



Cerulli Special Report:

Target-Date Funds: Still Viable?

Report Cost:
\$4,000

Where do target funds fit in with your firm's long-term product development strategies?

ABSTRACT

Target funds (defined as either target-date or risk-based funds) totaled \$314 billion as of April 2009, down from a high of \$394 billion in 2007. This drop in assets, made even more dramatic as these products were granted qualified default investment alternative (QDIA) status by the Pension Protection Act of 2006, was attributed to glidepath and disclosure issues that surfaced when the markets turned in 2008. This timely report provides readers with an opportunity to critically examine the first generation of target-date funds and evaluate their viability now and in the future.

This new **Cerulli Special Report** examines three critical issues in the target fund industry:

- **Have first generation target-date funds been successful?** We examine target-date funds to help you decide if they are the right fit with your product line.
- **Can we secure shelf space?** As the top three DC recordkeepers control almost 80% of target-date fund assets, not being a recordkeeper can pose serious challenges. However, we examine other routes to gaining assets, such as subadvisory.
- **What are important product development concerns with target-date funds?** Cerulli examines structure and glidepath issues, as well as tips on marketing this product to institutions, advisors, and plan sponsors.

About Cerulli Special Reports: Throughout the year, Cerulli analysts will release timely research on current topics. The flexible nature of *Special Reports*, shorter than our *Thematic Reports*, provides firms with Cerulli's analysis, assessment, and opinions on the industry's most urgent topics and trends.

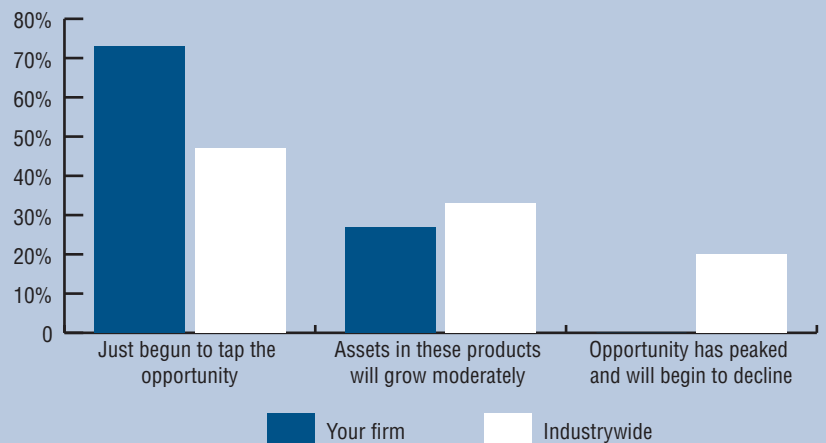
KEY FINDINGS:

- First-generation target funds missed the mark with poor performance over the past year. However, strong flows to date indicate that investors are still warm to these products.
- Asset managers may not be able to overcome the significant distribution obstacles they face in offering target funds and should evaluate their ability to gather assets carefully.
- Most asset managers believe target funds will shift toward open architecture in the next 2-3 years—an event that would change the landscape for the top players and all asset managers vying for space.

SAMPLE EXHIBIT:

Asset Managers Assess Opportunity for Target-Date and Risk-Based Funds, 2009

Asset managers believe the future is bright for target-date funds.



Source: Cerulli Associates

With 58 pages and 48 exhibits, this report contains the following sections:

1. Executive Summary
1. Target Fund Viability
2. Hitting the Target, Missing the Bullseye
3. Access to Shelf Space
4. Next-Generation Product Design
5. Prognosis

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Marketing & Business Development
617-437-0084
CAmarketing@cerulli.com



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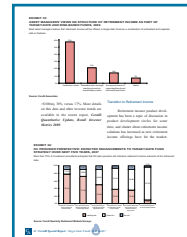
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Cerulli Associates
699 Boylston Street
Boston MA 02116
Tel: +1 617 437 0084

28 Maxwell Road
Singapore 069120
Tel: +65 6327 4045

11-15 Betterton Street
London WC2H 9BP
+44 20 7470 8817



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