

[Lord, Abnett & Co. LLC Letterhead]

October 30, 2002

Association for Investment Management and Research
P.O. Box 3668
Charlottesville, Virginia 22903

Re: AIMR-PPS standards – Wrap Fees

Ladies and Gentlemen:

We are writing on our own behalf as charter holders and on behalf of our firm, Lord, Abnett & Co. LLC (“Lord Abnett”), to comment on the Guidance Statement on Wrap Fee Performance (the “Statement”) that the Association for Investment Management and Research (“AIMR”) recently proposed. The Statement seeks to provide the separately managed account (“SMA”) industry with guidance and clarification regarding presentation of performance for SMAs. While in general we support the principles underlying the AIMR performance presentation standards (the “AIMR – PPS”), as well as AIMR’s efforts to address the application of the standards to the SMA industry, we are deeply concerned that a number of aspects of the Statement are not appropriate for the SMA industry at the present time.

Lord Abnett presently participates as a manager in seven separate SMA programs managing a number of equity and fixed income investment strategies. Our firm started managing SMAs over 10 years ago and presently manages nearly \$12 billion in assets in these programs, making Lord Abnett one of the largest managers in the SMA industry in terms of assets under management. Through our involvement in the SMA industry, we are deeply involved with the special challenges that SMAs pose with respect to the AIMR – PPS requirements. On this basis, we are of the view that AIMR needs to reevaluate the Statement to revise its guidance regarding application of the AIMR – PPS requirements in order for the Statement to provide the maximum benefits for investors and be embraced broadly by SMA industry participants.

There are a number of fundamental concerns that we have regarding the Statement. For example, Lord Abnett, like many managers that participate in SMA programs, sometimes has difficulties either gaining access to records maintained by SMA program sponsors or maintaining shadow (*i.e.*, duplicate) accounting. While the reasons for this are often complicated and related to systems communications issues among different firms, they emphasize the need for AIMR to adopt a more flexible approach to performance presentation requirements relating to SMAs. In particular, therefore, we believe that AIMR should continue to permit certain exceptions and/or exclusions in its presentation requirements, subject to appropriate disclosure designed to ensure that the information is not misleading to any SMA program sponsor or investor.

We also believe that current industry practices regarding shadowing of accounts is varied and that such variety may not be helpful in ensuring consistency with minimum standards or sufficient uniformity to enable many managers and sponsors to work together productively and efficiently with respect to required recordkeeping. We therefore recommend that AIMR also should establish minimum standards with respect to shadow accounting.

Another area in which we see difficulties under the current AIMR requirements relates to the time-weighting requirement for daily cash flows, presently scheduled to be required in 2005. In this regard, it is important to understand that there are inherent differences between traditional individually managed institutional accounts and SMAs with respect to cash flow experiences; they tend to differ both with respect to magnitude as a percentage of the account size and frequency. Due to the recordkeeping and shadow accounting difficulties, the large number and relatively small average size of SMAs, it is our view that 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. We therefore strongly urge AIMR to exempt SMAs from the time-weighting requirement.

In addition, we suggest that AIMR needs to clarify and/or revise certain policies reflected in the Statement. For example, we believe that AIMR should permit gross-of-fees performance to be shown together with, and with equal prominence to, net performance. This approach would be consistent with current regulatory practices relating to other investment advisory account presentations not involving SMAs. We also believe that such presentations can be more helpful to investors, provided that they are accompanied by full and fair disclosure of all information material to an understanding of the presentation.

AIMR also should permit managers to present sponsor-specific performance to SMA program sponsors and their employees, subject to appropriate disclosure. We appreciate AIMR's concern with potential cherry-picking issues in connection with the use of sponsor-specific composites, but we also know that there are several legitimate reasons why such information may be especially helpful to investors or even required by certain sponsors. Therefore, we urge AIMR to permit such uses provided that they are accompanied by appropriate disclosure.

Finally, we believe that July 1, 2003 is not an appropriate effective date for the Statement. Understanding the nature of the changes likely to be required throughout the SMA industry when the Statement is adopted, we strongly suggest that AIMR provide that the Statement become effective no sooner than 18 months following its adoption.

On behalf of Lord Abbett and ourselves, we appreciate having the opportunity to provide these comments on the Statement. If you have any questions or we can provide you with

additional information regarding any aspect of this letter, please contact Charles Massare, Jr. at (201) 395-2690.

Very truly yours,

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