

October 31, 2001

Professional Standards and Advocacy
Association for Investment Management and Research
P.O. Box 3668
Charlottesville, VA 22903

Dear Sir or Madame:

We would like to thank you for the opportunity to comment on the proposed Guidance Statement on the Treatment of Significant Cash Flows. Those comments are as follows:

1. Although we feel that Temporary New Accounts are the most appropriate way to deal with portfolios having significant cash flows, the practice of temporarily removing portfolios that experience significant cash flows from their respective composites, accompanied by complete and proper disclosures, may be the only way for some firms to deal with the issue. The potential for abuse is significant, which places a great importance on the relevant policies and their consistent application. The Guidance Statement is weak in regards to the role of verifiers on this issue. This is both a Level 1 and a Detailed Examination (old Level 2) item, which adds to the responsibilities and costs of verifiers.
2. The concept of significant cash flows and the resultant effect on composite performance is less understood by the recipients of the performance presentations, as compared to the performance measurement practitioners. The increased length and complexity of disclosures leads to less comprehension and therefore could minimize their effectiveness and value added.
3. It seems to us that manager directed cash flows are more prevalent in the less liquid asset classes, which then begs of a conflict of interest.
4. The ability of a manager to avail himself of the use of futures is often constricted or prevented by client guidelines.
5. The size of a portfolio cash flow is more relevant to the portfolio's asset value rather than the composite's asset value, and the determining factor should be based on percentages rather than absolute monetary amounts. We agree that the significance (and therefore difficulty of investing or disinvesting) is very related to the asset class of the composite, and therefore requires distinct cash flow thresholds and grace periods for each strategy.

Yours sincerely,

UBS Asset Management

Robert Clarke, CFA
Brinson Partners, Inc.

William McCoy, CFA
Brinson Partners, Inc.

Paul Weller
Phillips & Drew