

April 1, 2005

Dear Committee Members:

I recently became aware of the proposed guidance that will effectively eliminate the need for measuring dispersion for wrap/SMA accounts. I find it ironic that the five or fewer rule will be applied when, in fact, there are likely to be thousands, if not tens of thousands, of underlying accounts in a sponsor's wrap composite. I have seen reference to pooled fund rules, as a basis for this, and all that I want to add is obvious - that wrap/SMA's are separate accounts. Once again, this seems ironic, in that much of the marketing claims for SMAs has been that the individual investor owns the securities outright.

In any event, when investors or their advisors considers wrap SMAs, they are likely to see the risk versus time of the composite. If they do not also see a measure of dispersion, they will not be aware of this additional risk – that their return may vary markedly from the average composite return as well. Though the best wrap SMA managers have tight dispersion, many others do not and it would be unfair to not make the distinction. As a result, such managers will gain more favor than they deserve, all else equal.

Given that there are typically thousands of accounts with each sponsor, you can be pretty confident that, if there were six or more, sponsor relationships, the dispersion between the six (average) returns would be very tiny. Meanwhile, the dispersion in each sponsor composite would likely be similar, and potentially huge. I would prefer that no number be shown than any such wildly misleading number.

Since a dispersion calculation can be done from individual account returns only. This should not require anything onerous, such as shadowing, from money managers. The sponsor should only need to send the manager the individual account returns and, possibly, their market values, depending upon the measure of dispersion desired.

Kindly feel free to contact me with any questions. Thank you very much for your consideration. I apologize for the late date, but was told you were still in the reviewing process.

Respectively submitted,
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