

Guidance for Recipients of Investment Reporting

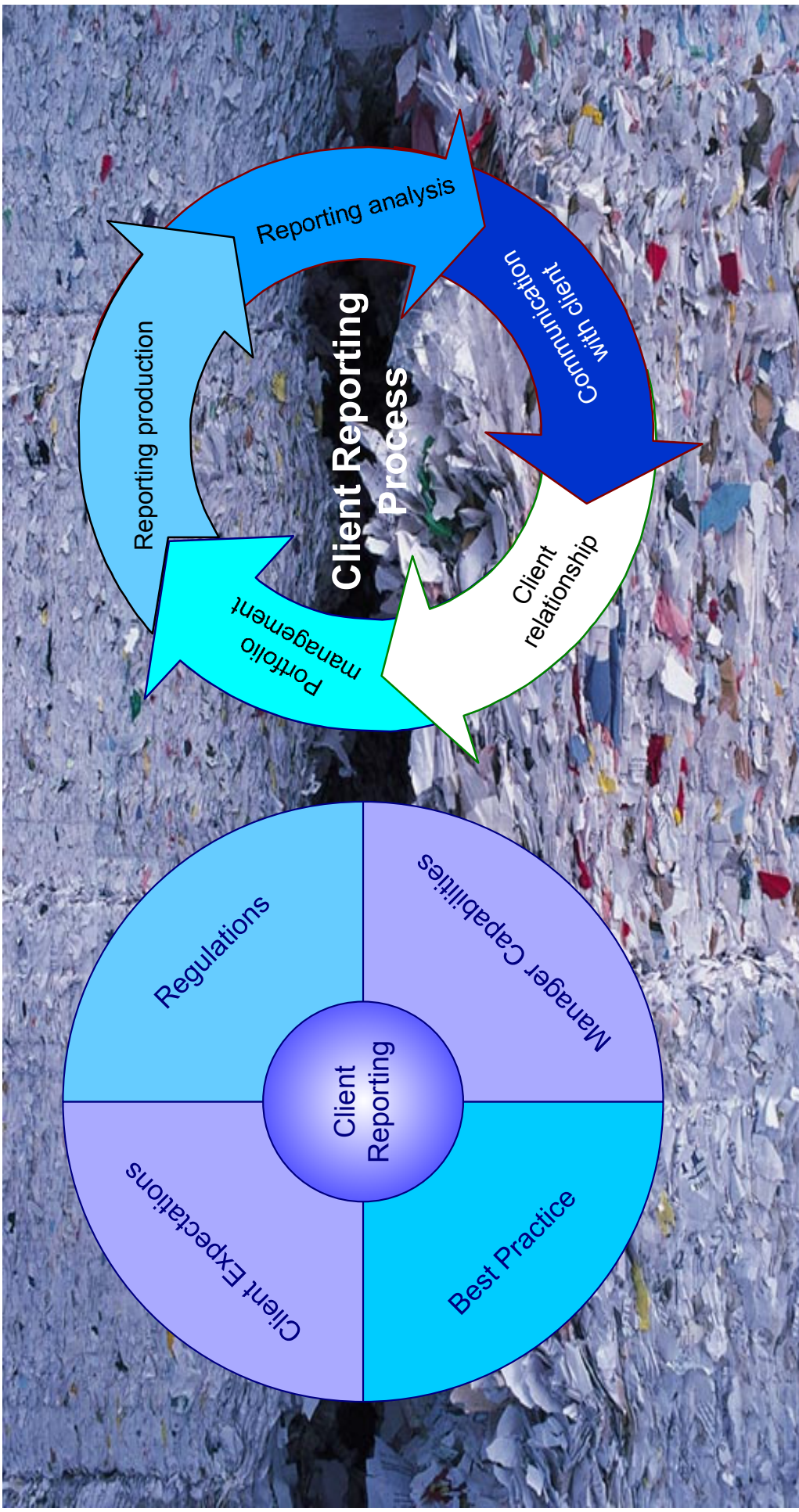
Dimitri Senik, CFA
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- RIPS EMEA Guidance for Recipients of Investment Reporting

Why self-regulation guidance is needed

Client reporting: key issues (1)



Why self-regulation guidance is needed

Client reporting: key issues (2)

Answers to question “What in your opinion are the main problems in the client reporting area in general?”

Ranked from 1 (most important) to 3 (third important)

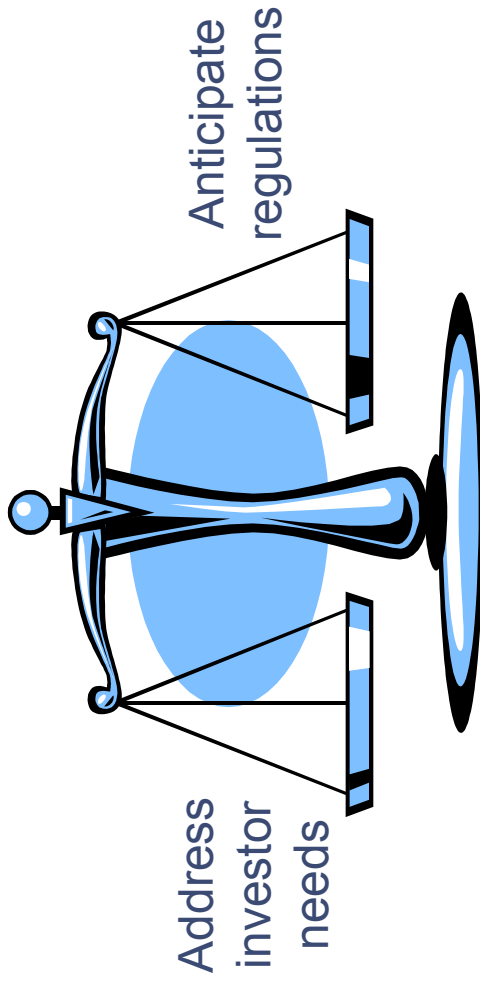
	Problem 1	Problem 2	Problem 3
Poor knowledge of investment reporting matters	0%	4%	39%
Individual reporting demands and wishes of clients	50%	36%	7%
High costs	7%	29%	4%
IT Tools	32%	14%	18%

Source: PricewaterhouseCoopers 2006 Swiss Survey on Client Investment Reporting

Why self-regulation guidance is needed

Why guidance on client reporting?

- Educate clients and proactively steer their expectations
- Build a basis for a possible “best practice” reporting standard
- Anticipate future regulations
- Elevate the reporting to the core instrument of a comprehensive dialog between the manager and the client



Why self-regulation guidance is needed

Examples of the industry self-regulation

- FEFSI Code of Good Conduct on the presentation of performance records and the classification of investment funds (2002)
- EFAMA Model of Good Reporting for Investors (2006)
- EFAMA Code of Conduct for the European Investment Management Industry (2006)
- The Guidance on the presentation of the mutual fund performance of the Swiss Fund Association (2004)
- Global Investment Performance Standards (GIPS)
- CFA Institute Asset Manager Code of Professional Conduct (2005)
- NAPF Guidance for Assessing Manager's Performance Presentations
- EVCA Reporting Guidelines
- Various guidance papers of the EIPC

Why self-regulation guidance is needed

Self-regulation initiatives of the European Investment Performance Committee

European Investment Performance Committee (now renamed as RIPS EMEA) is:

- A regional subcommittee of the GIPS Council
- Represents the European interests in the GIPS development process
- Enables the participating countries to promote and implement investment performance standards
- Launches industry initiatives to enhance the investment performance reporting framework
- Representatives from 24 European countries + representatives from pension funds, EFFAS, CFA Institute, EFAMA.

Why self-regulation guidance is needed

Why RIPS EMEA to develop industry guidance?

- Recognition of the trend in the investment management industry towards transparency and standardisation
- Attempt to consolidate experience and to answer the question „What can be standardised?“
- Enforcement of the self-regulation efforts in the industry
- As a sub-committee of the GIPS Council and an independent body, it ensures a greater acceptance in the investment management industry
- Ensures a greater geographic representation of opinions
- Contacts to specialists and technical knowledge available

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Salient features

Target audience:

- Institutional clients and high-net-worth individuals

Format

- Questionnaire
- No segregation in requirements and recommendations

Scope:

- The Guidance applies to investment reporting for *existing* clients
- The Guidance is regarded as an *educational* paper for investors / clients
- The Guidance is *not* considered as a formal part of GIPS. However, the Guidance refers to GIPS as one of the sources for investment reporting

Reporting Components

Portfolio information	Portfolio structure	Performance report	Return and risk analysis	Portfolio valuation statement
Profit and loss statement	Transaction report	Cash flow report	Investment compliance report	Composite report

Guiding Principles

- Adherence to ethical standards
- Reporting philosophy should be identifiable and transparent
- Reporting should take into account the type of client
- Reporting should present a true and fair picture
- Reporting should be timely and accurate
- Reporting should take into consideration the applicable legal requirements

Questionnaire

The questionnaire covers the following areas:

- 1) Investment process and portfolio strategy
- 2) Underlying portfolio input data
- 3) Performance reporting
- 4) Costs of investment management
- 5) Compliance with investment guidelines and regulations
- 6) Risk management process
- 7) Third-party examination

The Guidance was approved by RIPS EMEA in June 2006 and will be officially released soon.

The final draft of the Guidance is available on:

http://www.swissbanking.org/eipc_client_reporting_guidance_draft.pdf

Questions?

Dimitri Senik, CFA
PricewaterhouseCoopers

Tel.: + 41 58 792 23 72

E-Mail: dimitri.senik@ch.pwc.com

Internet: www.pwc.ch/gips

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