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Association for Investment Management and Research  
Reference: AIMR-PPS standards – Wrap Fees  
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To Whom It May Concern:

This letter is meant to summarize my concerns as they relate to the Proposed AIMR-PPS Guidance Statement on Wrap Fee Performance. While I am generally supportive of an effort to clarify the standards that should apply, I do not believe that the Proposed Guidance Statement adequately addresses how wrap programs are actually operated and marketed today, particularly with respect to the following:

#### Record Keeping Requirements

The Guidance Statement recommends that Investment Managers utilize “shadow accounting” (ie. duplicate accounting) to track Separately Managed Accounts (SMAs) or to require managers to have access to the SMA Program Sponsor’s records.

Many Investment Managers that participate in SMA programs have difficulties either gaining access to records maintained by SMA program sponsors or maintaining shadow accounting.

While I do acknowledge that Investment Managers retain fiduciary responsibility for the investment decisions they make in client portfolios, it is the SMA Program Sponsors who primarily have contractual record keeping responsibility to the investor. This responsibility includes investment advice, performance reporting, statement production, fee billing and many other items. Investment Managers should not be required to utilize shadow accounting or have access to Program Sponsors records in order to claim compliance with AIMR-PPS. This is generally the responsibility of the Program Sponsor.

#### Performance Reporting Issues

The Guidance Statement proposes that Gross of Fee performance only be shown as supplemental information for SMAs. I believe that Gross of Fee performance should be presented with equal prominence.

The Net of Fee calculation method currently contemplated incorrectly assumes that the maximum fee is charged for all clients – this is a rarity. Many clients pay less than stated maximums, and the amounts paid often also vary sponsor-by-sponsor as well as client-by-client. As such, I feel it is appropriate to show Gross of Fee performance “side by side” and with equal prominence to Net of Fee information. Appropriate disclosure language, of course, should be required to be provided.

I understand the Time-Weighting of daily cash flows for SMAs is scheduled for implementation in 2005. Due to recordkeeping and shadow accounting difficulties, the large number and relatively small average size of SMAs, daily cash flow accounting for performance calculation purposes would be unduly burdensome and provide little or no meaningful additional information as compared with the current assumed-mid-month approach to cash flows.

As part of the Guidance Statement preparation and implementation process, I strongly urge AIMR to consider forming a well-rounded committee inclusive of both SMA Program Sponsors and Investment Managers to more fully discuss these issues and the other issues being raised by interested parties. After formation of this committee and a review of the appropriate issues, an appropriate effective date for a Guidance Statement would be 18 months subsequent to its issuance.

Please feel free to contact me at the number above to discuss any of the above issues in further detail.

Sincerely,

Kevin P. O'Rourke, CFA  
Midwestern Regional Sales Director – Managed Accounts  
Turner Investment Partners, Inc.