



Via Email:standards@cfainstitute.org

CFA Institute
Global Investment Performance Standards
RE: Guidance Statement on the Use of Supplemental Information
915 East High Street
Charlottesville, VA 22902

February 28, 2017

Dear GIPS Technical Committee:

This letter represents the NCREIF PREA Reporting Standards Board's (RS Board) and Council's comments to the CFA Institute regarding the exposure draft on the *Guidance Statement on the Use of Supplemental Information* (Proposed Guidance Statement). We commend the Global Investment Performance Standards (GIPS®) Technical Committee for developing new and expanded guidance of the use of supplemental information. We agree that the overall goal of the exposure draft has been largely achieved.

We appreciate the opportunity provided by the GIPS Technical Committee to comment on the exposure draft. Our main focus in this response letter will be the applicability of the Proposed Guidance Statement to the real estate investment industry. As supplemental information can only be labeled as such if presented within the GIPS compliant presentation, this proposed guidance statement has limited applicability to GIPS compliant firms within our industry. Rather, for these firms, additional performance information is generally incorporated within pitch books and the Proposed Guidance Statement makes it clear that within a pitch book, this information would not be considered supplemental. We understand that a pitch book could include a GIPS compliant presentation in an appendix to the pitch book.

As noted in our response below, we take exception to the treatment of theoretical information. In the private real estate investment industry, managers that pursue an opportunistic strategy frequently use theoretical information in marketing materials. The Proposed Guidance Statement appears to not allow this type of presentation in any materials developed by GIPS compliant firms.

Respondent

We have been privileged to collaborate with the CFA Institute on numerous projects. A detailed description of the NCREIF PREA Reporting standards, its sponsorship, team and initiatives, can be found on our website, www.reportingstandards.info.

Please note that NCREIF and PREA, the sponsors of the NCREIF PREA Reporting Standards executed a memorandum of understanding with INREV and ANREV for the purpose of collaboration on the development of global reporting standards for our industry. In the spirit of our ongoing collaboration efforts, we have reviewed each other's response to you on this exposure draft to ensure that our responses are not inconsistent, thereby challenging our ongoing efforts.

Responses

Our responses to the specific questions posed in the exposure draft are included in Appendix 1 to this letter.

We would be pleased to discuss our comments above or the answers to the specific questions in Appendix 1 with you at your convenience. Please feel free to contact the Marybeth Kronenwetter at 630-469-4088 or the undersigned at 213-683-4206.

Yours truly,



Nathan Zinn
NCREIF PREA Reporting Standards Board Chair

Appendix 1 Responses to Individual Questions

- 1. Should theoretical performance not based on assets managed by the firm and not related to the respective composite be allowed to be labeled as supplemental information and included in a compliant presentation?*

As noted in the introduction to our response, GIPS compliant firms which have institutional real estate portfolios, would likely find this prohibition acceptable. However, managers of opportunistic real estate portfolios may find this prohibition problematic as they generally present projected or pro forma return showing the manager's expectation of the fund performance through the final liquidation. In these situations and in compliance with the ethical principles of GIPS, we provide full disclosure and transparency with respect to the nature of the performance. In accordance with our understanding of the Proposed Guidance Statement such information would be acceptable for inclusion within marketing materials (e.g., pitch book). If our interpretation is not correct, we request further guidance from the GIPS Technical Committee.

- 2. Do the preceding 4 items accurately reflect misleading information? Should other examples of misleading information be included?*

With the exception of #1, "Theoretical performance results mathematically or presentationally linked to actual performance results", we agree that the other examples provided represent misleading information. Real estate managers pursuing opportunistic strategies may include liquidation and projected returns as part of their track record for an existing fund to market a new fund. Our interpretation of the Proposed Guidance Statement would preclude this type of disclosure within both GIPS compliant presentations as well as all performance and performance-related information that a firm produces. (See language on page 1 of Proposed Guidance Statement related to GIPS provision 0.A.3.)

- 3. Do you agree that firms should not label information as supplemental information if it is presented outside of a compliant presentation?*

We agree that firms should not label information as supplemental if presented outside of a compliant presentation. Please note that in our industry, a compliant presentation would be the 1-2 page schedule and related disclosures of a composite.

- 4. If information that would be supplemental if it were in a compliant presentation is presented outside of a compliant presentation, should firms be required to disclose how to obtain a compliant presentation?*

Yes, we agree with this requirement.

- 5. Do you agree that firms should be required to direct the reader to a compliant presentation if the compliant presentation is included within a marketing document (e.g., pitch book)?*

Yes, we agree with this requirement.

- 6. Do you believe that the prohibition against presenting any false or misleading performance-related information is strong enough to deter firms from doing so or should this prohibition be explained more?*

We think the prohibition should be strong enough for firms interested in being GIPS compliant.

- 7. Do you agree with the proposed treatment of theoretical performance within supplemental information?*

See answer to questions 1 and 2 above.

- 8. Do you agree with the proposed disclosures of theoretical performance? Do you believe any disclosures should be added or removed?*

We agree with the ethical principles of GIPS for full transparency and disclosure. (For further clarification, see answers to questions 1 and 2 above.)