

22 November 2017

GIPS Technical Committee  
CFA Institute  
Global Investment Performance Standards  
915 East High Street  
Charlottesville, VA 22902  
USA

**Re: Exposure Draft of GIPS® Guidance Statement on Overlay Strategies**

Dear GIPS Technical Committee,

As South African Country Sponsor, The Association for Savings and Investment South Africa (ASISA) welcomes the opportunity to comment on the exposure draft of the GIPS® Guidance Statement on Overlay Strategies.

As general point, the ASISA GIPS Standing Committee supports the introduction of the Guidance Statement on Overlay Strategies. There also seems to be some contradiction between a sentence in the Executive Summary (“If the underlying portfolio is not managed by the firm, overlaid assets must not be included in total firm assets or composite assets”), backed by the second paragraph under pt. 4 (Determination of Total Overlay Exposure), and the examples provided on pg. 8 (Beta Overlay Exposure) and pg.12 (Notional Exposure Change Attributable to a Large External Cash Flow). Can you please provide clarity?

Our responses to the specific questions posed throughout the document are as follows:

**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.**

Yes, the committee believes the examples are appropriate.

**Question 2: Are the three “allowable methods” for calculating overlay exposure appropriate?**

Yes, the 3 methods are appropriate.

**Question 3: Are there other methods for calculating overlay exposure that are also appropriate? If so, please explain.**

No, the committee does not think there are other methods which should be allowed.

**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.**

No, the methods should not be required or recommended by strategy type.

**Question 5: Are the methods used to calculate the denominator in an overlay portfolio return calculation appropriate?**

Yes, the methods are appropriate.

**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?**

Yes, it is appropriate to include and thus it should be a requirement.

**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?**

Yes, this is appropriate as it provides more information to the prospective investor.

**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.**

Yes, the committee agrees.

**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.**

No, the committee does not agree that overlay returns should not be geometrically linked when the exposure remains constant.

It is expressly noted on pg. 12 of the draft, under heading 8 “Performance Calculation” that the GIPS Guidance Statement on Calculation Methodology applies to overlay portfolios. As such we strongly feel that consistency should be kept in the methodology provided in calculating longer period returns, i.e. via geometrical linking. There will be practical implications in allowing a different methodology, specifically on performance systems that are used to produce reports. It is preferred not to be forced into doing certain calculations manually outside of these performance systems as this can lead to errors.

**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?**

No, no additional text should be added. This could be a difficult number to calculate and the committee does not believe it adds significant value.

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

Yes, the committee agrees that the 5 bullet points provided are appropriate.

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

Yes, the proposed effective date is appropriate and the committee does not believe additional time will be needed to implement the Guidance Statement.

We look forward to the completion of the Guidance Statement on Overlay Strategies. Please do not hesitate to contact us should you need to clarify any of our comments.

Yours sincerely

A handwritten signature in black ink, appearing to read "Sunette Mulder", with a horizontal line underneath.

Sunette Mulder  
Chair: ASISA GIPS Standing Committee