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1101 17th Street, NW, Suite 703, Washington, DC 20036-4726 • Phone: (202) 347-3858 • Fax: (202) 331-8446 • www.moneyinstitute.com

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October 30, 2002

Mr. James Hollis, Chair of the Investment Performance Council
Ms. Karyn Vincent, Chair of the AIMR—PPS Implementation Committee
c/o Association for Investment Management and Research
P.O. Box 3668
Charlottesville, VA 22903

Re: AIMR-PPS standards – Wrap Fees

Dear Karyn and James:

The Money Management Institute (the “MMI”)¹ appreciates the opportunity to comment on the Guidance Statement on Wrap Fee Performance (the “Statement”) that the Association for Investment Management and Research (“AIMR”) recently proposed. The Statement seeks to provide the SMA industry with guidance and clarification regarding presentation of performance for SMAs. The MMI, in general, strongly supports the general principles underlying the AIMR—PPS requirements, as well as AIMR’s efforts to address the application of the requirements to the SMA industry in light of what AIMR refers to as the “exponential growth and change” and the “number of new participants and programs” the industry has experienced in recent years. These very factors, however, lead the MMI to conclude that a number of aspects of the Statement are not well suited to the SMA industry as it presently exists and functions.

The MMI believes that the nature of the SMA business model poses special challenges for the AIMR—PPS requirements and demands careful consideration based on the unique characteristics of SMAs and SMA programs. The MMI therefore recommends that AIMR reevaluate the Statement following the conclusion of the comment process and undertake additional efforts to understand the SMA industry in more detail so that guidance regarding application of the AIMR—PPS requirements can have maximum benefits for investors and be embraced broadly by SMA industry

¹ The MMI is the association for the Separately Managed Account (“SMA”) industry. SMAs are individually managed accounts in programs pursuant to which clients pay a program sponsor a single, all-inclusive fee covering multiple services such as investment management, consulting, brokerage and custody. The MMI’s membership includes the leading money manager firms and most major SMA program sponsor firms. The MMI estimates that the SMA industry had approximately \$417 billion in assets under management as of June 30, 2002, with an average account size of \$259,463. The MMI estimates that there were approximately 1.6 million SMAs for individual investors at that date.

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participants. The MMI would be pleased to meet with AIMR regarding the nature of SMAs and SMA programs. In addition, the MMI's comments on the points AIMR specifically requested are set forth below, following a summary of our comments and a discussion of background information on the SMA industry that we hope will provide additional context for our comments.

Summary of the MMI's Comments. Our key comments are summarized below:

- SMAs and SMA programs are organized and operated differently than more traditional institutional accounts. The differences bear directly on application of the AIMR—PPS requirements to SMAs and, therefore, are important for AIMR to understand thoroughly before revising and finalizing the Statement.
- The MMI supports clarification of the AIMR—PPS requirements as they relate to SMAs but does not support the Statement in its current form as it is not practicable for implementation at this time in a number of important respects.
- Current difficulties involving access to records and shadow accounting make clear the need for a more flexible approach to these matters, including recourse to disclosure as an acceptable alternative. Certain exceptions and/or exclusions may need to continue to be permitted – subject to appropriate disclosure -- following the effectiveness of a revised Statement.
- In light of the unique characteristics of SMAs, AIMR should establish minimum standards with respect to shadow accounting and exempt SMAs from the time-weighting requirement for daily cash flows, presently scheduled to be mandated in 2005.
- July 1, 2003 is not an appropriate effective date for the Statement; any revised Statement should become effective no sooner than 18 months following its adoption by AIMR.
- AIMR needs to clarify and/or revise certain policies reflected in the Statement relating to presentation of gross-of-fees performance, linking of institutional and SMA performance, presentation of performance to SMA program Sponsors and their employees, and the use of SMA program-specific composites; the guidance as set forth in the Statement does not adequately reflect the nature of SMAs and the SMA marketplace.

Background. AIMR noted in the Statement that the SMA industry has experienced significant growth and change in recent years. Indeed, the MMI believes that the innovative and creative nature of the SMA industry is one of its most important characteristics. SMA programs can and do take many different forms. Many are driven by portfolio models that enable investment management firms to customize portfolios in an individual style or asset class in accordance with investor guidelines

and restrictions. Many are capable of implementing individualized tax-efficiency-related strategies. Others are structured to enable a sponsor's financial advisors to act in an investment management capacity with respect to SMA portfolios. Still others are incorporating use of exchange-traded funds or other investment products into portfolios or offering SMAs representing multiple investment disciplines or asset classes within a single account.

In each case, however, the fundamental business model for SMAs remains the same: the SMA program sponsor ("Sponsor") creates and operates the program, including having responsibility for Manager due diligence, SMA program marketing, trading listed equity securities, settling all securities transactions into the client's account, and client reporting on transactions and performance; another group (which most often is a separate entity, unaffiliated with the Sponsor) makes day-to-day investment decisions for each SMA (the "Manager"). Indeed, in virtually all cases, only the Sponsor enters into a contract directly with SMA clients; the Managers contract directly with the Sponsors only, and not with the clients. For purposes of AIMR requirements relating to defining the "firm," in most cases, the Sponsor and Manager are different "firms." Most commonly, Sponsor "firms" are not, do not seek to, and/or cannot, be in compliance with the AIMR—PPS requirements. Conversely, many, perhaps most, Manager "firms" do seek to be in compliance with the AIMR—PPS requirements, although SMAs or SMA programs represent only one, and sometimes a rather small, component of their businesses. Rather, many Managers also have significant businesses or efforts aimed at institutional investors that often will consider a Manager's compliance with AIMR—PPS requirements as a criterion in evaluating the Manager for use.²

The Sponsor's role normally includes the initial and subsequent meetings with the investor, including analysis of the goals, objectives and risk tolerances of each investor as needed to formulate a recommendation regarding appropriate investment asset classes, styles and, ultimately, Managers for the investor to consider. The Sponsor usually will provide the investor with information regarding the Managers it is recommending. The Sponsor typically has prepared this information following a rigorous due diligence process. The information often includes material describing the Manager's firm and its investment style(s) and strategies. It also may include information on the Manager's performance. In some instances, the Sponsor also may choose to provide investors with materials the Manager has prepared, in addition to

² In many of these instances, the Managers will not wish to define the "firm" as solely the SMA-related division, as no such division actually exists in practice, and most Managers use the same personnel, styles and strategies in investing for SMAs as for institutional accounts.

those prepared by the Sponsor. Once a Manager accepts an account, it then is responsible for day-to-day investing of the account.³

It is important to consider the ways in which day-to-day management of SMAs differs from institutional accounts. In the case of institutional accounts, normally the Manager is responsible for every aspect of management and reporting. This includes formulating and implementing investment decisions, placing transactions for the accounts, maintaining all recordkeeping required for such activities and reporting on performance for the accounts, which performance the Manager's records support. Many Managers, including all that are in compliance with the AIMR—PPS requirements, will place each account in a composite and, as deemed appropriate, market its services to potential investors using such composites.

SMAs typically are handled differently. The Sponsor usually executes (directly or through an affiliated broker-dealer) all agency transactions and, in any event, needs to record all trades since it or its broker-dealer affiliate provides monthly and quarterly reporting to the investor. Indeed, the Sponsor's records constitute the client's "official" records; they are analogous to those normally kept by a client's custodian in the case of an institutional account and, among other things, govern tax reporting for the clients. Accordingly, Managers often are obliged to use or rely on the Sponsors' technology platforms for or in connection with transactions being placed with and/or reported to the Sponsors. As part of the programs' services, Sponsors will report on performance for individual investors, and also will track performance for all the accounts in their program. Currently, many Sponsors do not have the ability to provide Managers with an electronic feed of all information relevant for the Managers' to retain for both regulatory recordkeeping and AIMR performance reporting purposes. As a result, Managers have two alternatives: (1) shadow (*i.e.*, duplicate) the essential recordkeeping needed for AIMR purposes; or (2) rely on the Sponsors to keep the required information on behalf of the Managers, subject to appropriate contractual obligations for the Sponsor to do so and adequate due diligence by the Managers in order for them to feel comfortable relying on it.

These alternatives focus on one of the most serious issues facing the SMA industry at this time. Due to the absence of an industry standard for electronic records communication, Managers must choose between the alternatives above. The first can

³ In certain instances, the Manager may not have day-to-day management responsibilities, but may be required only to provide recommendations to the Sponsor or another Manager designated by the Sponsor. In these instances, the Sponsor or other Manager will have ultimate responsibility for investment decision-making and placing of investment transactions. SMAs managed using this sort of model likely would not be included in AIMR—PPS performance composites of the recommending Manager, as they would be deemed non-discretionary accounts.

quickly become troublesome for a Manager, as it normally requires manual inputting and/or reconciliation of information on positions, transactions and cash flows for as many as tens of thousands of accounts. This is burdensome as a matter of cost and risky as it is prone to potential errors. Bearing in mind that Managers in SMA programs typically are paid less than their usual institutional account management fees because the fundamental economics of SMAs reflect the Sponsor's desire and contractual obligation to provide all of the day-to-day management for the SMAs other than investment decision-making. As a consequence for the Managers, however, the cost of providing shadow accounting for a large number of SMAs may significantly erode or entirely eliminate any potential to profit from such management.⁴ As a result, this alternative is, at best, unduly burdensome and therefore not particularly practicable or attractive.

The second alternative is far more attractive to Managers, but also suffers from a practicability perspective. Specifically, Sponsors have not embraced it and likely will not do so in the near-term; for Sponsors, it adds responsibilities and, potentially, liabilities for the sole purpose of assisting Managers with matters that often are of little or no direct relevance to the Sponsors or their programs. After all, the Sponsors normally do not rely on Managers for information regarding the performance of accounts managed within the Sponsors' programs. Also, the regulatory framework within which Sponsors operate requires them to maintain adequate books and records for all their accounts, including SMAs. Sponsors, however, have been, and likely will continue to be, reluctant to enter into contractual obligations – and incur the accompanying potential liability – relating to a formal, legal obligation to maintain these records on behalf of Managers. Such an undertaking would also require Sponsors to provide access to their proprietary records to Managers, which would give rise to competitive and confidentiality concerns. In addition, Managers do not have the leverage as a business matter to compel Sponsors to undertake these responsibilities; many of the MMI member firms have tried to pursue this approach and generally have been unsuccessful in their efforts to seek a contractual commitment regarding reliance on the Sponsors' records. In the end, therefore, Managers presently are in a difficult position in terms of a practical means to address these record-related concerns.

⁴ In this regard, the MMI believes that it is fundamentally inappropriate and indicative of underlying interpretative difficulties for AIMR to adopt positions (such as those set forth in the Statement) that would significantly affect the nature of the marketplace on the basis of either cost pressures associated with the expense of compliance with such positions or Sponsor cooperation with Managers, which Managers are not in a position to control. This last point is addressed in the next paragraph of the letter.

Responses to Specific Comments Requested:

1. Do you support AIMR's efforts to clarify the wrap fee provisions of the AIMR—PPS standards as outlined?

The MMI supports AIMR's goals and objectives in seeking to clarify application of the AIMR—PPS requirements to the SMA industry. We are unable, however, to support the Statement in its present form. As drafted, we believe that the Statement would require Managers to bear unreasonable burdens to become AIMR—PPS compliant or maintain their AIMR—PPS compliant status, or choose to forego such status due to an inability to comply with the AIMR—PPS requirements for reasons beyond the Managers' control. In either case, we do not believe that the positions set forth in the Statement would advance AIMR's goal of providing better, more reliable information to the investing public. MMI respectfully recommends that AIMR reconsider and revise the Statement through use of an approach designed to enable AIMR to understand in greater detail the unique characteristics of the SMA industry and to consider how those differences should be reflected in a revised Statement relating to SMAs. MMI believes that such an initiative would be valuable to the industry and help to ensure that the resulting guidance would be consistent with the goals and past contributions AIMR has made regarding presentation of performance information. MMI would be pleased to meet with representatives of AIMR as a part of that process.

2. 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?

The MMI believes that the requirements regarding access to records and the available alternatives to satisfy them are sufficiently explained and understandable. We also believe, however, that they are not operable at the present time. For the reasons described in the Background section of this letter, we submit that it is not always possible for a Manager to maintain or to have access to all required records relating to a SMA program at this time. We believe that it is of the utmost importance for AIMR to recognize that this situation is in large part a technological one rather than simply a business choice. Furthermore, the MMI is concerned that unless AIMR recognizes this basic reality of the SMA industry, it potentially will force some Managers to steer away from AIMR—PPS compliance or to determine that they can no longer comply, in each case due to factors beyond the Managers' reasonable control and despite the Managers' best intentions and efforts to become or remain AIMR—PPS compliant. In this regard, the MMI proposes the following specific suggestions regarding the Statement:

- Availability of records: For the reasons described in the Background section of this letter, MMI submits that the Statement creates an inappropriate and unworkable

situation with respect to the availability and/or access to records by Managers in the SMA industry today. The Statement fails to take into account the basic structure of the SMA industry and the relative roles and responsibilities of the principal players in it. In particular, it fails to adequately reflect that much of the recordkeeping process is driven by entities – the Sponsors – that are not AIMR—PPS compliant and are not much concerned with the Managers’ AIMR—PPS compliance status, as such status has not to date been a salient point for SMA program investors in evaluating Managers. Simply put, the Managers do not have the ability to dictate terms to Sponsors with respect to recordkeeping systems and availability of information in an efficient manner. In this regard, it is important to note that the MMI is actively working with Sponsors and Managers to develop SMA industry standards for file formats for electronic data feeds. We are optimistic that such a development would alleviate many of the current difficulties that make certain aspects of the Statement inoperable today. Unfortunately, however, such initiatives invariably take time to implement.

Until there is some means to ease the current recordkeeping difficulties, the MMI strongly urges AIMR to permit a Manager to (1) continue to rely on the Sponsor as the recordkeeper despite the lack of a contractual right for the Manager to obtain the records from the Sponsor, and/or (2) exclude assets of SMA programs with respect to which the Manager cannot reasonably have access to the underlying records from its definition of the “firm” for AIMR—PPS compliance purposes. We believe that such an arrangement is essential to avoid putting Managers that otherwise are or could be AIMR—PPS compliant in untenable and unreasonable positions where they are unable to have the records necessary to maintain AIMR compliance with respect to individual SMA programs. While we recognize that this approach may have certain drawbacks, we believe that its shortcomings can be meaningfully and appropriately addressed through disclosure. For example, we recommend that a Manager excluding a SMA program for this reason would need to disclose that the performance shown does not include that program and indicate the percentage of SMA assets represented by the accounts for which performance is shown. We also recommend that the disclosure should indicate the reason that the program is excluded. MMI submits that this approach would be more fair to Managers experiencing these recordkeeping issue difficulties and reasonable from the perspective of a reader-investor trying to put a Manager’s performance in perspective. We would expect that this approach would fade from use – prospectively – following the implementation of an industry standard for file formats for SMA information.

- Define minimum standards for recordkeeping: We suggest that it would be helpful and appropriate for AIMR to outline in greater detail a minimum set of criteria that would be satisfactory with respect to shadow accounting on the one hand and reliance on access to a Sponsors’ records, including related due diligence, on the other hand. For example, the MMI believes that it should be

sufficient for shadow accounting purposes to capture month-end account values and cash flows as the basic elements for calculating performance. Such guidance would provide clarity, simplicity and uniformity in the event that shadow accounting becomes more practical.

Unfortunately, among other things, this approach may conflict with another AIMR initiative, specifically, the daily time-weighting requirement for all cash flows that would become effective in 2005. In this regard, we urge AIMR to revise the Statement or take other appropriate action to exempt SMAs from the application of this requirement. Simply stated, the daily time-weighting requirement will not be operable for the SMA industry; rather it will create or amplify the sort of burdens that the MMI has identified elsewhere in this letter with little or no likely material affect on the presentation of information. Today, it is acceptable to, and most Managers do, assume a mid-month date for cash flow purposes. Given the relatively small size of SMAs (estimated at approximately \$259,000 per account, on average) and the huge number of accounts typically managed by a single Manager, we believe strongly that the differences that will be shown by daily time-weighting of cash flows vs. assuming a mid-month date will be immaterial. In light of the likely immateriality of such differences, the costs associated with the recordkeeping necessary to support time-weighting seem all the more burdensome and unnecessary in the context of SMAs. The fact that Managers are dependent on Sponsors for information exacerbates this dilemma greatly.

- Grandfathering of certain records: The MMI believes that it will be of great importance that the Statement, in whatever form it is ultimately adopted, grandfather practices regarding Managers' access to records for periods prior to the effectiveness of the Statement. In certain cases, Managers that do not have access to records today may be unable to change that situation retroactively, yet may have an adequate basis to present certain performance information under the currently prevailing understanding of the AIMR—PPS requirements. Effectiveness of the Statement, in our view, should not throw Managers deemed in compliance under current interpretations of the requirements out of compliance in situations in which the Manager may have no ability to retroactively create or gain control of or access to the relevant records. Accordingly, we urge AIMR to permit the Statement to have solely prospective effect with respect to Managers' access to records following its effective date.
- Delay effectiveness of the Statement: The MMI believes that effectiveness of the Statement should be delayed to permit a period of at least 18 months following its adoption and promulgation. We submit that at least such a period will be required based on current technology to enable Managers to implement the changes in procedures required by the Statement.

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

The MMI generally agrees that once a Manager commences management of SMA portfolios, it should include the performance of such portfolios when presenting performance to prospective SMA program Sponsors and/or clients. MMI believes that it is important that the Statement clarify that, in doing so, the Manager must follow its normal account inclusion policies with respect to the composite(s) in which such portfolios would appear. This may affect the timing for the performance of SMAs actually being presented to prospective Sponsors and/or clients. In any event, however, we believe that it is important to emphasize that the SMAs should appear in appropriate composites within one year from commencement of management of the accounts. Of course, we believe that consistency of application of a Manager's usual composite and/or account inclusion policies and any related disclosures are a key to presentation of performance for any account.

The MMI also submits that AIMR should clarify two related matters. First, AIMR should clarify that Managers may link performance of SMA portfolios to earlier performance of similarly managed institutional accounts. In this regard, we also believe that AIMR should not prevent an organization's non-AIMR—PPS compliant, SMA division from linking performance of the organization's AIMR—PPS compliant, non-SMA division in situations in which the SMA division will commence managing accounts in substantially the same manner and with the same personnel as the non-SMA division has been managing institutional accounts. (Presently, the Statement suggests in the section entitled "Definition of Firm - Define the Non-Wrap Fee [sic] Division As A Firm" that such a practice would not be permitted.) The MMI believes that clarifying that linking is permitted in these situations would not be misleading and would enable Managers to provide pertinent historic information in a straightforward presentation. Further, we submit that these situations can and should be addressed with disclosure regarding the composition of the relevant composite. Again, we believe that it would be appropriate and useful to specifically address these points in its interpretation of policies regarding SMA performance presentations.

Second, AIMR should clarify that Managers have the same flexibility to show performance information to Sponsors (including registered representatives/financial advisors within the Sponsor-firms, who often are acting in a role similar or identical to that of a consultant) that they would to other consultants. AIMR has previously enunciated a position of greater flexibility with respect to information provided to consultants in other contexts. When Sponsors are evaluating Managers for inclusion or retention in their SMA programs or for recommendation to a client, they are acting

in the same capacity as consultants do. Accordingly, we believe that this too would be a necessary and appropriate clarification.

4. Is the distinction between pure gross-of-fees, gross-of-fees and net-of-fees performance clear?

The MMI believes that the distinction between pure gross-of-fees, gross-of-fees and net-of-fees performance is clear. Nonetheless, we do have some specific recommendations regarding the presentation of gross and net performance information. We believe that AIMR should clarify that it is permissible and appropriate, if not required, to show gross and net performance of SMAs with equal prominence. Presently, AIMR's requirements suggest that net performance must be shown and that gross performance may be presented as supplemental information. We believe that the current approach detracts from the clarity of the presentation in circumstances in which a Manager wishes or believes that it is helpful to show gross performance as well in order to give potential clients a better informed perspective of the Manager's performance.

In this regard, we note that AIMR's position on this point is inconsistent with current regulatory interpretation regarding presentation of performance. The Securities and Exchange Commission staff indicated in a no-action letter to AIMR (Dec. 18, 1996) that advisers may present both gross and net performance information provided that they do so with equal prominence. The MMI believes that presenting gross performance as supplemental information is inconsistent with the staff's position and, in any event, is less straightforward and more difficult to understand than a more simple equal prominence approach, coupled with all appropriate and/or required disclosures. In addition, the fees paid by an SMA vary significantly based on account size and other factors. Since relatively few SMAs pay the "maximum wrap fee," the only way for an investor to try to compare Managers based on his or her individual fee commitment would be to apply that fee to each Manager's gross performance. Accordingly, we urge AIMR to clarify that gross performance information may be presented to clients with equal prominence to net performance information.

The MMI also believes that it continues to be appropriate for AIMR to require a uniform mechanism for calculation of net performance information. We recognize that different SMA programs may have different maximum fees and that actual average fee rates paid by clients or received by Managers will differ. We recommend that all Managers should continue to be required to net fees in a uniform manner to ensure comparability among Managers, at least within particular SMA programs.

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

The MMI does agree with the proposed treatment and believes it is the most appropriate treatment at the present time. We also believe, however, that this approach reinforces the appropriateness of an equal prominence approach to the presentation of gross and net performance information.

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

The MMI strongly recommends that the effective date for a revised version of the Statement be tied to the date such a Statement is adopted. In our view, effectiveness should take place no less than 18 months following adoption of the Statement. In light of the myriad issues and concerns described above, we believe that 18 months is a minimum time period to facilitate the changes likely to be necessary to ensure that Managers wishing to comply with the Statement as adopted will be able to do so.

7. Should AIMR consider any other methods for meeting the objectives of clarifying the wrap fee provisions of the AIMR—PPS standards as set forth for the above?

Consistent with our foregoing comments, the MMI urges AIMR to consider a thorough reevaluation of the proposed Statement following meetings with appropriate participants in the SMA industry to ensure that AIMR has a solid understanding of the industry, how it functions and what its special characteristics are as compared with other investment advisory accounts. As noted above, the MMI would be pleased to meet with AIMR for this purpose or to participate in such a meeting with others.

8. Other comments on the proposed Statement

The MMI also has the following comments relating to the Statement:

- a. The portion of the Statement entitled “Presenting to Prospective Wrap Fee Sponsors or Prospective Clients” requires that a Manager “must group [SMA] portfolios in a composite according to the same investment style or strategy, regardless of [S]ponsor” for purposes of presentations to potential SMA clients and SMA program Sponsors. This requirement is intended to address potential cherry-picking of only the best performing portfolios for use with such clients and Sponsors. The MMI believes, however, that this requirement is problematic for two principal reasons. First, Sponsors often do not want Managers to show within their distribution systems performance that differs from the performance that the Sponsors themselves show for a Manager. The performance that a Sponsor shows usually is based solely on

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a Manager's accounts managed for that Sponsor's program. Second, Sponsors frequently maintain their composites differently (e.g., they may use different account inclusion policies) than Managers do despite the fact that the Manager's investment style is the same across all Sponsors' SMA programs.

The MMI believes that AIMR's cherry-picking concerns in this area can be meaningfully and appropriately addressed with disclosure. In addition, many Managers find that their performance of portfolios managed in the same style in different SMA programs typically varies relatively little from program to program. We therefore recommend that AIMR provide clarification to the effect that showing Sponsor-specific performance information is acceptable, provided that it is accompanied by appropriate disclosure to put the performance in context to the extent necessary.

b. The portion of the Statement entitled "Presenting to an Existing Wrap Fee Sponsor" permits use of a Sponsor-specific composite with a SMA program Sponsor. Again, consistent with certain of our comments above, the MMI believes that use of Sponsor-specific composites may be appropriate if other means, such as disclosure, are used to address cherry-picking and certain other issues. We believe that concerns regarding cherry-picking and similar matters also have less relevance or potential to mislead in the context of use with consultants and persons acting in a consultative role. When coupled with our other views supporting the reasonableness of using Sponsor-specific composites accompanied with appropriate disclosure, we believe that use of Sponsor-specific composites should be permitted with greater flexibility. We therefore recommend that AIMR reconsider this point and provide clarification to the effect that use of Sponsor-specific performance information may be acceptable under certain circumstances.

* * *

As a related matter, the MMI notes that AIMR continues to use the terms "wrap account," "wrap fee" and "wrap" despite the SMA industry's movement away from these terms some years ago after concluding that they are simply out-of-date descriptions. Most media coverage now uses the terms "separately managed accounts" or "managed accounts." We therefore urge AIMR also to update its references to our industry.

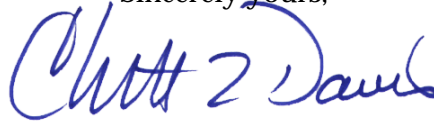
Finally, while we have noted throughout this letter our willingness to meet with representatives of AIMR to discuss the nature of the industry and our recommendations, we already have taken an important step in that direction by appointing a Committee on AIMR Liaison. The Committee comprises members of the MMI Board of Governors and other senior executives from our member firms. The

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Committee is available to you and will provide guidance to MMI's Board while our two organizations work together.

The MMI appreciates having the opportunity to provide these comments on the Statement. If you have any questions or want additional information regarding any aspect of this letter or the MMI's views, please contact the MMI at (202) 347-3858.

Sincerely yours,

A handwritten signature in blue ink that reads "Chris L. Davis". The signature is written in a cursive, flowing style.

Christopher L. Davis
Executive Director