

October 28, 2002

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

RE: AIMR-PPS standards - Wrap Fees

To Whom It May Concern:

UBS Global Asset Management would like to thank you for the opportunity to comment on the proposed Guidance Statement on Wrap Fee Performance. We would like to respond to those issues AIMR specifically requested comments on as well as other general and specific items.

In the "Summary of Proposed Wrap Fee Guidance," the first bullet states "The investment management firm is ultimately responsible for its claim of compliance and is responsible for reporting compliant information to prospective clients." The prospective client can be thought of in two ways, from the perspective of the investment manager and from the perspective of the sponsor. To the investment manager the sponsor is the prospective client. The prospective client to the sponsor is the investor. This concept is at the core of all of the difficulties that would be encountered if the current proposed guidance statement is applied to the investment management side of the SMA relationship. The typical SMA business model holds that the SMA sponsor fulfill the role of reporting performance information to the end client (whether the sponsor firm claims compliance or not).

Do you think the requirements for investment management firms to have access to the underlying records are sufficiently explained and the alternatives available to firms to satisfy the requirements are understandable and operable?

We feel that the requirements for the investment management firms to have access to the underlying records are sufficiently explained and the alternatives available to firms to satisfy the requirements are understandable. We do not feel that the requirements or alternatives are fully operable in the context of the SMA business. The difficulty of obtaining complete records from a sponsor cannot be overstated. Time pressures, expense, volume, growth rates, etc. make the probability fairly low that a

sponsor will provide the data necessary to perform shadow accounting. A firm relying on the calculations of the sponsor (after performing required due diligence) conflicts not only with regulatory requirements, but also conflicts with AIMR-PPS and GIPS in several important respects. Firm-wide verification procedures would be difficult for a verifier to complete. Would an independent third party verifier rely on due diligence performed by the very firm that is the subject of the verification? Relying on a sponsor's records would also preclude a firm from receiving a detailed examination for any SMA composites.

Once a firm acquires one or more wrap fee portfolios for management, should the firm be required to include the performance of the actual wrap fee portfolios when presenting performance to prospective wrap fee sponsors and/or clients?

We agree that once a firm acquires one or more wrap fee portfolios for management, the firm should be required to include the performance of the actual wrap fee portfolios when presenting performance to prospective wrap fee sponsors and/or clients. The inclusion rules should be fully defined and documented, due to the fact that these rules may be unique to a firm's SMA strategies and quite different from the rules for the typical institutional account.

Do you agree with the proposed treatment for a "double hit" of transaction expenses (when creating a simulated wrap fee performance record)?

We agree with the proposed treatment that causes a "double hit" for the transaction expenses, but wonder if there should be some disclosures relating to that so as to provide clarification on the what, when and why aspects of the situation.

Do you support the 1 July 2003 effective date of the proposed Guidance Statement for Wrap Fee Performance?

No, we do not support a 1 July 2003 effective date for the proposed Guidance Statement for Wrap Fee Performance. Whether there are significant changes to the GS as proposed or not, the Wrap Fee issue is one of the few that would require a firm that currently claims AIMR compliance to do significant amounts of work to maintain that claim if they are to include a wrap division in their firm definition. The possibility exists that business would be inhibited for managers that cannot gather the necessary data by the effective date, most likely through no fault of their own.

Yours sincerely,

Robert Clarke, CFA

William G. McCoy, CFA

Paul Weller, FSI

UBS Global Asset
Management (Americas)
Inc.

UBS Global Asset
Management (Americas)
Inc.

UBS Global Asset
Management (UK) Ltd