



Compliance Program Review

Reacting to abuses on Wall Street revolving around trading irregularities and a lack of senior management oversight, regulators have enacted a series of mandates to protect the investing public from further transgressions.

The latest round of regulations focuses on rules, not ethics. ACG is offering a review service aimed to assist the firm in accomplishing the goals of the new regulations, while at the same time advancing the highest ethical standards of the industry.

All SEC registered investment advisers are required to construct a Compliance Program, and to create the Office of the Chief Compliance Officer ("CCO"). The CCO shall be responsible for implementing and overseeing the firm's Compliance Program. As part of this new regulation, a registered investment adviser is required to:

- Adopt and implement written policies and procedures reasonably designed to prevent violations of the Investment Adviser's Act of 1940,
- Conduct an annual review of the firm's Compliance Program,
- Designate a Chief Compliance Officer to be responsible for administering the policies and procedures.

ACG's Compliance Program review is intended to provide a registered investment adviser with an external assessment of their Compliance Program. As part of ACG's quarterly review, we may suggest modifications to the firm's Compliance Program and additional testing to assist them in documenting the effectiveness of their controls. We are familiar with industry best practices and how they are actually applied.

Our service will be tailored to the requirements of the new rule and the needs of **your** firm, concentrating on those areas where you may need the most assistance. The goal is not to make you fit **our** Program, but rather for us to tailor our service around **your** firm.

ACG will also provide updates and interpretations released by industry groups or by the SEC as available. As **experts in the field** of investment management compliance issues, we can assist the CCO in carrying out the important duties of the office.

Our Compliance Program will be managed by Tim Simons, CFA, CFP, a former Chief Compliance Examiner with the SEC's Philadelphia District Office, where he conducted examinations of investment advisers and investment companies for more than twelve years.

The base fee for this service for existing verification clients will be \$10,000 per year, billed quarterly in advance. For additional information please call Tim Simons at 267-254-1506, Toby Cochran at 541-857-8800, or email info@ashlandcompliance.com.

It's a comfortable fit!



Exciting Times Ahead...

Revised Global Investment Performance Standards Are Here

On February 8, 2005, the CFA Institute Board of Governors approved the revised Global Investment Performance Standards (GIPS®), which are intended to create a single global standard of investment performance reporting and increase minimum standards worldwide. Highlighted below are some of the significant changes and how they may impact your firm.

The revised GIPS Standards eliminate all former Country Versions of GIPS (CVGs). This includes the AIMR-PPS®. The change will take place when the revised GIPS Standards become effective on January 1, 2006*. As of this date, firms claiming compliance with the AIMR-PPS will need to claim compliance with GIPS instead. The CFA Institute is in the process of developing a transition plan for AIMR-PPS-compliant firms to move to GIPS-compliance and this plan should be finalized in the coming months.

* Pending official approval by the AIMR Interpretations Subcommittee.

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No More AIMR-PPS®
Verification reports covering periods up to December 31, 2005 should continue making reference to the AIMR-PPS Standards.
All subsequent claims of compliance should reference the GIPS Standards.*

Experts In The Field.

Exciting Times Ahead...

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Firms are required to present five years of performance (or since inception) that meets the requirements of the GIPS standards. After presenting five years of performance, the firm must present additional annual performance up to ten years. If the firm previously claimed compliance with a CVG (i.e. AIMR-PPS), at a minimum, the firm must continue to show the historical CVG-compliant track record up to 10 years (or since inception).

- The requirement that accrual accounting be used for dividends beginning January 1, 2005 has been removed; this is now listed as a recommendation.
- Performance track records of a past firm **must** be linked to or used to represent the historical record of a new firm if all of the portability requirements can be met.
- Per the Q&A, negative assurance language is not a required disclosure. For example, "Balanced portfolio segments are not included in this composite" or "Non-fee-paying accounts are not included in this composite" would not be required to be disclosed.

New Disclosures Effective January 1, 2006

Firms will be allowed to disclose **either** the percentage of total firm assets represented by the composite OR the total firm assets at year-end.

- If a composite contains portfolios with bundled fees (wrap), firms must disclose for each annual period shown the percentage of composite assets that are bundled fee portfolios, as well as disclose the various types of fees that are included in the bundled fee.

- If a composite includes carve-outs, the presentation must include the percentage of the composite that is composed of carve-outs prospectively for each annual period.
- The use of subadvisors and the periods of their use must be disclosed.
- Firms that have the discretion to choose the subadvisor must include the performance of those assets in a composite.
- Firms must disclose that additional information regarding policies for calculating and reporting returns is available upon request.



Ashland Checklist

Items to be required in 2010:

1. Value portfolios on the date of large cash flows;
2. Calculate composite returns by asset-weighting the portfolio returns at least monthly;
3. As expected, the requirement that carve-outs be managed separately with their own cash has been moved from January 1, 2005 to January 1, 2010; otherwise carve-outs will not be permitted.

For more information please visit www.cfainstitute.org or contact Ashland at info@ashlandpartners.com.

The Ashland Corner



Arin Stancil
Senior Manager

Arin oversees ongoing and retroactive verification engagements throughout the United States. He is also part of our Ashland Partners Training Committee, which establishes the curriculum for our semi-annual firm-wide training program.

He graduated Magna Cum Laude from Southern Oregon University. He has a Bachelor of Science degree in Business Administration with an Accounting concentration and a minor in Economics. He was a member of the Phi Kappa Phi National Honor Society and the Accounting Students Association. He is currently a Level II CFA candidate.

Arin has been with Ashland Partners since 2001. He recently returned to Ashland's main office in Southern Oregon with his wife, Tiffany, and son, Logan, after working in the Seattle area for two years.



Register Now

We are pleased to announce the Ashland Client Conferences which will be held in Los Angeles, Chicago, and New York City. The Ashland Client Conferences (ACC) will focus on the latest developments and issues surrounding the Performance Presentation Standards as well as give attendees the opportunity to network and discuss current issues with other industry leaders. Presentations will be made by both Ashland Partners' team leaders and industry experts.

Los Angeles	March 21st, 2005
Chicago	June 20th, 2005
New York	September 19th, 2005

This conference is \$50 per person for Ashland Partners clients and \$75 for non-clients.

Visit our website www.ashlandpartners.com for registration and schedule information.