

BY E-MAIL

CFA Institute

Charlottesville

VA 22903

November 25, 2017

Dear Sirs,

GUIDANCE STATEMENT ON Overlay Strategies – Exposure Draft

Thank you for your invitation to comment on the Exposure Draft of the Guidance Statement on Overlay Strategies.

Please find below my observations on the Exposure Draft that I believe warrant further clarification and consideration:

1. Scope of the Guidance Statement on Overlay Strategies excluding “firms that act as overlay managers for multiple-strategy portfolios that are part of a wrap fee/separately managed account program or similar bundled fee programs.”

It is not clear why this has been made an exception, given the methodology requirements should be the same.

2. “Firms that manage overlay strategies must disclose both total firm overlay exposure and total composite overlay exposure as of each annual period end in all overlay strategy compliant presentations.”

The calculation of the Total Firm overlay exposure is very operationally onerous to implement, and does not have any value for prospects reviewing the GIPS Compliant Presentation (“CP”).

3. Currency Overlay Construction Criteria

From a composite construction perspective there exists alpha currency strategies that are agnostic to the benchmark currencies in the mandated underlying assets.

From an alpha currency manager's perspective the use of the excess return to represent the return achieved is the most appropriate. This is commonly used by several pension fund consultants. The composite return is then the aggregate of the underlying member excess returns for the period, and this accurately represents the track record for that strategy.

Additionally below is the list of specific questions posed together with my responses.

1. Question 1: "Are these examples regarding the determination of discretion appropriate or are additional examples or other criteria needed? If additional examples or other criteria are needed, please explain your suggestions."
 - Answer: If the intent of this section was to show examples and NOT provide an exhaustive list, then I am in agreement.
2. Question 2: "Are the three "allowable methods" for calculating overlay exposure appropriate?"
3. Question 3: "Are there other methods for calculating overlay exposure that are also appropriate? If so, please explain."
 - Answer: Yes they are appropriate.
4. Question 4: "Should the allowable method(s) be required or recommended by strategy type? If so, please propose a required or recommended method by strategy type."
 - Answer: This should be a recommended provision, with the appropriate recommended disclosure.
5. Question 5: "Are the methods used to calculate the denominator in an overlay portfolio return calculation appropriate?"
 - Answer: Yes, they are appropriate.
6. Question 6: "Is the requirement to include collateral income in the overlay portfolio return when the collateral is actively managed appropriate? If not, should this be changed to a recommendation?"
 - Answer: Yes, it is appropriate to include collateral income in the overlay return when the collateral is being actively managed.
7. Question 7: "Is the requirement to establish a composite specific policy on the treatment of collateral appropriate? If not, should this be changed to a recommendation?"
 - Answer: Collateral management may vary from one member to another member in the composite, i.e. it should not be a composite specific requirement.
8. Question 8: "Do you agree that the returns for overlay portfolios must be geometrically linked when the overlay exposure changes over the time period? If not, please explain what method(s) you believe is appropriate."
9. Question 9: "Do you agree that overlay returns must not be geometrically linked when the exposure remains constant, but rather the returns must be calculated as the cumulative profit/loss for the calculation period divided by the denominator? If not, please explain what method(s) you believe is appropriate."
 - Answer: I am not in agreement. Operationally implementing this for periods when there are changes to the notional value vs when there is not, is very operationally burdensome.

10. Question 10: “Should text be added to this Guidance Statement recommending disclosure of the sum of (a) total firm overlay exposure and (b) total firm assets, also known as total firm economic exposure?”

- Answer: No opinion on this, given this is a recommendation.

11. Question 11: “Are the required disclosures appropriate? If not, please explain.”

- Answer: Please see my comments above on Total Firm overlay exposure.

12. Question 12: “Is the proposed effective date appropriate or would additional time be needed to implement this Guidance Statement?”

- Answer: There are many required provisions in this draft Guidance Statement that would be both operationally burdensome and difficult to implement. Assuming no changes are made to this Draft then 1/1/2019 is not sufficient.

Thanks again for the opportunity to comment on the Exposure Draft.

Sincerely,

Ambika D'Souza CIPM, PMP

Vice President - Global Head of GIPS

State Street Global Advisors,

One Lincoln Street,

Boston,

MA 02111-2900

ambika_dsouza@ssga.com

The views expressed (contained) in this email are the views of Ambika D'Souza through the period ended December 31, 2017 and are not the views of State Street Global Advisors (SSGA).

INST-8319

Exp. 31-Dec-2017