

January 14, 2005

CFA Institute
CFA Centre for Financial Market Integrity
Reference: Guidance Statement on Wrap Fee/SMA Performance
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RE: Comment on Guidance Statement for Wrap Fee/Separately Managed Account Performance

Dear Madam or Sir:

In response to your request for comments, I offer the following:

CFA Institute proposals:	Broadhurst Financial Advisors responses:
1. Do you support CFA Institute's effort to develop guidance for the calculation and presentation of wrap fee/SMA portfolios as outlined?	Yes, unequivocally.
2. Do you think firms will be able to meet the recordkeeping requirements as specified?	Yes it is entirely possible. The level of difficulty to comply with recordkeeping requirements should <u>not</u> be of concern. Proper disclosure should come first.
3. Do you agree with the proposed treatment for a "double hit" of transaction expenses (when creating a simulated wrap fee performance record)?	Yes, this accurately represents the costs to the public and should be fully disclosed. The disclosure of fees is in the public's best interest and therefore should be done regardless of the cost or effort.
4. Do you support the 1 January 2006 effective date of the proposed Guidance Statement for Wrap Fee/SMA Performance?	Yes, or earlier if possible. The interest of the public should come first.
5. Should CFA Institute and the IPC consider any other methods for meeting the objectives of clarifying the application of the GIPS standards to wrap fee/SMA portfolios as set forth above?	Yes. The CFA Institute should seek to be a key advisor to regulatory agencies such as the SEC and NASAA. The CFA should publish correct business practices or rules so that these can be adopted by Federal and State Regulatory Agencies as "Reference Standards". Federal and State Codes are frequently based on formalized business practices. It is imperative to take a leading role to counter balance the commercial

	interests of parties with vested interest in maintaining the status quo.
6. Do you agree with the application questions and responses provided?	Yes.

The investment community (comprised of, but not limited to brokers, dealers, investment banks, investment companies and insurance companies), have a strong interest in maintaining the current murky, loosely defined disclosure rules for Wrap Fees/SMAs. Specifically, commission-based brokers prefer that Wrap Fee disclosure remain murky because they are better able to fleece the public when disclosure is poor. Only Fee-Only practitioners provide unbiased advice and are free from the inherent conflicts of recommending products inside Wrap Accounts.

The investment community has been significantly self-regulated but too often fails when faced with protecting the public interest. With the recent scandals in the investment community (e.g. tainted analyst research, late trading, market timing, etc.) the public is always receiving the brunt of investment community misdeeds. The CFA Institute must take a strong and leading role to counter-balance the commercial interests of the well-entrenched investment community. The CFA Institute must demand not just better, but full disclosure, of brokerage Wrap Fees and SMA Fees. By adopting these standards and publishing them, Federal and State laws and codes can adopt and refer to them as "reference standards"; thus, the CFA Centre for Financial Market Integrity will be taking strides in fulfilling its role and responsibility to protecting the public's interest as well as the Financial Industry.

Sincerely yours,

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