

October 29, 2002

Dear AIMR Representatives,

We at PIMCO Advisors Managed Accounts (PAMA) appreciate the opportunity to comment on the Guidance Statement of Wrap Fee performance. Given that this industry is likely to become more complex in both products and business models across investment managers, sponsors and distributors, the following comments are intended to supplement those of the Money Management Institute's letter on the same topic.

Historically wrap fee managers have been single-manager firms. In recent years, some firms have evolved into holding company structures. For example, PAMA distributes for its sister companies: Dresdner RCM, Nicholas|Applegate, NFJ, Oppenheimer Capital, and PIMCO. This new business model presents feasibility challenges in the proposed guidelines.

**Firm definition and development of new products:** Investment managers typically use performance track records of institutional composites to launch new wrap-fee products. While the firm PAMA includes wrap-fee only assets, these wrap-fee products are born using the AIMR compliant institutional composites of its sister companies. Under the current Guidelines we are prohibited from using institutional track records because these entities are defined as two separate firms. Under certain conditions the Guidelines should allow the historical track records of one firm to be used by another in order to 1) start a new wrap product and 2) once launched, link the returns to demonstrate a historical track record of the strategy.

**Record Keeping:** Duplication or shadow accounting presents significant incremental costs which are ultimately borne by the client. It requires redundant processes, staffing increases to maintain the processes, and unnecessary technologies costs for interfacing data. The sponsor is responsible for custody, marketing, performance measurement and in some cases the trading/accounting system. Given this contractual role, it is our opinion the sponsors bear the burden of performance measurement record keeping. The investment manager should verify the reasonableness of the sponsor returns and that AIMR compliant record retention procedures are employed by the sponsor.

**Standard Fee:** A more reasonable standard industry fee for determining net-of-fee performance would mitigate client confusion and create improved comparability of investment managers and other investment vehicles. A fee of 2% would seem reasonable as an average effective fee.

**Adoption and Implementation:** Given the magnitude of the implications the Guidance Statement will have on infrastructure of the industry and the resource requirements to become compliant, an effective date of 18 months following the adoption of the Guidance Statement by AIMR is necessary.

Performance presentation standards are very important for our industry. It is equally important that these standards also be flexible enough to work across business models. Thank you for your time and consideration.

Sincerely,

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