

October 24, 2002

Association for Investment Management and Research
Reference: AIMR-PPS standards – Wrap Fees
P.O. Box 3668
Charlottesville, VA 22903

To whom it may concern,

I am writing to express a number of concerns with AIMR's recently published Guidance Statement on Wrap Fee Performance. Although AIMR's objectives are sound, the proposed performance presentation standards reflect a lack of understanding of their practical and financial implications. I strongly support establishing guidelines but believe the proposal does more harm than good for the SMA industry and our clients. I have a number of concerns.

First, some provision for exceptions due to systems limitations and data availability should be added to the standards. Harris Bretall has managed SMAs since 1989 and currently manages over 15,000 SMAs through over 20 sponsors. As there is no standard for electronically feeding client information to managers and most sponsors have no interest in providing such information, we would be required to run shadow accounts in order to meet these standards. This would be prohibitively expensive and duplicate information held by the sponsors.

Second, standards should permit managers to show composites of accounts managed at each sponsor in materials tailored to that sponsor's program. This would eliminate confusion that could arise if manager materials show different returns (i.e. the manager's complete SMA composite) than sponsor materials (the composite of the manager's accounts in that program).

Third, SMA programs are operated and are marketed differently, thus including more industry participants in the guideline development process would better align the guidelines with the practicalities of their implementation. For example, SMA fees typically include consulting, custodial and administrative fees not charged to traditional institutional accounts. Forcing SMA composites to include all fees while institutional composites include only some would be misleading. Financial advisors, consultants and brokers compete for institutional and high net

worth business. Systematically presenting one pricing mechanism in a less favorable and biased manner does a disservice to all participants in this process, including, most importantly, the client.

In conclusion, I reiterate my support for developing guidelines to address SMA-specific issues. I cannot, however, support these guidelines as they are not practical and are can mislead consultants, clients and prospective clients. I encourage you to consult representatives from SMA managers and sponsors to ensure a realistic understanding of SMAs is reflected in the guidelines.

Thank you for your time and consideration.

Sincerely,

David S. Post, CFA
Partner, Director of Research