



Industry Gearing Up for AIMR-PPS/GIPS Convergence

Effective January 1, 2006 the AIMR-PPS will converge to the GIPS standards. The AIMR-PPS standards and brand will be phased out. In order to continue their claim of compliance, firms will have to meet the requirements of the revised GIPS after December 31, 2005. Listed below are just some of the items from the revised GIPS standards.

Disclosure Changes/Updates

1. Firms must use the following compliance statement... “[Name of Firm] has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).”
2. Firms must disclose the following: “Additional information regarding policies for calculating and reporting returns is available upon request.”
3. If a sub-advisor is used, the use and the periods of use must be disclosed.
4. If a firm is redefined, the date and reason of this change must be disclosed.
5. Changes to composite names and definitions are required to be disclosed.
6. If carve-outs are included in a composite, the firm must disclose the percent of composite that is comprised of carve-outs (only prospectively).
7. Firms can choose to present either percent of firm assets or total firm assets for each year-end rather than the previous requirement of disclosing both.
8. The disclosure for use of leverage/derivatives is only required if material. Previously, there was no materiality threshold.

Removed Requirements

1. The requirement to accrue for dividends beginning January 1, 2005 has been moved to a recommendation.
2. Firms are no longer required to disclose the percentage of the composite invested in countries/regions not included in the benchmark.
3. The disclosure for use of settlement date accounting prior to January 1, 2005, is no longer required.
4. If carve-outs are included within the composite, firms do not have to disclose the list of underlying composites from which the carve-out came from.

Presenting Performance

1. Firms that have been claiming compliance with the AIMR-PPS will be required to continue presenting ten years of performance history.
2. Firms claiming compliance with GIPS, that have not previously claimed compliance with the AIMR-PPS, will be required to first present five years of performance history and then add a year until a total of ten years are presented.

For more information on changes coming January 1, 2006 visit <http://www.cfainstitute.org/cfacentre/ips/>

Managers ready to accept guidance for Wrap Fee/SMA

After much discussion, industry feedback and a rewrite, the Wrap Fee/SMA guidance statement will go into effect January 1, 2006, and managers are ready to do what needs to be done.

While the emphasis of the new guidance statement is on compliance going forward, the GIPS bundled fee provisions are based on the same fundamental principles already present in the AIMR-PPS standards (which have been in place for firms claiming AIMR-PPS compliance since July 1, 1995).

Despite confusion in the industry and among our competitors over the January 1, 2006 effective date, there's work to do creating composites for wrap accounts prior to January 1, 2006. This latest version of the guidance statement just makes it easier with a few subtle

changes. As a last resort, it's even easier now to define the wrap division as a separate firm in order to maintain firmwide compliance with the Standards on the institutional side. However, most firms don't want to define away their growing wrap assets, so here's some highlights of what bases need to be covered:

Performance Presentation Requirements

When performance is presented to a wrap fee/SMA prospect or prospective wrap sponsor, net composite performance must be presented. The composite must include the performance of all discretionary wrap fee/SMA portfolios, if any, managed with similar investment objectives (resulting in a “style-defined composite”). A firm may choose to present supplemental information demonstrating the firm's ability to manage portfolios for a specific wrap fee/SMA sponsor or group of wrap fee/SMA sponsors, but sponsor-specific composites are supplemental to a style-defined composite and need to have the name of the sponsor in the composite name.

Net performance for wrap/SMA composites must be shown net of the entire wrap fee. “Pure gross” (gross of all fees) performance is still permitted but must be labelled as supplemental information and always be shown in conjunction with the required net-of-fee returns.

*Wrap Fee/SMA (continued):***New Disclosures**

Minimal changes were made to the disclosure requirements. For instance, when presenting gross and/or net-of-fee returns, the firm must disclose if any other fees are deducted other than those prescribed. If a composite contains portfolios with bundled fees, the firm must disclose the percentage of composite assets that are bundled fee portfolios in addition to the various types of fees that are included in the bundled fee.

Key Calculation Requirements

- Net returns must be reduced by the entire bundled fee or the portion of the bundled fee that includes the direct trading expenses and the investment management fee. The use of estimated trading expenses is not permitted.
- Institutional account performance (or other non-wrap performance) may be shown for historical performance only until the firm begins managing actual wrap portfolios. The non-wrap performance must be netted down by the highest applicable wrap fee in order to simulate a wrap performance record.
- For the purpose of calculating a measure of dispersion of portfolio returns, a firm may choose to view the aggregate performance information reported by a wrap fee/SMA sponsor as a single portfolio. This measure of dispersion considers the sponsor-level returns, not the portfolio-level returns that are consolidated in the sponsor-level returns.

While many firms are choosing to shadow portfolio accounting of bundled fee accounts on their own system, firms are permitted to rely on sponsor information. If relying on sponsor-provided information, firms should research the sponsors' calculation methodologies to ensure they are in compliance with the Standards and document the methods used to calculate composite returns. Also obtain assurance from the sponsors that books and records would be provided if requested.

Visit <http://www.cfainstitute.org/cfacentre/ips/pdf/WrapFeeSMAGS.pdf> for the complete Wrap Fee/SMA Guidance Statement.

SEC's Soft Dollar Release is out for comment.

The SEC recently released interpretative guidance on the use of soft dollars. They are looking for comments on this proposal, which need to be submitted by November 25, 2005. Please visit <http://www.sec.gov/rules/interp/34-52635.pdf> to view this release.

THE ASHLAND CORNER**Ashland Profile****Tobin S. Cochran****Partner**

Toby joined Ashland Partners in 1995, and today serves as President. In his 10 year tenure with the firm, he has overseen the growth of the firm's client base. He remains at the forefront of performance-related issues affecting investment advisors through participation in various industry focus groups and steering committees.

With multiple points of contact within the industry, Toby gleans unparalleled observations on the dynamic evolution of the standards. His participation in the implementation of the early versions of the AIMR Performance Presentation Standards, along with a strong working knowledge of the current U.S. and Canadian version of the Global Investment Performance Standards (GIPS®), allows him to be at the very pulse of the issues facing investment advisors.

As a graduate of Southern Oregon University, Toby earned a Bachelor of Arts in Business Administration (emphasis on Accounting) and a minor in Economics. Toby is based in Southern Oregon where he enjoys spending time with his family.



Ashland Client Conferences is pleased to announce its third event being held in New York City on December 8th at the Digital Sandbox Networking Event Center, located at 55 Broad Street. For more information or to register for the event, please visit our web site at

www.ashlandpartners.com/acconference.htm.



Ashland Compliance Group LLC is gearing up for a busy fourth quarter, in anticipation of our client CCOs working to meet the SEC's April 2006 deadline to complete the first annual review of their firms' compliance programs. For more information on our CCO Monitoring/Assistance services, please visit our web site at

www.ashlandpartners.com/acg.pdf.