

December 22, 2004

CFA Institute
CFA Centre for Financial Market Integrity
P.O. Box 3668
Charlottesville, VA 22903

RE: Guidance Statement on Wrap Fee/SMA Performance

Dear Investment Performance Council:

Piper Jaffray is pleased to have the opportunity to respond to the Guidance Statement on Wrap Fee/Separately Managed Account Performance. We believe the guidelines thoroughly addressed the areas of ambiguity within the Global Investment Performance Standards (GIPS). Unfortunately, we do not support the guidelines in their current form, as we do not believe they address transaction costs in an accommodative fashion.

We do wish to express our concern around the requirement to display gross of fee returns less transaction costs or the entire bundled fee. While in principal we agree with this statement, we do not believe it is a practical application within the wrap sponsor and investment management communities. At Piper Jaffray, we have begun conducting some research as to how we will identify exact transaction costs and apply it to gross of fee performance calculations. Regardless of whether we will be able to successfully identify this cost, we doubt that all wrap sponsor firms will be able to do this. This will likely result in all investment management firms showing the bundled fee. The entire bundled fee will likely be 2.50% or higher, a level that will put gross of fee returns nearly on par with net of fee returns. We don't believe this provides an accurate representation of gross performance.

In talking with numerous investment management firms on the proposed guidelines, we suspect firms will either establish a non-compliant subsidiary entity for wrap business, or forgo the claim of AIMR compliance. We have already begun to see this occur with several investment managers. We do not believe that either of these moves is in the best interest of investors, sponsor firms, or the industry as a whole.

We applaud the decision to exclude model portfolios that are supplied by investment managers with no discretion. Having developed and implemented a Unified Managed Account, we agree that performance of a model portfolio cannot be considered part of a composite. We also support the flexibility provided to investment management firms to show simulated SMA performance for periods prior to holding a developed wrap track record. This will be a benefit both from a sales standpoint as well as for due diligence.

We believe that direction of the Investment Performance Council is appropriate, however we would recommend holding off implementation of these standards until the industry can address handling transaction costs properly. The likely solution would be to enhance industry trading platforms to incorporate transaction costs. We believe the bundled fee approach will be a hindrance towards achieving industry acceptance and mandatory verification of GIPS.

We appreciate the opportunity to comment on these issues and are willing to provide any additional feedback you may request.

Sincerely,

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