

**P I M C O**  
**A D V I S O R S**

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CFA Institute  
CFA Centre for Financial Market Integrity  
Reference: Guidance Statement on Wrap Fee/SMA Performance  
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Dear CFA Institute Representatives:

We at PA Managed Accounts LLC (PAMA) appreciate the opportunity to comment on the Guidance Statement on Wrap Fee/Separately Managed Account Performance released in October, 2004. We support CFA Institute's effort to develop guidance for the calculation and presentation of SMA portfolios. While the most recent Guidance Statement is an improvement from the previous version, we feel there are issues remaining that need further clarification and flexibility.

**Definition of Firm and Establishing an Initial SMA Track Record**

In recent years, the structure of some firms has evolved permitting such firms to manage and distribute SMA products for third party investment advisers who act as sub-advisors to such firms (and who are often affiliated with them). This means that while a firm acts as the discretionary manager of SMA accounts, its management is based on investment recommendations provided by its sub-advisors (which recommendations are generally consistent with the investment strategies developed by those sub-advisors for their institutional clients). In order to launch new SMA products in this structure, firms typically use the performance of the sub-advisors' compliant institutional (non-SMA) composites. However, the current Guidance Statement prohibits the use of historical, non-SMA performance for SMA products except in the case of Firm Definition option #1 (where the entire organization is defined as the "firm"). As you can see this option is not available to firms which utilize this new structure. We would like to see more flexibility with regards to firm definitions and the ability of firms to use historical institutional composite performance relating to the same investment strategy as the SMA product - even when, as described above, it constitutes the performance of a sub-advisor rather than the firm - for a reasonable period after the firm begins to manage SMA accounts in that investment strategy.

### Underlying Records

Because of the nature of the SMA business model and technical limitations, investment managers sometimes must rely on program sponsors to provide data for performance calculation. It is reassuring that the current Guidance Statement permits compliance regardless of availability of pre-2006 returns' underlying records. Starting 2006, however, while managers can and would make their best effort to obtain underlying records necessary to substantiate performance and verify the reasonableness of the sponsor-provided data, there is no guarantee that the records will always be accessible or that the data is complete and accurate. Moreover, investment managers cannot ascertain that the sponsor-provided performance meets the requirements of the Standards. The alternative of maintaining separate/duplicate records is often technically unattainable and/or financially impractical, as the resulting significant incremental costs would ultimately be borne by the client. Neither of these alternatives appear to be currently feasible because they will be very difficult, if not, impossible to implement.

### Adoption and Implementation

Given the extent of the implications of the Guidance Statement on the infrastructure of the SMA industry and the resources that will be required by firms seeking to become compliant, we believe an effective date of 24 months is necessary following the adoption of the Guidance Statement by CFA Institute.

Performance calculation and presentation standards are important for the SMA industry. It is equally important that these standards be flexible and feasible enough to be applied across varying and commonly used business models.

Thank you for your time and consideration.

Sincerely,

Sophie Wang  
Manager, Performance & Analytics

Zinovia Spezakis, CFA  
Chief Operating Officer