

30 September 2007

REIS Council
Two Prudential Plaza
180 North Stetson Avenue
Suite 2515
Chicago, IL 60601

Dear Ms. Kronenwetter,

We are pleased to provide the following comments 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.

The GIPS standards are geared toward presenting a firm's investment performance to prospective investors as opposed to existing clients. The Standards require a time weighted rate of return in cases where the investor controls the timing of cash flows, thereby reflecting only the investment manager's abilities in the return. In cases where the investment manager controls the timing of the cash flows, as is typically the case with private equity managers drawing down capital, an internal rate of return is required. Again, this is in the context of presenting performance to prospective investors. When presenting an existing client their specific return, it may be appropriate to show an internal rate of return because the actual return experienced by the investor is, in fact, affected by the timing of when they chose to contribute (or liquidate) capital. It may be appropriate to also present a time weighted return, provided adequate explanation of the differences is made.

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 Investor Reporting Standards; however these comments are not intended to present any position, interpretation, additional policy, nor clarification of the GIPS standards.

Comments on Questions for Consideration by Respondents

2.04 Issue – why is the application of these Standards limited to “private, tax-exempt institutional real estate investment industry”? What is the significance of tax-exempt? Does this suggest that a Fund which includes a taxable investor (including a taxable Fund sponsor), foreign taxable investor, or an investor that has lost its tax-exemption is not or should not be subject to these Standards? Is this intended to exclude private REITs that may include taxable investors? The demarcation between Fund inclusion and Fund exclusion under these standards may require more clarity or perhaps consider a wider reach.

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.

2.05 Issue – the exposure draft questions whether all Funds be required to report Fund-level total TWR and if all Funds should be required to report total components of TWR. We advocate the requirement that all real estate Funds, regardless of strategy, report both component TWR and total TWR. We believe that there is valuable information content for investors in the reporting of component returns when accompanied by adequate disclosures, including disclosures of any applicable accounting methods and adjustments that are employed to compute and present component returns. The application of the IC Code to some or all real estate Funds, the presence of differing accounting practices worldwide, and the fact that income return may be something different from cash dividend to the investor, reinforces the importance of full and fair disclosures to accompany the presentation of any performance data.

2.06 c. and 3.13 We are not convinced that the omission of component returns is in the best interest of investors and shareholders, even in the case of Opportunity Funds, or any other strategy that is attached to a Fund that is not otherwise a Core or Value-Added Fund. We believe that component TWR return disclosure is best practice on a global basis for the private real estate class, regardless of Fund strategy. Again, it is not clear why investors would benefit with the selective omission of component TWR returns for certain type of funds. If a Fund does not have an income return, this is important information for the investor to know. The definition of Opportunistic Funds does not necessarily prohibit the application of the Opportunistic label to those Funds that may generate any income at any time during the lifetime of the Fund. The demarcations between Core and Value-Added and Opportunistic Funds may remain blurred as Fund managers define and execute their real estate investment strategies. And the actual execution of the Fund strategy may digress from the intended strategy so again it is compelling to preserve the disclosure of component returns.

Comments on Chapter 4-Investor Reporting Standards

4.01 You refer to the term “investor report” and you mention the disclosure of “..minimum specific information within an investor report that is relevant to the investor’s decision-making process.” We question whether you intend to prescribe additional minimum specific information that you believe should be included in an “investor report” or whether the minimum information is in fact the Required Information that is identified in section 4.02 and there are no further recommendations for minimum information disclosure at this time. In particular, we note that there is no requirement or guidance for the disclosure of investor-level returns. While we assume that your intended audience for Chapter 4 is Fund managers and the guidance to Fund managers in the preparation of standard reports (Fund “investor reports”) for dissemination to one or many investors in a Fund, perhaps it may be necessary to state that an “investor Performance report” that may be prepared solely on behalf a single investor may otherwise contain substantially more information that is customized for the particular investor, but that is not within the scope of the Investor Reporting Standards at this time. While the Chapter is labeled Investor Reporting Standards, we believe that it is important to emphasize that investor-level returns may be materially different from Fund-level returns.

4.02 Key Performance Summary - Consider adding a general required disclosure statement to accompany the presentation that the Performance information may not be equivalent to the performance realized by any or all individual investors in the Fund (in the case of multiple investor Funds).

4.06 Fund Overview – Fund Structure – it is not clear about the level of discussion or disclosure for Fund Structure. Are you expecting a few words like open-ed commingled fund, or Single Investor Investment Account? Or are you expecting a fuller discussion of the features of the Fund Structure, including the features of investment entry, liquidity, redemption, sale of units, valuation, etc.?

4.09 Key Performance Summary - Net Asset Value (NAV) in and of itself as a single data point in time may not be deemed a Key Fund Performance Summary item and perhaps this data field can be moved to Fund Overview section. The sources of change in Net Asset Value during the reporting period may be relevant disclosure within

the Key Fund Performance Summary or this information may otherwise be embedded in the Financial Statements.

The Council should consider inclusion of Current Value of Initial Share, Current Value of Initial Unit, Current Value of Initial \$100, or Current Value of Initial \$1 million as another Key Fund Performance Summary item since the disclosure of this data point may connect with any disclosure of Internal Rate of Return.

4.11 Key Performance Summary – Benchmark: The GIPS standards require the presentation of an appropriate benchmark that reflects the composite or Fund strategy, or the disclosure of why a benchmark is not appropriate. 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. If an “asset only” benchmark is combined with a short position in the bond market, the rebalancing frequency of the blended benchmark should be disclosed. It should also be noted that the comparison of a leveraged return to a non-leveraged benchmark is not an apples to apples comparison, unless it is understood that the use of leverage by the Fund is tactical in nature and not part of the inherent strategy of the Fund.

4.13 Key Performance Summary – Contributions: contributions in and of itself as a single data point in time may not be deemed a Key Fund Performance Summary item and perhaps this data field can be moved to Fund Overview section or the Financial Statements section of Required Practices.

4.14 Key Performance Summary - Distributions Paid: current quarter and year-to-date, stated in an aggregate amount at the Fund level is ambiguous performance information and perhaps this data point should be moved to Financial Statements or Fund Overview and be included in a reconciliation of changes in Fund NAV. In the Fund Performance Summary, the Council should consider replacing Distributions Paid with dividend yield, or distribution yield and consider disclosure of the sources of distributions, unless that is fully covered in the Financial Statements of the Fund.

We are pleased to have the opportunity to submit these comments and will also review all other published comments for this Exposure Draft so that our members can listen to and learn from the experience of others professionals that are taking an active interest in addressing Investor Reporting Standards. We should note that in the cases where a real estate investment vehicle is organized as a private equity fund, it may be appropriate to also require various performance multiples as outlined in section seven of the GIPS standards.

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 to the GIPS standards. If you have any questions, please feel free to contact Jonathan Boersma at 434-951-5311 or jonathan.boersma@cfainstitute.org.

Sincerely,

/s/
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Executive Director
Global Investment Performance Standards
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/s/
Paul Saint-Pierre
Chair
Real Estate Working Group
Global Investment Performance Standards