTIONS MUST be valued at the time of DISTRIBUTION.

7.A.4 NET-OF-FEES RETURNS MUST be net of INVESTMENT MANAGEMENT FEES, CARRIED INTEREST, and TRANSACTION EXPENSES.

7.A.5 For INVESTMENT ADVISORS, all returns MUST be net of all underlying partnership and/or fund fees and CARRIED INTEREST. NET-OF-FEES RETURNS MUST, in addition, be net of all the INVESTMENT ADVISOR'S fees, expenses, and CARRIED INTEREST.

7.A. Private Equity Composite Construction — Requirements

7.A.6 All CLOSED-END PRIVATE EQUITY investments, including, but not limited to, fund of funds, partnerships, or DIRECT INVESTMENTS, MUST be included in a COMPOSITE defined by strategy and VINTAGE YEAR.

7.A.7 Partnership/fund investments, DIRECT INVESTMENTS, and OPEN-END PRIVATE EQUITY investments (e.g., EVERGREEN FUNDS) MUST be in separate COMPOSITES.

7.A. Private Equity Disclosures — Requirements

7.A.8 FIRMS MUST disclose the VINTAGE YEAR of the COMPOSITE.

7.A.9 For all closed (discontinued) COMPOSITES, FIRMS MUST disclose the final realization (liquidation) date of the COMPOSITE.

7.A.10 FIRMS MUST disclose the unrealized appreciation/depreciation of the COMPOSITE for the most recent period.

7.A.11 FIRMS MUST disclose the total COMMITTED CAPITAL of the COMPOSITE for the most recent period.

7.A.12 For the most recent period, FIRMS MUST disclose the valuation methodologies used to value their PRIVATE EQUITY investments. If any change occurs in either valuation basis or methodology from the prior period, the change MUST be disclosed.

7.A.13 If the presentation complies with any local or regional valuation guidelines in addition to the GIPS PRIVATE EQUITY Valuation Principles, FIRMS MUST disclose which local or regional guidelines have been used.

7.A.14 FIRMS MUST document the FIRM'S valuation review procedures and disclose that the procedures are available upon request.

7.A.15 FIRMS MUST disclose the definition of the COMPOSITE investment strategy (e.g., early stage, development, buy-outs, generalist, turnaround, mezzanine, geography, middle market, and large transaction).

7.A.16 If a BENCHMARK is used, FIRMS MUST disclose the calculation methodology used for the BENCHMARK.

7.A.17 If a valuation basis other than FAIR VALUE is used to value investments within the COMPOSITE, FIRMS MUST disclose for the most recent period presented their justification for why FAIR VALUE is not applicable. Additionally, FIRMS MUST disclose the following:

a. The carrying value of non-FAIR-VALUE-basis investments relative to total fund.

b. The number of holdings valued on a non-FAIR-VALUE basis.

c. The absolute value of the non-FAIR-VALUE-basis investments.

7.A.18 FIRMS MUST disclose whether they are using daily or monthly cash flows in the SI-IRR calculation.

7.A.19 If a FIRM does not use a calendar year period-end, a disclosure MUST be made indicating the period-end used.

7.A Private Equity Presentation and Reporting — Requirements

7.A.20 FIRMS MUST present both the NET-OF-FEES and GROSS-OF-FEES annualized SI-IRR of the COMPOSITE for each year since inception.

7.A.21 For each period presented, FIRMS MUST report:

a. PAID-IN CAPITAL to date (cumulative DRAWDOWN),

b. Total current INVESTED CAPITAL, and

c. Cumulative DISTRIBUTIONS to date.

7.A.22 For each period presented, FIRMS MUST report the following multiples:

a. TOTAL VALUE to PAID-IN CAPITAL (INVESTMENT MULTIPLE or TVPI),

b. Cumulative DISTRIBUTIONS to PAID-IN CAPITAL (REALIZATION MULTIPLE or DPI),

c. PAID-IN CAPITAL to COMMITTED CAPITAL (PIC MULTIPLE), and

d. RESIDUAL VALUE TO PAID-IN CAPITAL (RVPI).

7.A.23 If a BENCHMARK is shown, the cumulative annualized SI-IRR for the BENCHMARK that reflects the same strategy and VINTAGE YEAR of the COMPOSITE MUST be presented for the same periods for which the COMPOSITE is presented. If no BENCHMARK is shown, the presentation MUST explain why no BENCHMARK is disclosed.

7.B Private Equity Presentation and Reporting — Recommendations

7.B.2 FIRMS SHOULD present the average holding period of the investments (PORTFOLIO companies) over the life of the COMPOSITE.

III. VERIFICATION

The primary purpose of verification is to establish that a FIRM claiming compliance with the GIPS standards has adhered to the Standards. Verification will also increase the understanding and professionalism of performance measurement teams and consistency of presentation of performance results.

The verification procedures attempt to strike a balance between ensuring the quality, accuracy, and relevance of performance presentations and minimizing the cost to FIRMS of independent review of performance results. FIRMS SHOULD assess the benefits of improved internal processes and procedures, which are as significant as the marketing advantages of verification.

The goal of the IPC in drafting the verification procedures is to encourage broad acceptance of verification.

Verification is strongly encouraged and is expected to become mandatory at a future date. The IPC will re-evaluate all aspects of mandatory verification by 2010 and provide the industry sufficient time to implement any changes.

A. SCOPE AND PURPOSE OF VERIFICATION

1. Verification is the review of an investment management FIRM'S performance measurement processes and procedures by an independent third-party "verifier." Verification tests:

   a. Whether the FIRM has complied with all the COMPOSITE construction REQUIREMENTS of the GIPS standards on a FIRM-wide basis, and

   b. Whether the FIRM'S processes and procedures are designed to calculate and present performance results in compliance with the GIPS standards.

   A single verification report is issued in respect of the whole FIRM; verification cannot be carried out for a single COMPOSITE.

2. Third-party verification brings credibility to the claim of compliance and supports the overall guiding principles of full disclosure and fair representation of investment performance.

3. The initial minimum period for which verification can be performed is 1 year of a FIRM'S presented performance. The RECOMMENDED period over which verification is performed is that part of the FIRM'S track record for which GIPS compliance is claimed.

4. A verification report must confirm that:

   a. The FIRM has complied with all the COMPOSITE construction REQUIREMENTS of the GIPS standards on a FIRM-wide basis, and

   b. The FIRM'S processes and procedures are designed to calculate and present performance results in compliance with the GIPS standards.

Without such a report from the verifier, the FIRM cannot state that its claim of compliance with the GIPS standards has been verified.

5. After performing the verification, the verifier may conclude that the FIRM is not in compliance with the GIPS standards or that the records of the FIRM cannot support a complete verification. In such situations, the verifier must issue a statement to the FIRM clarifying why a verification report was not possible.

6. A principal verifier may accept the work of a local or previous verifier as part of the basis for the principal verifier's opinion.

7. The minimum GIPS verification procedures are described in section III.B Required Verification Procedures.

B. REQUIRED VERIFICATION PROCEDURES

The following are the minimum procedures that verifiers must follow when verifying an investment FIRM'S compliance with the GIPS standards. Verifiers must follow these procedures prior to issuing a verification report to the FIRM:

1. Pre-verification Procedures

   a. Knowledge of the FIRM: Verifiers must obtain selected samples of the FIRM'S investment performance reports and other available information regarding the FIRM to ensure appropriate knowledge of the FIRM.

   b. Knowledge of GIPS Standards: Verifiers must understand all the REQUIREMENTS and RECOMMENDATIONS of the GIPS standards, including any updates, reports, guidance statements, interpretations, and clarifications published by CFA Institute and the Investment Performance Council, which will be made available via the CFA Institute website (www.cfainstitute.org) as well as the *GIPS Handbook*. All clarification and update information must be considered when determining a FIRM'S claim of compliance.

   c. Knowledge of the Performance Standards: Verifiers must be knowledgeable of country-specific laws and regulations applicable to the FIRM and must determine any differences between the GIPS standards and the country-specific laws and regulations.

   d. Knowledge of FIRM Policies: Verifiers must determine the FIRM'S assumptions and policies for establishing and maintaining compliance with all applicable REQUIREMENTS of the GIPS standards. At a minimum, verifiers must determine the following policies and procedures of the FIRM:

      i. Policy with regard to investment discretion. The verifier must receive from the FIRM, in writing, the FIRM'S definition of investment discretion and the FIRM'S guidelines for determining whether accounts are fully discretionary;
      ii. Policy with regard to the definition of COMPOSITES according to investment strategy. The verifier must obtain the FIRM'S list of COMPOSITE DEFINITIONS with written criteria for including accounts in each COMPOSITE;
      iii. Policy with regard to the timing of inclusion of new accounts in the COMPOSITES;
      iv. Policy with regard to timing of exclusion of closed accounts in the COMPOSITES;
      v. Policy with regard to the accrual of interest and dividend income;
      vi. Policy with regard to the market valuation of investment securities;

vii. Method for computing the TIME-WEIGHTED-RATE OF RETURN for the portfolio;
viii. Assumptions on the timing of capital inflows/outflows;
ix. Method for computing COMPOSITE returns;
x. Policy with regard to the presentation of COMPOSITE returns;
xi. Policies regarding timing of implied taxes due on income and realized capital gains for reporting performance on an after-tax basis;
xii. Policies regarding use of securities/countries not included in a COMPOSITE'S BENCHMARK;
xiii. Use of leverage and other derivatives; and
xiv. Any other policies and procedures relevant to performance presentation.

e. Knowledge of Valuation Basis for Performance Calculations: Verifiers must ensure that they understand the methods and policies used to record valuation information for performance calculation purposes. In particular, verifiers must determine that:

i. The FIRM'S policy on classifying fund flows (e.g., injections, disbursements, dividends, interest, fees, and taxes) is consistent with the desired results and will give rise to accurate returns;
ii. The FIRM'S accounting treatment of income, interest, and dividend receipts is consistent with cash account and cash accruals definitions;
iii. The FIRM'S treatment of taxes, tax reclaims, and tax accruals is correct and the manner used is consistent with the desired method (i.e., gross- or net-of-tax return);
iv. The FIRM'S policies on recognizing purchases, sales, and the opening and closing of other positions are internally consistent and will produce accurate results; and
v. The FIRM'S accounting for investments and derivatives is consistent with the GIPS standards.

2. Verification Procedures

a. Definition of the FIRM: Verifiers must determine that the FIRM is, and has been, appropriately defined.

b. COMPOSITE Construction. Verifiers must be satisfied that:

i. The FIRM has defined and maintained COMPOSITES according to reasonable guidelines in compliance with the GIPS standards;
ii. All the FIRM'S actual discretionary fee-paying PORTFOLIOS are included in a COMPOSITE;
iii. The FIRM'S definition of discretion has been consistently applied over time;
iv. At all times, all accounts are included in their respective COMPOSITES and no accounts that belong in a particular COMPOSITE have been excluded;
v. COMPOSITE BENCHMARKS are consistent with COMPOSITE DEFINITIONS and have been consistently applied over time;
vi. The FIRM'S guidelines for creating and maintaining COMPOSITES have been consistently applied; and
vii. The FIRM'S list of COMPOSITES is complete.

c. Nondiscretionary Accounts. Verifiers must obtain a listing of all FIRM PORTFOLIOS and determine on a sampling basis whether the manager's classification of the account as discretionary or nondiscretionary is appropriate by referring to the account's agreement and the FIRM'S written guidelines for determining investment discretion.

d. Sample Account Selection: Verifiers must obtain a listing of open and closed accounts for all COMPOSITES for the years under examination. Verifiers may check compliance with the GIPS standards using a selected sample of a FIRM'S accounts. Verifiers SHOULD consider the following criteria when selecting the sample accounts for examination:

   i. Number of COMPOSITES at the FIRM;
   ii. Number of PORTFOLIOS in each COMPOSITE;
   iii. Nature of the COMPOSITE;
   iv. Total assets under management;
   v. Internal control structure at the FIRM (system of checks and balances in place);
   vi Number of years under examination; and
   vii Computer applications, software used in the construction and maintenance of COMPOSITES, the use of external performance measurers, and the calculation of performance results.

This list is not all-inclusive and contains only the minimum criteria that SHOULD be used in the selection and evaluation of a sample for testing. For example, one potentially useful approach would be to choose a PORTFOLIO for the study sample that has the largest impact on COMPOSITE performance because of its size or because of extremely good or bad performance. The lack of explicit record keeping or the presence of errors may warrant selecting a larger sample or applying additional verification procedures.

e. Account Review: For selected accounts, verifiers must determine:

   i. Whether the timing of the initial inclusion in the COMPOSITE is in accordance with policies of the FIRM;
   ii. Whether the timing of exclusion from the COMPOSITE is in accordance with policies of the FIRM for closed accounts;
   iii. Whether the objectives set forth in the account agreement are consistent with the manager's COMPOSITE DEFINITION as indicated by the account agreement, PORTFOLIO summary, and COMPOSITE DEFINITION;
   iv. The existence of the accounts by tracing selected accounts from account agreements to the COMPOSITES;
   v. That all PORTFOLIOS sharing the same guidelines are included in the same COMPOSITE; and
   vi. That shifts from one COMPOSITE to another are consistent with the guidelines set forth by the specific account agreement or with documented guidelines of the FIRM'S clients.

f. Performance Measurement Calculation: Verifiers must determine whether the FIRM has computed performance in accordance with the policies and assumptions adopted by the FIRM and disclosed in its presentations. In doing so, verifiers SHOULD:

   i. Recalculate rates of return for a sample of accounts in the FIRM using an acceptable return formula as prescribed by the GIPS standards (e.g., TIME-WEIGHTED RATE OF RETURN); and

ii. Take a reasonable sample of COMPOSITE calculations to assure themselves of the accuracy of the asset weighting of returns, the geometric linking of returns to produce annual rates of returns, and the calculation of the DISPERSION of individual returns around the aggregate COMPOSITE return.

g. Disclosures: Verifiers must review a sample of COMPOSITE presentations to ensure that the presentations include the information and disclosures REQUIRED by the GIPS standards.

h. Maintenance of Records: The verifier must maintain sufficient information to support the verification report. The verifier must obtain a representation letter from the client FIRM confirming major policies and any other specific representations made to the verifier during the examination.

C. DETAILED EXAMINATIONS OF INVESTMENT PERFORMANCE PRESENTATIONS

Separate from a GIPS verification, a FIRM may choose to have a further, more extensive, specifically focused examination (or performance audit) of a specific COMPOSITE presentation.

FIRMS cannot make any claim that a particular COMPOSITE has been independently examined with respect to the GIPS standards unless the verifier has also followed the GIPS verification procedures set forth in section III.B. FIRMS cannot state that a particular COMPOSITE presentation has been "GIPS verified" or make any claim to that affect. GIPS verification relates only to FIRM-wide verification. FIRMS can make a claim of verification only after a verifier has issued a GIPS verification report.

To assert a verification report has been received, a detailed examination of a COMPOSITE presentation is not REQUIRED. Examinations of this type are unlikely to become a REQUIREMENT of the GIPS standards or become mandatory.

APPENDIX A — SAMPLE GIPS-COMPLIANT PRESENTATIONS

EXAMPLE 1:

Sample 1 Investment Firm
Balanced Composite
1 January 1995 through 31 December 2004

Year	Gross-of-Fees Return (percent)	Net-of-Fees Return (percent)	Benchmark Return (percent)	Number of Portfolios	Internal Dispersion (percent)	Total Composite Assets (CAD Million)	Total Firm Assets (CAD Million)
1995	16.0	15.0	14.1	26	4.5	165	236
1996	2.2	1.3	1.8	32	2.0	235	346
1997	22.4	21.5	24.1	38	5.7	344	529
1998	7.1	6.2	6.0	45	2.8	445	695
1999	8.5	7.5	8.0	48	3.1	520	839
2000	–8.0	–8.9	–8.4	49	2.8	505	1014
2001	–5.9	–6.8	–6.2	52	2.9	499	995
2002	2.4	1.6	2.2	58	3.1	525	1125
2003	6.7	5.9	6.8	55	3.5	549	1225
2004	9.4	8.6	9.1	59	2.5	575	1290

Sample 1 Investment Firm has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).

Notes:

1. Sample 1 Investment Firm is a balanced portfolio investment manager that invests solely in Canadian securities. Sample 1 Investment Firm is defined as an independent investment management firm that is not affiliated with any parent organization. For the periods from 2000 through 2004, Sample 1 Investment Firm has been verified by Verification Services Inc. A copy of the verification report is available upon request. Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request.
2. The composite includes all nontaxable balanced portfolios with an asset allocation of 30% S&P TSX and 70% Scotia Canadian Bond Index Fund, which allow up to a 10% deviation in asset allocation.
3. The benchmark: 30% S&P TSX; 70% Scotia Canadian Bond Index Fund rebalanced monthly.
4. Valuations are computed and performance reported in Canadian dollars.
5. Gross-of-fees performance returns are presented before management and custodial fees but after all trading expenses. Returns are presented net of nonreclaimable withholding taxes. Net-of-fees performance returns are calculated by deducting the highest fee of 0.25% from the quarterly gross composite return. The management fee schedule is as follows: 1.00% on first CAD25M; 0.60% thereafter.
6. This composite was created in February 1995. A complete list and description of firm composites is available upon request.
7. For the periods 1995 and 1996, Sample 1 Investment Firm was not in compliance with the GIPS standards because portfolios were valued annually.
8. Internal dispersion is calculated using the equal-weighted standard deviation of all portfolios that were included in the composite for the entire year.

EXAMPLE 2:

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 (ri) 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

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.

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.

EXAMPLE 3:

Schedule of Performance Results
Sample 3 Realty Management Firm
Core Real Estate Composite

January 1, 1995 through December 31, 2004

	Gross-of-Fees Returns					NCREIF		Year-End Composite				
Year	Income Return	Capital Return	TOTAL	Range of Returns	Composite Dispersion	Property Index Benchmark	Number of Portfolios	Net Assets (USD Million)	Percent Leveraged	External Valuation	Firm Total Net Assets (USD Million)	Percent of Firm Assets
1995	5.1%	-4.0%	0.8%	0.7-1.0	NA	-5.6%	<5	$ 79	43%	100%	$ 950	8%
1996	5.5%	-0.9%	4.5%	4.0-5.0	NA	-4.3%	<5	$ 143	49%	100%	$ 989	14%
1997	6.9%	-1.5%	5.3%	5.0-5.4	NA	1.4%	<5	$ 217	56%	100%	$ 1,219	18%
1998	8.1%	0.9%	9.1%	8.9-9.7	NA	6.4%	<5	$ 296	54%	100%	$ 1,375	22%
1999	8.9%	1.7%	10.8%	9.9-11.0	NA	7.5%	<5	$ 319	50%	100%	$ 1,425	22%
2000	9.0%	0.5%	9.6%	9.1-10.9	0.7	10.3%	5	$ 367	45%	100%	$ 1,532	24%
2001	9.1%	1.2%	10.5%	10.0-10.7	0.3	13.9%	5	$ 349	39%	100%	$ 1,712	20%
2002	7.9%	1.8%	9.9%	9.8-10.5	0.3	16.3%	6	$ 398	31%	100%	$ 1,796	22%
2003	8.5%	2.9%	11.5%	10.9-12.0	0.5	11.1%	6	$ 425	28%	100%	$ 1,924	22%
2004	8.2%	2.5%	10.8%	9.9-11.8	0.8	12.0%	7	$ 432	22%	100%	$ 1,954	22%
Annualized Since Inception Time-Weighted Returns:												
	7.7%	0.5%	8.0%			6.7%						
Annualized Since Inception Internal Rate of Return:												
			7.8%									

Example 3: Sample 3 Realty Management Firm

DISCLOSURES

Compliance Statement
Sample 3 Realty Management Firm has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).

The Firm
Sample 3 Realty Management Firm (the "Firm"), a subsidiary of ABC Capital, Inc., is a registered investment adviser under the Investment Advisors Act of 1940. The Firm exercises complete discretion over the selection, capitalization, asset management, and disposition of investments in wholly-owned properties and joint ventures. A complete list and description of the Firm's composites is available upon request.

The Composite
The Core Real Estate Composite (the "Composite") comprises all actual fee-paying discretionary portfolios managed by the Firm with a core investment and risk strategy with an income focus having a minimum initial portfolio size of $10 million. Portfolios that initially qualify are excluded later from the composite if their asset size decreases below the minimum requirement due to capital distributions. The Composite was created in 1998. Composite dispersion is measured using an asset-weighted standard deviation of returns of the portfolios.

Valuation
Assets are valued quarterly by the Firm and appraised annually by an independent Member of the Appraisal Institute. Both the internal and external property valuations rely primarily on the application of market discount rates to future projections of free cash flows (unleveraged cash flows) and capitalized terminal values over the expected holding period for each property. Property mortgages, notes, and loans are marked to market using prevailing interest rates for comparable property loans if the terms of existing loans preclude the immediate repayment of such loans. Loan repayment fees, if any, are considered in the projected year of sale.

Calculation of Performance Returns
Returns presented are denominated in United States dollars. Returns are presented net of leverage. Composite returns are calculated on an asset-weighted average basis using beginning-of-period values. Returns include cash and cash equivalents and related interest income. Income return is based on accrual recognition of earned income. Capital expenditures, tenant improvements, and lease commissions are capitalized and included in the cost of the property, are not amortized, and are reconciled through the valuation process and reflected in the capital return component. Income and capital returns may not equal total returns due to chain-linking of quarterly returns. Annual returns are time-weighted rates of return calculated by linking quarterly returns. For the annualized since-inception time-weighted return, terminal value is based on ending market value of net assets of the Composite. For the since-inception internal rate of return, contributions from and distributions to investors since January 1, 1995, and a terminal value equal to the composite's ending market value of net assets as of December 31, 2004, are used. The IRR is calculated using monthly cash flows. Additional information regarding policies for calculating and reporting returns in compliance with the GIPS standards is available upon request.

Investment Management Fees
Some of the portfolios pay incentive fees ranging between 10% and 20% of IRR in excess of established benchmarks. Current annual investment advisory fees are as follows:

Up to $30 million:	1.6%
$30 – $50 million:	1.3%
over $50 million:	1.0%

NCREIF Property Index Benchmark
The National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index benchmark has been taken from published sources. The NCREIF Property Index is unleveraged, includes various real estate property types, excludes cash and other nonproperty related assets and liabilities, income, and expenses. The calculation methodology for the index is not consistent with calculation methodology employed for the Composite because the benchmark computes the total return by adding the income and capital appreciation return on a quarterly basis.

EXAMPLE 4:

Sample 4 Private Equity Partners
Buy-Out Composite
1 January 1995 through 31 December 2002

Year	Annualized SI-IRR Gross-of-Fees (%)	Annualized SI-IRR Net-of-Fees (%)	Benchmark Return (%)	Composite Assets (USD$ mil)	Total Firm Assets (USD$ mil)
1995	(7.5)	(11.07)	(9.42)	4.31	357.36
1996	6.2	4.53	2.83	10.04	402.78
1997	13.8	10.10	14.94	14.25	530.51
1998	13.1	9.28	14.22	25.21	613.73
1999	53.2	44.53	37.43	54.00	871.75
2000	40.6	26.47	32.97	24.25	1,153.62
2001	29.9	21.86	27.42	8.25	1,175.69
2002	25.3	17.55	25.24	10.25	1,150.78

Year	Paid-In Capital (USD$ mil)	Invested Capital (USD$ mil)	Cumulative Distributions (USD$ mil)	Investment Multiple (TVPI)	Realization Multiple (DPI)	PIC	RVPI
1995	4.68	4.68	0.00	0.92	0.00	0.19	0.92
1996	9.56	9.56	0.00	1.05	0.00	0.38	1.05
1997	14.54	12.91	2.55	1.16	0.18	0.58	0.98
1998	23.79	22.15	2.55	1.17	0.11	0.95	1.06
1999	25.00	19.08	15.78	2.79	0.63	1.00	2.16
2000	25.00	17.46	27.44	2.07	1.10	1.00	0.97
2001	25.00	14.89	39.10	1.89	1.56	1.00	0.33
2002	25.00	13.73	41.25	2.06	1.65	1.00	0.41

TVPI = Total Value to Paid-In Capital
DPI = Distributed Capital to Paid-In Capital
PIC = Paid-In Capital to Committed Capital
RVPI = Residual Value to Paid-In Capital

Sample 4 Private Equity Partners has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).

Example 4: Sample 4 Private Equity Partners

DISCLOSURES

Sample 4 Private Equity Partners is an independent private equity investment firm, having offices in London, New York, and San Francisco. The Sample 4 Buy-Out Composite invests in private equity buyouts and was created in January 1995.

The Sample 4 Buy-Out Composite complies with the XYZ Venture Capital Association's valuation guidelines. Valuations are prepared by Sample 4's valuations committee and reviewed by an independent advisory board. Sample 4 follows the fair value basis of valuation as recommended in the GIPS Private Equity Valuation Principles. All investments within the Sample 4 Buy-Out Composite are valued either using a most recent transaction or an earnings multiple. Sample 4's valuation review procedures are available upon request.

The GP-BO index is used as the benchmark and is constructed as the QRS index return plus 500 basis points. The benchmark return is calculated using monthly cash flows. There is only one fund in the composite for all time periods, and the dispersion of portfolio returns within the composite, therefore, is zero for all years.

The vintage year of the Sample 4 Buy-Out Fund is 1995, and total committed capital is USD$25 million. The total composite assets (unrealized gains) are USD$10.25 million as of 31 December 2002.

The fund's SI-IRR calculation incorporates monthly cash flows.

The standard fee schedule currently in effect is as follows: 1.00% of assets under management. In addition, there is a 20% incentive fee for all assets. The incentive fee is applied to the value added in excess of fees, expenses, and the return of the GP-BO Index.
[corrected October 2006]

A complete list of firm composites and composite performance results is available upon request. Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request.

APPENDIX B — SAMPLE LIST AND DESCRIPTION OF COMPOSITES

Sample Asset Management Firm

<u>List and Description of Composites</u>

The **Small Cap Growth Composite** includes all institutional portfolios invested in U.S. equities with strong earnings and growth characteristics and small capitalizations. The benchmark is the Russell 2000® Growth Index.

The **Large Cap Growth Composite** includes all institutional portfolios invested in U.S. equities with strong earnings and growth characteristics and large capitalizations. The benchmark is the Russell 1000® Growth Index.

The **Core Fixed Income Composite** includes all institutional portfolios invested in fixed securities. Portfolios within the composite will have a duration that is plus or minus 20 percent of the benchmark. The benchmark is the Lehman Brothers Aggregate Bond Index.

The **Intermediate Fixed Income Composite** includes all institutional portfolios invested in fixed securities. Portfolios within the composite will have a duration that is plus or minus 20 percent of the benchmark. The benchmark is the Lehman Brothers Intermediate Aggregate Bond Index.

The **High Yield Fixed Income Composite** includes all institutional portfolios invested in high yield debt securities. The benchmark is the Lehman Brothers U.S. Corporate High Yield Bond Index.

The **Balanced Growth Composite** includes all institutional balanced portfolios that have a 50–70% allocation to growth equities, with a typical allocation between 55–65%. The benchmark is 60% S&P 500® and 40% Lehman Brothers Aggregate Bond Index. Only portfolios greater than $5 million are included in the composite.

<u>Terminated Composites</u>

The **GARP Equity Composite** includes all institutional portfolios invested in growth stocks that are reasonably priced and valued “cheap” compared with their peers. The benchmark is the S&P 500® Index. The composite terminated in November 2003.

The **Small-Mid Cap Growth Composite** includes all institutional portfolios invested in U.S. equities with strong earnings and growth characteristics. The benchmark is the Russell 2500® Growth Index. The composite terminated in February 2004.

APPENDIX C — GIPS ADVERTISING GUIDELINES

A. PURPOSE OF THE GIPS ADVERTISING GUIDELINES

The Global Investment Performance Standards provide the investment community with a set of ethical standards for FIRMS to follow when presenting their performance results to potential clients. The Standards serve to provide greater uniformity and comparability among investment managers without regard to geographical location and to facilitate a dialogue between FIRMS and their prospective clients about the critical issues of how the FIRM achieved historical performance results and determines future investment strategies.

The GIPS Advertising Guidelines attempt to serve as industry global best practice for the advertisement of performance results. The GIPS Advertising Guidelines do not replace the GIPS standards nor do they absolve FIRMS from presenting performance presentations that adhere to the REQUIREMENTS of the full GIPS standards. The guidelines only apply to FIRMS that already satisfy all the REQUIREMENTS of the Standards on a FIRM-wide basis and claim compliance with the Standards. FIRMS that claim compliance can choose to advertise that claim using the GIPS Advertising Guidelines.

The guidelines are mandatory for FIRMS that include a claim of compliance with the GIPS Advertising Guidelines in their advertisements. The guidelines are voluntary for FIRMS that do not include a claim of compliance in their advertisements. All FIRMS are encouraged to abide by these ethical guidelines.

Definition of Advertisement
For the purposes of these guidelines, an advertisement includes any materials that are distributed to or designed for use in newspapers, magazines, FIRM brochures, letters, media, or any other written or electronic material addressed to more than one prospective client. Any written material (other than one-on-one presentations and individual client reporting) distributed to maintain existing clients or solicit new clients for an advisor is considered an advertisement.

Relationship of GIPS Advertising Guidelines to Regulatory Requirements
The GIPS Advertising Guidelines are guidelines that promote an ethical framework for advertisements. They do not change the scope of the activities of local regulatory bodies regarding the regulation of advertisements. FIRMS advertising performance results MUST also adhere to all applicable regulatory rules and requirements governing advertisements. FIRMS are encouraged to seek legal or regulatory counsel because it is likely that additional disclosures are REQUIRED. In cases where applicable law or regulation conflicts with the GIPS Advertising Guidelines, the guidelines REQUIRE FIRMS to comply with the law or regulation. FIRMS MUST disclose any conflicts between laws/regulations and the GIPS Advertising Guidelines.

The calculation and advertisement of pooled unitized products, such as mutual funds and open-ended investment companies, are regulated in most markets. These advertising guidelines are not intended to replace the regulations when a FIRM is advertising performance solely for a pooled unitized product. However, should a GIPS-compliant FIRM choose to advertise performance results, the FIRM MUST apply all applicable laws and regulations as well as the GIPS Advertising Guidelines in order to include a claim of compliance with the GIPS standards.

B. REQUIREMENTS OF THE GIPS ADVERTISING GUIDELINES

All advertisements that include a claim of compliance with the GIPS Advertising Guidelines MUST include the following:

1. A description of the FIRM.

2. How an interested party can obtain a presentation that complies with the REQUIREMENTS of GIPS standards and/or a list and description of all FIRM COMPOSITES.

3. The GIPS Advertising Guidelines compliance statement:

   [Insert name of firm] claims compliance with the Global Investment Performance Standards (GIPS®).

All advertisements that include a claim of compliance with the GIPS Advertising Guidelines and that present performance results MUST also include the following information (the relevant information MUST be taken/derived from a presentation that adheres to the REQUIREMENTS of the GIPS standards):

4. A description of the strategy of the COMPOSITE being advertised.

5. Period-to-date COMPOSITE performance results in addition to either:

   a. 1-, 3-, and 5-year cumulative annualized COMPOSITE returns with the end-of-period date clearly identified (or annualized period since COMPOSITE inception if inception is greater than 1 and less than 5 years). Periods of less than 1 year are not permitted to be annualized. The annualized returns MUST be calculated through the same period of time as presented in the corresponding compliant presentation; or

   b. 5 years of annual COMPOSITE returns with the end-of-period date clearly identified (or since COMPOSITE inception if inception is less than 5 years). The annual returns MUST be calculated through the same period of time as presented in the corresponding compliant presentation.

6. Whether performance is shown gross and/or net of INVESTMENT MANAGEMENT FEES.

7. The BENCHMARK TOTAL RETURN for the same periods for which the COMPOSITE return is presented and a description of that BENCHMARK. (The appropriate COMPOSITE BENCHMARK return is the same BENCHMARK TOTAL RETURN as presented in the corresponding GIPS-compliant presentation.) If no BENCHMARK is presented, the advertisement MUST disclose why no BENCHMARK is presented.

8. The currency used to express returns.

9. The description of the use and extent of leverage and derivatives if leverage or derivatives are used as an active part of the investment strategy (i.e., not merely for efficient PORTFOLIO management) of the COMPOSITE. Where leverage/derivatives do not have a material effect on returns, no disclosure is REQUIRED.

10. When presenting noncompliant performance information for periods prior to 1 January 2000 in an advertisement, FIRMS MUST disclose the period(s) and which specific information is not compliant as well as provide the reason(s) the information is not in compliance with the GIPS standards.

Additional and Supplemental Information

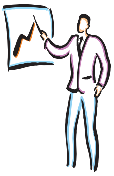
FIRMS are encouraged to present SUPPLEMENTAL INFORMATION or ADDITIONAL INFORMATION (in addition to the information REQUIRED under the GIPS Advertising Guidelines) provided the SUPPLEMENTAL INFORMATION is clearly labeled as such and shown with equal or lesser prominence than the information REQUIRED under the guidelines. Where such SUPPLEMENTAL INFORMATION is included for noncompliant periods, these periods MUST be disclosed together with an explanation of what information is not compliant and why it is not in compliance with the GIPS standards.

SUPPLEMENTAL and ADDITIONAL INFORMATION is the subject of the "Guidance Statement on the Use of Supplemental Information" and users should refer to that guidance for further clarification on how to disclose such data.

SAMPLE ADVERTISEMENTS

Sample Advertisement without Performance Returns

Sample 4 Investments



Sample 4 Investments is the institutional asset management division of Sample 4 Plc and is a registered investment advisory firm specializing in qualitative, growth-oriented investment management.

Sample 4 Investments claims compliance with the Global Investment Performance Standards (GIPS®).

To receive a complete list and description of Sample 4 Investments' composites and/or a presentation that adheres to the GIPS standards, contact John Doe at (800) 555-1234, or write to Sample 4 Investments, 123 Main Street, Resultland 12345, or e-mail jdoe@sample4investments.com

Sample Advertisement Including Performance Returns (1-, 3-, and 5-year annualized)

Sample 4 Investments: Global Equity Growth Composite Performance				
	Ending 31 Mar 04	Ending 31 Dec 03		
Results shown in US $ before fees	Period to Date (3 mths)	1 Year	3 Years per annum	5 Years per annum
Global Equity Growth	–3.84%	–19.05%	–14.98%	0.42%
MSCI World Index	–4.94%	–19.54%	–16.37%	–1.76%

Sample 4 Investments is the institutional asset management subsidiary of Sample 4 plc and is a registered investment advisor specializing in qualitative, growth-oriented investment management. The Global Equity Growth Composite strategy focuses on earnings, growth of earnings, and key valuation metrics.

Sample 4 Investments claims compliance with the Global Investment Performance Standards (GIPS®).

To receive a complete list and description of Sample 4 Investments' composites and/or a presentation that adheres to the GIPS standards, contact Jean Paul at +12 (034) 5678910, or write Sample 4 Investments, One Plain Street, Resultland 12KJ4, or jpaul@sample4inv.com.re.

OR the firm may present:

Sample Advertisement Including Performance Returns (5 years of annual returns)

Sample 4 Investments: Global Equity Growth Composite Performance						
Results are shown in US $ before fees	Period to Date (3 mths to 31 Mar 0 4)	31 Dec 2003	31 Dec 2002	31 Dec 2001	31 Dec 2000	31 Dec 1999
Global Equity Growth Composite	–3.84%	–19.05%	–17.05%	–8.47%	31.97%	25.87%
MSCI World Index	–4.94%	–19.54%	–16.52%	–12.92%	25.34%	24.80%

Sample 4 Investments is the institutional asset management subsidiary of Sample 4 plc and is a registered investment advisor specializing in qualitative, growth-oriented investment management. The Global Equity Growth Composite strategy focuses on earnings, growth of earnings, and key valuation metrics.

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APPENDIX D — PRIVATE EQUITY VALUATION PRINCIPLES

INTRODUCTION

Opinions among INVESTMENT ADVISORS, practitioners, and investors differ regarding the valuation of PRIVATE EQUITY assets. The margin of error for a particular valuation methodology may often be greater than the difference between alternative methodologies. The volatility of asset values is also often high, increasing the perception that a historical valuation was "wrong." Although cash-to-cash returns are the principal metric, PRIVATE EQUITY funds raise capital in part based on unrealized interim returns. The valuation of unrealized assets underpinning these interim returns is critical to this analysis.

Although many points are contested, some common ground exists:

- The PRIVATE EQUITY industry must strive to promote integrity and professionalism in order to improve investor confidence and self-regulation.
- Consistency and comparability are important in reporting to investors, and many aspects of valuation SHOULD be transparent. More information, however, does not always equal greater transparency, and there are legal and practical constraints on the dissemination of information.
- Each PRIVATE EQUITY investment is based on a set of assumptions. It is reasonable for investors to expect interim valuations to reflect factors that, at a minimum, adversely impact these assumptions.
- When a PRIVATE EQUITY asset becomes publicly traded, arguments against interim valuations fall away, although practical considerations may remain where there are restrictions on trading or trading volumes are low.

Beyond these issues are the debates on valuation basis and methodology. The move toward a FAIR VALUE basis has been gathering momentum in most areas of financial reporting. Particularly for early stage venture investments that may not achieve profitability for a number of years, practical problems remain and the utility of the FAIR VALUE basis must garner greater support before a consensus on detailed guidelines is likely to be possible.

GUIDELINES FOR VALUATION

The following MUST be applied to all forms of investment vehicles making PRIVATE EQUITY investments. These principles do not apply to OPEN-END or EVERGREEN FUNDS.

1. Valuations MUST be prepared with integrity and professionalism by individuals with appropriate experience and ability under the direction of senior management.

2. FIRMS MUST document their valuation review procedures.

3. FIRMS MUST create as much transparency as deemed possible in relation to the valuation basis used to value fund investments. For the latest period presented, the valuation methodologies used to value PRIVATE EQUITY investments MUST be clearly disclosed, including all key assumptions.

4. The basis of valuation MUST be logically cohesive and applied rigorously. Although a FAIR VALUE basis is RECOMMENDED, all valuations MUST, at a minimum, recognize when assets have suffered a diminution in value. (Please see the Additional Considerations section for further guidance on diminution circumstances.)

5. Valuations MUST be prepared on a consistent and comparable basis from one reporting period to the next. If any change is deemed appropriate in either valuation basis or method, the change MUST be explained. When such a change gives rise to a material alteration in the valuation of the investments, the effect of the change SHOULD also be disclosed.

6. Valuations MUST be prepared at least annually. (Quarterly valuations are RECOMMENDED.)

FAIR VALUE RECOMMENDATION

It is RECOMMENDED that the FAIR VALUE basis, which is consistent with international financial reporting principles, be used to value PRIVATE EQUITY investments. This valuation SHOULD represent the amount at which an asset could be acquired or sold in a current transaction between willing parties in which the parties each acted knowledgeably, prudently, and without compulsion.

The accuracy with which the value of an individual PRIVATE EQUITY asset can be determined will generally have substantial uncertainty. Consequently, it is RECOMMENDED that a valuation method that involves the least number of estimates is preferred over another method that introduces additional subjective assumptions. However, if the latter method results in more accurate and meaningful valuation, then it SHOULD be used instead of the former method.

Valuation Hierarchy

The following hierarchy of FAIR VALUE methodologies SHOULD be followed when valuing PRIVATE EQUITY investments:

1. <u>Market Transaction</u>
   Where a recent independent third-party transaction has occurred involving a material investment as part of a new round of financing or sale of equity, it would provide the most appropriate indication of FAIR VALUE.

2. <u>Market-Based Multiples</u>
   In the absence of any such third-party transactions continuing to have relevance, the FAIR VALUE of an investment may be calculated using earnings or other market-based multiples. The particular multiple used SHOULD be appropriate for the business being valued. Market-based multiples include, but are not limited to, the following: price to earnings, enterprise value to EBIT, enterprise value to EBITDA, and so on.

3. <u>Discounted Expected Future Cash Flows</u>
   This method SHOULD represent the present value of risk-adjusted expected cash flows, discounted at the risk-free rate.

Additional Considerations

1. Where a third-party transaction has taken place other than at arm's length, or where the new investor's objectives in making the investment are largely strategic in nature (i.e. the new investor was not acting solely as a financial investor), the manager SHOULD consider ignoring the valuation or applying an appropriate discount to it.

2. A material diminution in the value of an investment may result from, among other things, a breach of covenant, failure to service debt, a filing for creditor protection or bankruptcy, major lawsuit (particularly concerning intellectual property rights), or a loss or change of management. Other events may include fraud within the

company, a material devaluation in an investment currency that is different from the fund currency, substantial changes in quoted market conditions, or any event resulting in profitability falling significantly below the levels at the time of investment or the company performing substantially and consistently behind plan. Estimating the extent of the diminution in most cases will generally involve both quantitative and qualitative analysis and SHOULD be performed with as much diligence as possible.

3. The FIRM SHOULD have policies in place for informing clients/prospects when a material diminution has taken place within the PORTFOLIO. Waiting until a quarterly update may often not provide the prospective investor with this critical information soon enough to make an informed decision.

4. Within the valuation hierarchy there will be certain industries where very specific valuation methodologies become applicable. Within the correct industry, either of these methods could be considered the primary valuation methodology in the absence of an applicable third-party transaction. Whenever one of these methods is used, the FIRM MUST justify the measure as representing the most appropriate and accurate method for calculating a FAIR VALUE.

    a. Net Assets: For FIRMS that derive a majority of their value from their underlying assets rather than the company's earnings, this method may be preferred.

    b. Industry BENCHMARKS: In particular industries, there are metrics, such as "price per subscriber", that can be used to derive the value of a FIRM. These measures are very specialized to the industries they represent and must not be carried over to more diversified FIRMS.

5. It is RECOMMENDED that valuations be reviewed by a qualified person or entity that is independent from the valuer. Such parties would include third-party experts, an independent advisory board, or a committee independent of the executives responsible for the valuations.

6. As stated in the Valuation Hierarchy section of this document, FAIR VALUE allows for the use of a recent transaction as the primary methodology for valuation. Accordingly, when an investment is first made, this "cost" represents the most recent transaction and, therefore, the FAIR VALUE. In this case, the cost is permitted to be used not because it represents the cost of the investment but, rather, because it represents the value of the most recent transaction.

Cost as a basis of valuation is only permitted when an estimate of FAIR VALUE cannot be reliably determined. Although a FAIR VALUE basis SHOULD always be attempted, the PRIVATE EQUITY Provisions do recognize that there may be situations when a non-FAIR-VALUE basis is necessary. Ultimately, FIRMS must keep in mind that investors make decisions based on FAIR VALUES, not out-of-date historical cost-based measures.

In any case, when a non-FAIR-VALUE basis is used, the FIRM MUST disclose its justification for why a FAIR VALUE basis cannot be applied. In addition, for each COMPOSITE, the FIRM MUST disclose the number of holdings to which a non-FAIR-VALUE basis is applied, the TOTAL VALUE of those holdings, and the value of those holdings as a percentage of the total COMPOSITE/fund assets.

7. Where companies have activities that span more than one sector, making it impractical to find comparable companies or sectors, each earnings stream may be valued independently. Sector average multiples, based on companies of comparable size, can be used where it is not practical or possible to identify a sufficient number of directly comparable companies.

8. The entry multiple(s) for an investment SHOULD only be used as a last resort when comparable quoted companies are not available.

9. All quasi-equity investments SHOULD be valued as equity unless their realizable value can be demonstrated to be other than the equity value.

10. When a PRIVATE EQUITY FIRM has invested in loan stock and preference shares alongside an equity investment, these instruments SHOULD not generally be valued on the basis of their yield. They SHOULD be valued at cost plus any premium or rolled up interest only to the extent it has fully accrued, less any provision/discount where appropriate.

APPENDIX E — GIPS GLOSSARY

The following definitions are solely for the purpose of interpreting the GIPS standards.

ACCRUAL ACCOUNTING The system of recording financial transactions as they come into existence as a legally enforceable claim, rather than when they settle.

ADDITIONAL INFORMATION Information that is REQUIRED or RECOMMENDED under the GIPS standards and is not considered as "SUPPLEMENTAL INFORMATION" for the purposes of compliance.

ADMINISTRATIVE FEES All fees other than the TRADING EXPENSES and the INVESTMENT MANAGEMENT FEE. ADMINISTRATIVE FEES include CUSTODY FEES, accounting fees, consulting fees, legal fees, performance measurement fees, or other related fees. These ADMINISTRATIVE FEES are typically outside the control of the investment management FIRM and are not included in either the GROSS-OF-FEES RETURN or the NET-OF-FEES RETURN. However, there are some markets and investment vehicles where ADMINISTRATIVE FEES are controlled by the FIRM. (See the term "BUNDLED FEE.")

BENCHMARK An independent rate of return (or hurdle rate) forming an objective test of the effective implementation of an investment strategy.

BUNDLED FEE A fee that combines multiple fees into one "bundled" fee. BUNDLED FEES can include any combination of management, transaction, custody, and other ADMINISTRATIVE FEES. Two specific examples of BUNDLED FEES are the wrap fee and the all-in fee.

All-In Fee Due to the universal banking system in some countries, asset management, brokerage, and custody are often part of the same company. This allows banks to offer a variety of choices to customers regarding how the fee will be charged. Customers are offered numerous fee models in which fees may be bundled together or charged separately. All-in fees can include any combination of INVESTMENT MANAGEMENT, TRADING EXPENSES, CUSTODY, and other ADMINISTRATIVE FEES.

Wrap Fee Wrap fees are specific to a particular investment product. The U.S. Securities and Exchange Commission (SEC) defines a wrap fee account (now more commonly known as a separately managed account or SMA) as "any advisory program under which a specified fee or fees not based upon transactions in a client's account is charged for INVESTMENT ADVISORY services (which may include PORTFOLIO management or advice concerning the selection of other investment advisers) and execution of client transactions." A typical separately managed account has a contract or contracts (and fee) involving a sponsor (usually a broker or independent provider) acting as the INVESTMENT ADVISOR, an investment management firm typically as the subadvisor, other services (custody, consulting, reporting, performance, manager selection, monitoring, and execution of trades), distributor, and the client (brokerage customer). Wrap fees can be all-inclusive, asset-based fees (which may include any combination of management, transaction, custody, and other ADMINISTRATIVE FEES).

CAPITAL EMPLOYED (REAL ESTATE)	The denominator of the return expressions, defined as the "weighted-average equity" (weighted-average capital) during the measurement period. CAPITAL EMPLOYED SHOULD not include any income or CAPITAL RETURN accrued during the measurement period. Beginning capital is adjusted by weighting the cash flows (contributions and distributions) that occurred during the period. Cash flows are typically weighted based on the actual days the flows are in or out of the PORTFOLIO. Other weighting methods are acceptable; however, once a methodology is chosen, it SHOULD be consistently applied.
CAPITAL RETURN (REAL ESTATE)	The change in the MARKET VALUE of the REAL ESTATE investments and cash/cash equivalent assets held throughout the measurement period (ENDING MARKET VALUE less beginning MARKET VALUE) adjusted for all capital expenditures (subtracted) and the net proceeds from sales (added). The return is computed as a percentage of the CAPITAL EMPLOYED through the measurement period. Synonyms: capital appreciation return, appreciation return.
CARRIED INTEREST (PRIVATE EQUITY)	The profits that GENERAL PARTNERS earn from the profits of the investments made by the fund (generally 20–25%). Also known as "carry."
CARVE-OUT	A single or multiple asset class segment of a multiple asset class PORTFOLIO.
CLOSED-END FUND (PRIVATE EQUITY)	A type of investment fund where the number of investors and the total COMMITTED CAPITAL is fixed and not open for subscriptions and/or redemptions.
COMMITTED CAPITAL (PRIVATE EQUITY)	Pledges of capital to a VENTURE CAPITAL fund. This money is typically not received at once but drawn down over three to five years, starting in the year the fund is formed. Also known as "commitments."
COMPOSITE	Aggregation of individual PORTFOLIOS representing a similar investment mandate, objective, or strategy.
COMPOSITE CREATION DATE	The date when the FIRM first groups the PORTFOLIOS to create a COMPOSITE. The COMPOSITE CREATION DATE is not necessarily the earliest date for which performance is reported for the COMPOSITE. (See COMPOSITE INCEPTION DATE.)
COMPOSITE DEFINITION	Detailed criteria that determine the allocation of portfolios to COMPOSITES. COMPOSITE DEFINITIONS MUST be documented in the FIRM'S policies and procedures.
COMPOSITE DESCRIPTION	General information regarding the strategy of the COMPOSITE. A description may be more abbreviated than the COMPOSITE DEFINITION but includes all salient features of the COMPOSITE.
COMPOSITE INCEPTION DATE	The earliest date for which performance is reported for the COMPOSITE. The COMPOSITE INCEPTION DATE is not necessarily the date the PORTFOLIOS are grouped together to create a COMPOSITE. Instead, it is the initial date of the performance record. (See COMPOSITE CREATION DATE.)

CUSTODY FEES — The fees payable to the custodian for the safekeeping of the PORTFOLIO'S assets. CUSTODY FEES typically contain an asset-based portion and a transaction-based portion of the fee. The total CUSTODY FEE may also include charges for additional services, including accounting, securities lending, or performance measurement. CUSTODY FEES that are charged per transaction SHOULD be included in the CUSTODY FEE and not included as part of the TRADING EXPENSES.

DIRECT INVESTMENTS (PRIVATE EQUITY) — An investment made directly in VENTURE CAPITAL or PRIVATE EQUITY assets (i.e., not via a partnership or fund).

DISPERSION — A measure of the spread of the annual returns of individual PORTFOLIOS within a COMPOSITE. Measures may include, but are not limited to, high/low, inter-quartile range, and standard deviation (asset weighted or equal weighted).

DISTINCT BUSINESS ENTITY — A unit, division, department, or office that is organizationally and functionally segregated from other units, divisions, departments, or offices and retains discretion over the assets it manages and should have autonomy over the investment decision-making process. Possible criteria that can be used to determine this include:

- being a legal entity
- having a distinct market or client type (e.g., institutional, retail, private client, etc.)
- using a separate and distinct investment process

[corrected August 2005]

DISTRIBUTION (PRIVATE EQUITY) — Cash or the value of stock disbursed to the LIMITED PARTNERS of a venture fund.

DRAWDOWN (PRIVATE EQUITY) — After the total COMMITTED CAPITAL has been agreed upon between the GENERAL PARTNER and the LIMITED PARTNERS, the actual transfer of funds from the LIMITED PARTNERS' to the GENERAL PARTNERS' control in as many stages as deemed necessary by the GENERAL PARTNER is referred to as the drawdown.

ENDING MARKET VALUE (PRIVATE EQUITY) — The remaining equity that a LIMITED PARTNER has in a fund. Also referred to as net asset value or RESIDUAL VALUE.

EVERGREEN FUND (PRIVATE EQUITY) — An OPEN-END FUND that allows for on-going investment and/or redemption by investors. Some EVERGREEN FUNDS reinvest profits in order to ensure the availability of capital for future investments.

EX-ANTE — Before the fact. (See EX-POST.)

EX-POST — After the fact. (See EX-ANTE.)

EXTERNAL CASH FLOW — Cash, securities, or assets that enter or exit a PORTFOLIO.

EXTERNAL VALUATION (REAL ESTATE)
An EXTERNAL VALUATION is an assessment of MARKET VALUE performed by a third party who is a qualified, PROFESSIONALLY DESIGNATED, CERTIFIED, OR LICENSED COMMERCIAL PROPERTY VALUER/APPRAISER. EXTERNAL VALUATIONS MUST be completed following the valuation standards of the local governing appraisal body.

FAIR VALUE
The amount at which an asset could be acquired or sold in a current transaction between willing parties in which the parties each acted knowledgeably, prudently, and without compulsion.

FEE SCHEDULE
The FIRM'S current INVESTMENT MANAGEMENT FEES or BUNDLED FEES for a particular presentation. This schedule is typically listed by asset level ranges and should be appropriate to the particular prospective client. [corrected September 2005]

FINAL REALIZATION DATE (PRIVATE EQUITY)
The date when a COMPOSITE is fully distributed.

FIRM
For purposes of the GIPS standards, the term "FIRM" refers to the entity defined for compliance with the GIPS standards. See the term "DISTINCT BUSINESS ENTITY."

GENERAL PARTNER (PRIVATE EQUITY)
(GP) a class of partner in a partnership. The GP retains liability for the actions of the partnership. In the PRIVATE EQUITY world, the GP is the fund manager and the LIMITED PARTNERS (LPs) are the institutional and high-net-worth investors in the partnership. The GP earns a management fee and a percentage of profits. (See the term "CARRIED INTEREST.")

GROSS-OF-FEES RETURN
The return on assets reduced by any TRADING EXPENSES incurred during the period.

GROSS-OF-FEES RETURN (PRIVATE EQUITY)
The return on assets reduced by any TRANSACTION EXPENSES incurred during the period.

INCOME RETURN (REAL ESTATE)
The investment income accrued on all assets (including cash and cash equivalents) during the measurement period net of all nonrecoverable expenditures, interest expense on debt, and property taxes. The return is computed as a percentage of the CAPITAL EMPLOYED through the measurement period.

INTERNAL VALUATION (REAL ESTATE)
An INTERNAL VALUATION is an advisor's or underlying third-party manager's best estimate of MARKET VALUE based on the most current and accurate information available under the circumstances. An INTERNAL VALUATION could include industry practice techniques, such as discounted cash flow, sales comparison, replacement cost, or a review of all significant events (both general market and asset specific) that could have a material impact on the investment. Prudent assumptions and estimates MUST be used, and the process MUST be applied consistently from period to period, except where a change would result in better estimates of MARKET VALUE.

INTERNAL RATE OF RETURN (PRIVATE EQUITY) (IRR) is the annualized implied discount rate (effective compounded rate) that equates the present value of all the appropriate cash inflows (PAID-IN CAPITAL, such as drawdowns for net investments) associated with an investment with the sum of the present value of all the appropriate cash outflows (such as DISTRIBUTIONS) accruing from it and the present value of the unrealized residual PORTFOLIO (unliquidated holdings). For an interim cumulative return measurement, any IRR depends on the valuation of the residual assets.

INVESTED CAPITAL (PRIVATE EQUITY) The amount of PAID-IN CAPITAL that has been invested in PORTFOLIO companies.

INVESTMENT ADVISOR (PRIVATE EQUITY) Any individual or institution that supplies investment advice to clients on a per fee basis. The INVESTMENT ADVISOR inherently has no role in the management of the underlying PORTFOLIO companies of a partnership/fund.

INVESTMENT MANAGEMENT FEE The fee payable to the investment management FIRM for the ongoing management of a PORTFOLIO. INVESTMENT MANAGEMENT FEES are typically asset based (percentage of assets), performance based (based on performance relative to a BENCHMARK), or a combination of the two but may take different forms as well.

INVESTMENT MULTIPLE (TVPI MULTIPLE) (PRIVATE EQUITY) The ratio of TOTAL VALUE to PAID-IN-CAPITAL. It represents the TOTAL RETURN of the investment to the original investment not taking into consideration the time invested. TOTAL VALUE can be found by adding the RESIDUAL VALUE and distributed capital together.

LARGE EXTERNAL CASH FLOW The Standards do not contain a specified amount of cash or percentage that is considered to be a LARGE EXTERNAL CASH FLOW. Instead, FIRMS MUST define the COMPOSITE-specific size (amount or percentage) that constitutes a LARGE EXTERNAL CASH FLOW.

LIMITED PARTNER (PRIVATE EQUITY) (LP) an investor in a LIMITED PARTNERSHIP. The GENERAL PARTNER is liable for the actions of the partnership and the LIMITED PARTNERS are generally protected from legal actions and any losses beyond their original investment. The LIMITED PARTNER receives income, capital gains, and tax benefits.

LIMITED PARTNERSHIP (PRIVATE EQUITY) The legal structure used by most venture and PRIVATE EQUITY funds. Usually fixed life investment vehicles. The GENERAL PARTNER or management firm manages the partnership using the policy laid down in a partnership agreement. The agreement also covers terms, fees, structures, and other items agreed between the LIMITED PARTNERS and the GENERAL PARTNER.

MARKET VALUE The current price at which investors buy or sell securities at a given time. [corrected August 2005]

MARKET VALUE (REAL ESTATE)
The most probable price that a property SHOULD bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

a. Buyer and seller are typically motivated.
b. Both parties are well informed or well advised and each acting in what they consider their own best interests.
c. A reasonable time is allowed for exposure in the open market.
d. Payment is made in terms of currency or in terms of financial arrangements comparable thereto.
e. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

MUST
A REQUIRED provision for claiming compliance with the GIPS standards. (See the term "REQUIRE.")

NET-OF-FEES RETURN
The GROSS-OF-FEES RETURN reduced by the INVESTMENT MANAGEMENT FEE.

OPEN-END FUND (PRIVATE EQUITY)
A type of investment fund where the number of investors and the total COMMITTED CAPITAL is not fixed (i.e., open for subscriptions and/or redemptions). (See the term "EVERGREEN FUND.")

OPEN MARKET VALUE (REAL ESTATE)
[corrected January 2006]
An opinion of the best price at which the sale of an interest in the property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

a. a willing seller;
b. that prior to the date of valuation there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms, and for the completion of the sale;
c. that the state of the market, level of values, and other circumstances were on any earlier assumed date of exchange of contracts the same as on the date of valuation;
d. that no account is taken of any additional bid by a prospective purchaser with a special interest; and
e. that both parties to the transaction had acted knowledgeably, prudently, and without compulsion.

PAID-IN CAPITAL (PRIVATE EQUITY)
The amount of COMMITTED CAPITAL a LIMITED PARTNER has actually transferred to a venture fund. Also known as the cumulative DRAWDOWN amount.

PIC MULTIPLE (PRIVATE EQUITY)
The ratio of PAID-IN-CAPITAL to COMMITTED CAPITAL. This ratio gives prospective clients information regarding how much of the total commitments has been drawn down.

PORTFOLIO
An individually managed pool of assets. A PORTFOLIO may be a subportfolio, account, or pooled fund.

PRIVATE EQUITY	PRIVATE EQUITY includes, but is not limited to, organizations devoted to VENTURE CAPITAL, leveraged buyouts, consolidations, mezzanine and distressed debt investments, and a variety of hybrids, such as venture leasing and venture factoring.
PROFESSIONALLY DESIGNATED, CERTIFIED, OR LICENSED COMMERCIAL PROPERTY VALUER/APPRAISER (REAL ESTATE)	In Europe, Canada and parts of southeast Asia, the predominant professional designation is that of the Royal Institution of Chartered Surveyors (RICs). In the United States, the professional designation is Member [of the] Appraisal Institute (MAI). In addition, each state regulates REAL ESTATE appraisers, and based on one's experience, body of work, and test results, is then registered, licensed, or certified.
REAL ESTATE	REAL ESTATE Investments include: • Wholly owned or partially owned properties, • Commingled funds, property unit trusts, and insurance company separate accounts, • Unlisted, private placement securities issued by private REAL ESTATE investment trusts (REITs) and REAL ESTATE operating companies (REOCs), and • Equity-oriented debt, such as participating mortgage loans or any private interest in a property where some portion of return to the investor at the time of investment is related to the performance of the underlying REAL ESTATE.
REALIZATION MULTIPLE (PRIVATE EQUITY)	The REALIZATION MULTIPLE (DPI) is calculated by dividing the cumulative DISTRIBUTIONS by the PAID-IN-CAPITAL.
RECOMMEND/ RECOMMENDATION	Suggested provision for claiming compliance with the GIPS standards. A RECOMMENDATION is considered to be best practice but is not a REQUIREMENT. (See the term "SHOULD.")
REQUIRE/ REQUIREMENT	A provision that MUST be followed for compliance with the GIPS standards. (See the term "MUST.")
RESIDUAL VALUE (PRIVATE EQUITY)	The remaining equity that a LIMITED PARTNER has in the fund. (The value of the investments within the fund.) Also can be referred to as ENDING MARKET VALUE or net asset value.
RESIDUAL VALUE TO PAID-IN-CAPITAL (RVPI) (PRIVATE EQUITY)	RESIDUAL VALUE divided by the PAID-IN-CAPITAL.
SETTLEMENT DATE ACCOUNTING	Recognizing the asset or liability on the date when the exchange of cash, securities, and paperwork involved in a transaction is completed. Impact on performance: Between TRADE DATE and SETTLEMENT DATE, an account does not recognize any change between the price of the transaction and the current MARKET VALUE. Instead, on SETTLEMENT DATE, the total difference between the price of the transaction and the current MARKET VALUE is recognized on that day. (See TRADE DATE ACCOUNTING.)
SHOULD	Encouraged (RECOMMENDED) to follow the RECOMMENDATION of the GIPS standards but not REQUIRED. (See the term "RECOMMEND.")

SUPPLEMENTAL	Any performance-related information included as part of a compliant performance presentation that supplements or enhances the REQUIRED and/or RECOMMENDED disclosure and presentation provisions of the GIPS standards.
TEMPORARY NEW ACCOUNT	A tool that FIRMS can use to remove the effect of significant cash flows on a PORTFOLIO. When a significant cash flow occurs in a portfolio, the FIRM may treat this cash flow as a "TEMPORARY NEW ACCOUNT," allowing the FIRM to implement the mandate of the PORTFOLIO without the impact of the cash flow on the performance of the PORTFOLIO.
TIME-WEIGHTED RATE OF RETURN	Calculation that computes period-by-period returns on an investment and removes the effects of EXTERNAL CASH FLOWS, which are generally client-driven, and best reflects the FIRM'S ability to manage assets according to a specified strategy or objective.
TOTAL FIRM ASSETS	TOTAL FIRM ASSETS are all assets for which a FIRM has investment management responsibility. TOTAL FIRM ASSETS include assets managed outside the FIRM (e.g., by subadvisors) for which the FIRM has asset allocation authority.
TOTAL RETURN (REAL ESTATE)	The change in the MARKET VALUE of the PORTFOLIO, adjusted for all capital expenditures (subtracted), net proceeds from sales (added), and investment income accrued (added) during the measurement period expressed as a percentage of the CAPITAL EMPLOYED in the PORTFOLIO over the measurement period.
TOTAL VALUE (PRIVATE EQUITY)	RESIDUAL VALUE of the PORTFOLIO plus distributed capital.
TRADE DATE ACCOUNTING	The transaction is reflected in the PORTFOLIO on the date of the purchase or sale, and not on the SETTLEMENT DATE. Recognizing the asset or liability within at least 3 days of the date the transaction is entered into (Trade Date, T+ 1, T+2 or T+3) all satisfy the TRADE DATE ACCOUNTING REQUIREMENT for purposes of the GIPS standards. (See SETTLEMENT DATE ACCOUNTING.)
TRADING EXPENSES	The costs of buying or selling a security. These costs typically take the form of brokerage commissions or spreads from either internal or external brokers. CUSTODY FEES charged per transaction SHOULD be considered CUSTODY FEES and not direct transaction costs. Estimated TRADING EXPENSES are not permitted.
TRANSACTION EXPENSES (PRIVATE EQUITY)	Include all legal, financial, advisory, and investment banking fees related to buying, selling, restructuring, and recapitalizing PORTFOLIO companies.
VENTURE CAPITAL (PRIVATE EQUITY)	Risk capital in the form of equity and/or loan capital that is provided by an investment institution to back a business venture that is expected to grow in value.
VINTAGE YEAR (PRIVATE EQUITY)	The year that the VENTURE CAPITAL or PRIVATE EQUITY fund or partnership first draws down or calls capital from its investors.

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