

April 22, 2008

REIS Council
Two Prudential Plaza
180 North Stetson Avenue
Suite 2515
Chicago, IL 6060
Attention: Marybeth Kronenwetter

Dear Ms. Kronenwetter,

We are pleased to provide the following comments on Revised Proposed Chapter 4: Fund Reporting Standards on behalf of CFA Institute¹ and the Global Investment Performance Standards® (GIPS®). The GIPS standards are a set of ethical principles used by investment management firms in order to establish a globally standardized, industry-wide approach to creating performance presentations that communicate investment results to prospective clients. The underlying spirit of the Standards is fair representation and full disclosure. CFA Institute created and administers the GIPS standards and partners with local country sponsors around the world to promote the Standards. Since their introduction over twenty years ago, the principles upon which the Standards are based have grown to represent global best practice in the area of investment performance.

We wish to applaud the efforts of the REIS Board and Council to venture further into the area of Investor reporting to promote consistency, comparability and transparency of information that is reported to investors about their investments. The comments offered below regarding the Exposure Draft are intended to be constructive comments as you finalize the Fund Reporting Standards; however these comments are not intended to present any position, interpretation, additional policy, nor clarification of the GIPS standards.

Comments on Chapter 4-Investor Reporting Standards

1.10 Verification-The document refers to the establishment of minimum standards which are “verifiable by independent means”. The concept of verification of Investor Capital Accounts is also discussed in the document. We suggest that you clarify how the Fund Reporting Standards would be “verifiable” and how this process would work.

1.18/2.05/3.16/4.10 Benchmarks – The document discusses the “Requirement for benchmark comparisons, no less frequently than annually, (if a benchmark is specified by the Fund manager)”. Even if a specific benchmark is not specified by the fund manager, disclosure of a benchmark may still be useful. With respect to single investor investment accounts a benchmark chosen by the investor may also be relevant. In addition, you may wish to consider requiring further disclosure when a change is made to the specific benchmark presented, the reason for the change in benchmark, and if the benchmark change was made historically. We note that under the GIPS standards it is not appropriate in most instances to change the benchmark historically. Further consideration may be given to recommending additional disclosure when the benchmark strategy might be viewed as significantly different than that of the fund.

We also note that the term “verifiable” is used with respect to benchmarks. Consideration should be given to whether other wording is more appropriate as we assume this does not mean an independent 3rd party validation of the benchmark.

¹ The CFA Institute Centre for Financial Market Integrity is a part of CFA Institute. With headquarters in Charlottesville, Virginia, USA, and regional offices in London, Hong Kong, and New York, CFA Institute, is a global, not-for-profit professional association of more than 93,000 financial analysts, portfolio managers, and other investment professionals in 134 countries and territories, of whom more than 79,000 are holders of the Chartered Financial Analyst® (CFA®) designation. CFA Institute membership also includes 134 member societies and Chapters in 55 countries and territories.

As we noted in our prior comment letter, the use of leverage creates difficulties in that standardized leveraged benchmarks are not readily available and the creation of a leveraged benchmark internally can be easily manipulated. It may be appropriate to present a non-leveraged and a leveraged benchmark, along with disclosure as to how the leveraged benchmark was created and calculated. We also believe that the creation and rebalancing process must be described for any custom or blended benchmark utilized.

3.05 REIS Compliance – The document states that “It should be noted that REIS compliance is at an Account/Fund level basis versus a Firm level basis.” This appears to contradict Chapter 3: Performance Measurement and Reporting Standards. We note that the concept of compliance with the GIPS standards must be at the Firm level. Consideration should be given to clarifying the apparent inconsistency.

3.13/4.09 Gross and net return requirements-The treatment of certain fee types is not always clear. For example, are gross returns gross of all fee types including advisory fees? Are gross returns also gross of incentive fees? How are any professional fees or other expenses treated for purposes of the gross and net return calculations? Please note that as it relates to GIPS composite reporting, GIPS compliant firms must follow the Interpretive Guidance for Fees Provisions (<http://www.gipsstandards.org/standards/guidance/archive/pdf/FeesGuidance.pdf>).

The proposal also states that net of fee returns should be presented for all investor classes. Consideration should be made to making this a requirement or providing guidance as to which class is to be presented if net returns are not presented for all classes.

4.19-Management discussion of performance relative to fund objective. A quarterly summary discussion is recommended including comparisons to fund objectives and stated strategy. Consideration should be given to requiring an annual discussion stating that the management discussion should also include commentary on the reason for any significant over/under performance relative to the benchmark.

Within the GIPS standards there is a requirement to disclose all significant events that would help a prospective client interpret the performance record. Consideration should be given as to whether a similar disclosure should be recommended or required in the management discussion.

We are pleased to have the opportunity to submit these comments. We applaud the efforts of the REIS Board and Council and we look forward to any opportunity for collaboration in the future, particularly as we begin the process of reviewing the real estate related provisions of the GIPS standards. If you have any questions, please feel free to contact me (434-951-5311; jonathan.boersma@cfainstitute.org) or Ken Robinson, CFA (434-951-5331; kenneth.robinson@cfainstitute.org).

Sincerely,



Jonathan A. Boersma, CFA
Executive Director
CFA Institute
Global Investment Performance Standards

cc Kenneth Robinson, CFA