

Northern Trust Value Investors
580 Village Boulevard, Suite 225
West Palm Beach, Florida 33409
Tel (561) 697-2723
Fax (561) 697-9544



Northern Trust

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CFA Institute
CFA Centre for Financial Market Integrity
Post Office Box 3668
Charlottesville, VA 22903

RE: Proposed Guidance Statement on Wrap Fee/SMA Performance

To Whom It May Concern:

We have reviewed the proposed Guidance Statement for Wrap Fee Performance. While we support the CFA Institute's effort to clarify provisions for wrap fee accounts, we do not believe the proposed guidelines are operable as they exist. We are primarily concerned with our belief that they do not take into consideration the existing technology solutions or the relationship between the investment manager and the wrap program sponsor.

Due to the industry's existing technology constraints, compliance with the proposed guidelines would produce significant additional operational costs. As you are aware, sponsors utilize a variety of vended and proprietary systems that are unable to communicate with each other. Shadow accounting is not feasible as investment managers are already operating under increasingly tighter margins and cannot bear these costs on a profitable basis.

Wrap program sponsors often require the composite results obtained within their own program be presented to prospective brokers and/or clients. In many cases, managers contract directly with the program sponsor. The sponsor is the investment manager's client. It would be virtually impossible to force the program sponsors into utilizing AIMR-PPS.

In addition, we believe the investment firms that manage the vast majority of the industry's wrap assets generally deliver consistent results from program to program (subject to small differences resulting from the instructions or restrictions of the individual sponsor). Firms that cannot deliver consistent results across programs rarely (if ever) pass the significant initial and on-going due diligence criteria of the program sponsor.

If adopted, we believe the proposed guidelines would likely change how many investment managers define their compliant firm. That solution could potentially produce results which are contrary to the goals of the Standards. Prospective and current clients are the primary beneficiaries of the Standards. If adopted, the client will have to bear some of these significant costs while deriving little benefit. We strongly believe that the compliance of investment managers to AIMR-PPS is in the best interest of the individual investor and are hopeful that alternative solutions are evaluated.

Sincerely,

Melinda S. Mecca
Chief Operating Officer
Northern Trust Value Investors

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