



October 31, 2002

Association for Investment Management and Research

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**Subject: AIMR-PPS standards - Wrap Fees**

To whom it may concern:

I am writing to share my concern regarding the proposed AIMR-PPS Guidance Statement and specifically, the proposed performance reporting requirements as they relate to wrap fee (managed) accounts. I recognize and support AIMR's objective - to ensure the fair and accurate reporting of performance data for managed accounts. However, the Guidance Statement does not adequately reflect the nature of wrap fee accounts and therefore its proposed requirements are not appropriate for adoption.

Record keeping and marketing practices of managed account programs are different from traditional institutional accounts. I believe managed account managers, including my firm, do not have access to underlying client data - and in some cases are legally barred from this data by program sponsors. Moreover, managers have little or no input in the design, creation, marketing or sale of wrap programs. The sponsors of the wrap programs carry out these functions and in no case does the manager use performance in any context besides the promotion of itself to the sponsor. As a result, it seems of little value to require managers to keep onerous "shadow" records for performance it never uses with respect to accounts over which it has little control with respect to many key features.

I propose that AIMR permit managers to present sponsor-specific performance for managed account program sponsors, subject to appropriate disclosure, and I also suggest that the effective date for managed account performance reporting requirements be postponed from July 1, 2003 (as currently proposed) to a date no sooner than 18 months following its adoption by AIMR.

Should you have any questions regarding the concerns and suggestions outlined, please contact me via e-mail at [bob@brandes.com](mailto:bob@brandes.com).

Sincerely yours,

A handwritten signature in black ink that reads "R. J. Gallagher".

Robert J. Gallagher, CFA

Director, Private Client Portfolio Management