



November 27, 2017

CFA Institute
Global Investment Performance Standards
915 E. High Street
Charlottesville, VA 22902

Re: Exposure Draft of GIPS Guidance Statement on Overlays

Dear Sir/Madam:

Thank you for the opportunity to comment on this new Guidance Statement. I am sorry that I waited until the *very last moment* to respond.

I benefitted from a presentation that Claude Giguère of Robust Technologies recently gave at the Performance Measurement Forum meeting in Orlando. Much discussion followed, which motivated me to get my rather terse comments in before the deadline.

In general, I found the paper's discussion about performance calculations a bit ambiguous, lacking in some details. For example, the idea of including gains and losses. Are these both realized and unrealized? If unrealized, when you move into another period, are you to adjust them so that you do not carry over gains/losses from the prior period? If realized, wouldn't they be returned to the client, and therefore constitute external cash flows?

The idea of adding rather than geometrically linking subperiod returns is, in my view, unnecessarily problematic. First, I am not aware of any commonly used performance systems that support an additive/arithmetic approach to linking. The effective date may therefore be problematic, unless compliant firms are to rely upon spreadsheets, which would be unfortunate. Second, if realized gains/losses were treated as cash flows, then the standard geometric/multiplicative approach to linking should work. A better approach would be to find a way to derive overlay returns without developing a totally different approach.

As always, we look forward to seeing the finished guidance.

Sincerely,



David D. Spaulding, DPS, CIPM
Founder / Chief Executive Officer