



CERULLI QUANTITATIVE UPDATE SUBSCRIPTION MANAGED ACCOUNTS 2009

This annual update examines the \$1.5 trillion managed account industry and how it has been affected by the recent market downturn. We examine each of the five managed account programs, including unified managed accounts (UMAs), and trends driving change in fee-based managed accounts and advice delivery.

This report covers three areas:

Sponsors: information on program specifics and channel comparisons

Advisors: managed account usage trends and attitudes

Asset Managers: separate account asset manager landscape and distribution opportunities across programs

This report allows firms to:

- Examine the size and growth potential of the managed account industry by program
- Evaluate advisor usage of and attitudes about managed account programs
- Assess the effects of mergers and acquisitions on each distribution channel
- Benchmark their programs against comparable programs across the industry
- Develop programs that cater to the strengths and concerns of their advisors
- Understand UMA and model portfolio trends

This report contains 232 exhibits and 266 pages. It includes the following chapters:

1. Introduction To Managed Accounts
2. Separate Account Consultant Programs
3. Mutual Fund Advisory Programs
4. Rep-As-Portfolio-Manager Programs
5. Rep-As-Advisor Programs
6. Unified Managed Account (UMA) Programs
7. Program Sponsor Channel Analysis
8. Separate Account Asset Managers
9. Advisor Metrics
10. Mergers and Acquisitions

Table of contents, user examples, and sample exhibits are included in this attachment.

INSIDE LOOK:

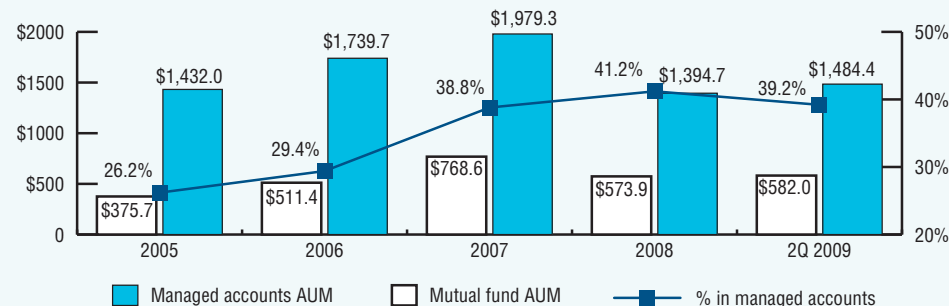
Key findings:

- Mutual funds surpassed separate accounts as the top investment vehicle used across the managed account industry.
- While the wirehouses control a majority of marketshare, nearly every channel has experienced success with managed accounts.
- A sponsor's managed account platform is a significant factor for advisors looking to change broker/dealers.
- The outlook for the managed account industry is positive, and is predicted to reach \$2.93 trillion by year-end 2013.
- Mirroring behavior seen in 2001-2002, advisors have flocked to rep-driven programs, but once markets stabilize will likely return to programs that allow for more systematic advice delivery.

Exclusive data:

- Total managed account market sizing, 1994-2Q 2009
- Total managed account industry projections, 2009E-2013E
- Rankings of top managed account program sponsors and separate account asset managers
- New: Gross sales and redemptions for all managed account programs
- New: Top mutual fund and ETF complexes used across managed account programs

Sample Exhibit: Total Mutual Fund Assets in Managed Accounts, 2005-2Q 2009 (\$ billions)



Source: Cerulli Associates



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New in 2009: Quantitative Updates are now subscription-based and include online access to a database of prior annual releases of this report, related Thematic Reports, and a data supplement updating select exhibits.

See page 3 for more details.

Cerulli Associates
Boston • Singapore • London

October 2009



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USER EXAMPLES:

The following are examples of how this report can be applied to business planning and strategic decision-making:

Scenario 1: An asset manager is hoping to increase its managed account assets by distributing its strategies via model portfolios and wants to learn more about the distribution potential within unified managed accounts (UMAs). *Cerulli Quantitative Update: Managed Accounts 2009* answers the following questions:

- Which channels have the most UMA assets sourced through model portfolios? (Exhibit 6.06)
- What are average account sizes and investment minimums for UMA accounts? (Exhibit 6.11, 6.12)
- What sponsors have the largest and fastest growing UMA programs? (Exhibit 6.07)

Scenario 2: An independent broker/dealer with mutual fund advisory programs wants to expand its managed account offerings to make their platform more attractive for potential recruits. *Cerulli Quantitative Update: Managed Accounts 2009* answers the following questions:

- What types of programs are most prevalent in other distribution channels? (Exhibits 7.05)
- What characteristics of managed account programs are most attractive for advisors? (Exhibit 9.04)
- What programs have gained the most assets in the past six months? (Exhibit 1.02)

Scenario 3: A program sponsor wants to benchmark their managed account programs against their peers and examine how their recent merger activity has changed the competitive landscape. *Cerulli Quantitative Update: Managed Accounts 2009* answers the following questions:

- How has my firm's total managed account assets and marketshare ranking changed over time? (Exhibit 1.13)
- How has my channel's marketshare been affected by merger activity? (Exhibit 7.03)
- How does the managed account penetration rate at my firm compare to other firms within my channel and across the industry? (Exhibit 7.06)

MORE INFORMATION:

To learn how to apply this report to your firm's unique needs, please contact:

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NEW: Quantitative Updates are now subscription-based. Your purchase includes online access to a database of prior report releases, related Thematic Reports, and a data supplement.

A subscription to *Cerulli Quantitative Update: Managed Accounts 2009* remains active through 2/01/2011 and includes online access to the 12 related reports below at no cost. See the green Purchase tab on www.cerulli.com for more information on these reports.

- Cerulli Quantitative Update: Managed Accounts 2008
- Cerulli Quantitative Update: Managed Accounts 2007
- Managed Accounts: Impact of Overlay on Asset Managers 2007
- State of Managed Accounts 2006
- Cerulli Quantitative Update: Managed Accounts 2006
- Managed Account Groups: Impact on Future Distribution 2005
- Cerulli Quantitative Update: Managed Accounts 2005
- Opportunities and Challenges for Third-Party Vendors 2005
- Cerulli Quantitative Update: Managed Accounts 2004
- Cerulli Quantitative Update: Managed Accounts 2003
- Managed Accounts: The State of Broker/Dealer Programs 2002
- Asset Management: Operations and Profitability Benchmarks for Separate Account Consultant Programs 2002

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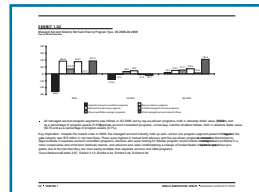
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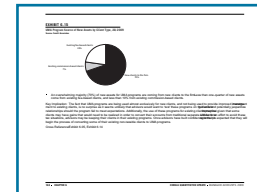
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Go to Reports and click on 'view' next to the report title.

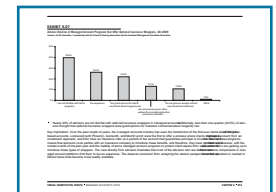


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INTRODUCTION & METHODOLOGY

Cerulli Quantitative Update: Managed Accounts 2009 is the result of ongoing research and analysis of the managed account marketplace by Cerulli Associates (CA). The fee-based managed account marketplace has been a core research focus within CA since the firm's inception in the early 1990s. Cerulli Associates has previously released 20 in-depth studies in **The Cerulli Report™** series that tracked the development and growth of the managed account market. In addition to reports, CA provides the industry its perspective through *The Cerulli Edge™—Managed Accounts Edition*, our quarterly publication updating our most current quantitative and qualitative industry research.

CA analysts' opinions and perspectives are derived from our ongoing research, which is shaped by a methodology based on three components: (1) **Industry understanding**: All CA analysts come to the firm with a background shaped by relevant experience at leading financial services firms, which contributes to the internal pool of industry knowledge that is fed by this experience; (2) **Quantitative analysis**: CA independently maintains surveys tracking business metrics from nearly 200 managed account industry participants (asset managers and sponsors combined) on a quarterly basis, representing the industry's only comprehensive source of sizing, participant ranking, and other competitive analysis. CA adds information from third-party databases and public company reports to complement analysis from our proprietary database; (3) **Qualitative research**: CA analysts conduct background research interviews with hundreds of industry executives annually in a confidential format allowing for open dialogue about the current state and future outlook for the industry. This last research method provides a means of synthesizing the other components of our methodology into research products that are independent, insightful, and firmly grounded in the industry's current climate.

Specific to *Quantitative Update: Managed Accounts 2009*, the data comes from our proprietary database, with most data points updated with second quarter 2009 survey findings. The managed account survey effort tracks data from the early 1990s to present. Currently, CA maintains an online password-protected survey engine that reaches out each quarter to more than 50 managed account program sponsors and more than 120 asset managers offering separate accounts on brokerage consultant programs. This report also incorporates survey findings from the intermediary practice within CA. Firms participate in data collection as part of a voluntary information-sharing relationship, completing the survey in exchange for an aggregate summary of key findings and market sizing information. As reflected in this report, all firms' competitive information is presented in industry aggregate or in nonspecific form, as proprietary survey information is never directly attributed to participants. For more information about our survey process for the managed accounts industry, please contact CA or see our survey website at www.cerullisurveys.com.

In addition to survey data, CA analysts compiled information available through third parties, such as eVestment Alliance, as well as publicly traded firms' financial filings, to enhance the analysis contained in this publication.

SAMPLE SECTION

from

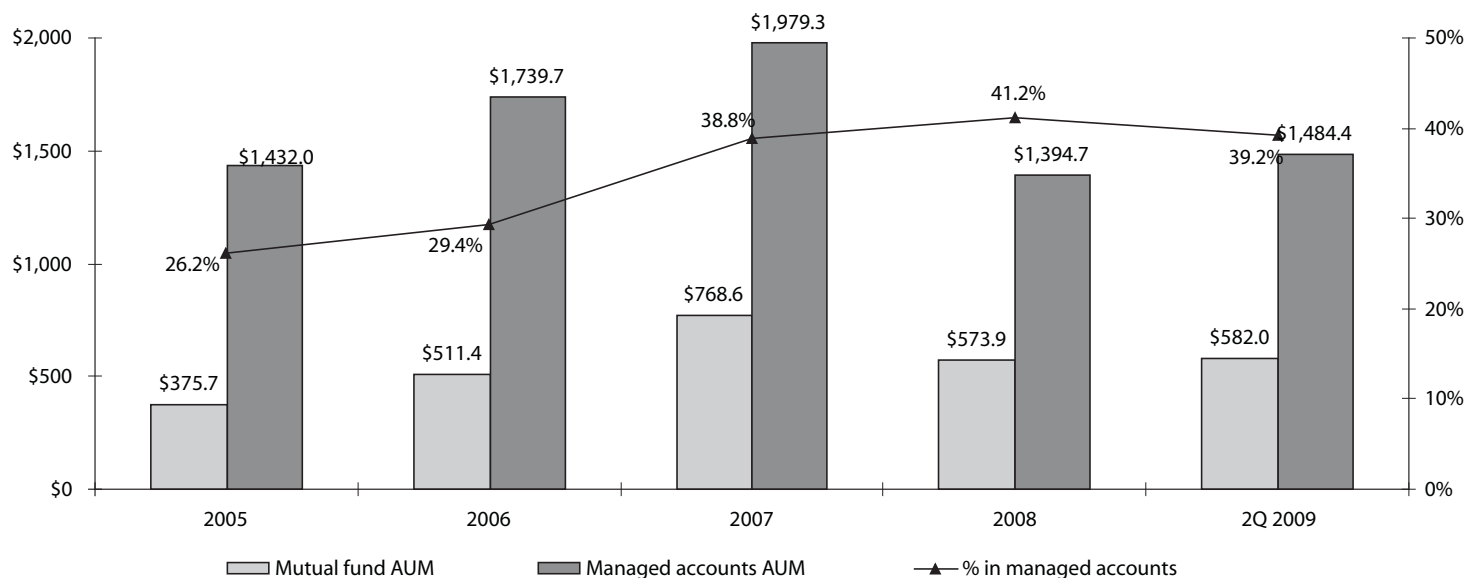
**CERULLI QUANTITATIVE UPDATE:
MANAGED ACCOUNTS 2009**

EXHIBIT 1.08

Total Mutual Fund Assets in Managed Accounts, 2005-2Q 2009

(\$ billions)

Source: Cerulli Associates



- **Long-term mutual funds account for \$582 billion of the \$1.48 trillion invested in fee-based managed account programs as of 2Q 2009.** As a percentage of overall managed account assets, long-term mutual funds recently lost a slight bit of ground, after seeing increases every year between 2005 and 2008. These vehicles accounted for 39.2% of total managed account assets through the second quarter of 2009, down from a high of 41.2% in 4Q 2008.

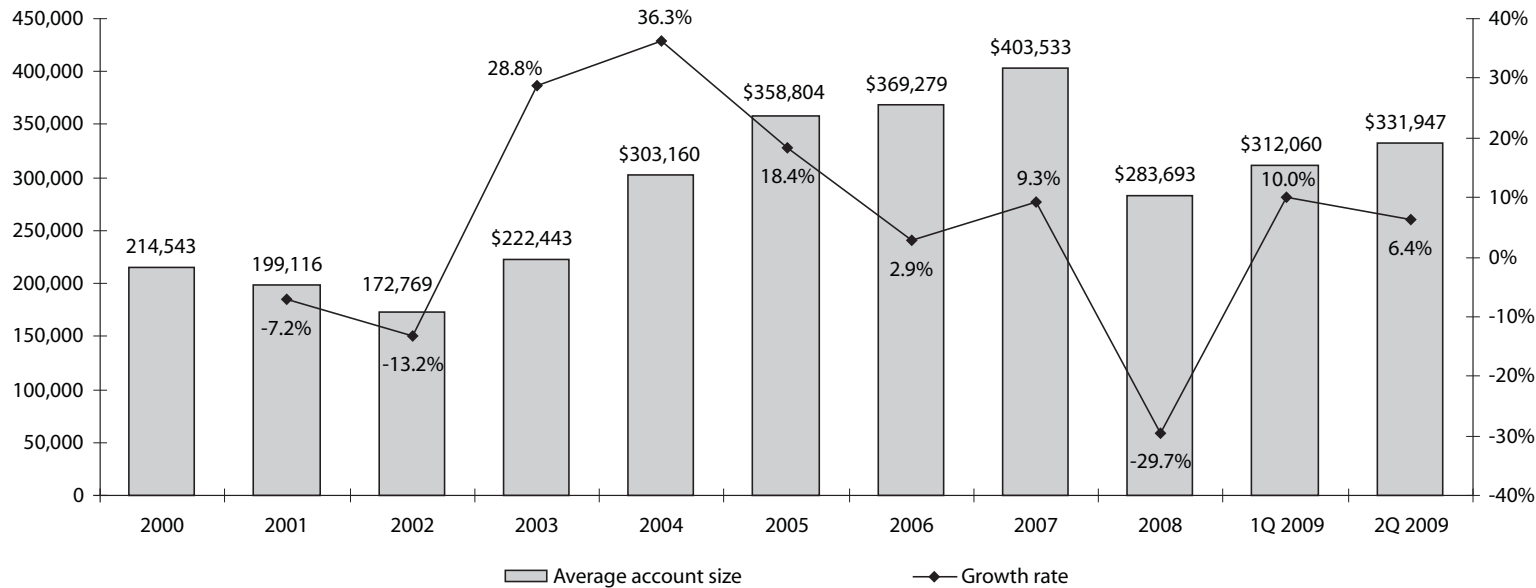
Key Implication: Although mutual fund holdings can be found in four of the six managed account program segments, mutual fund advisory programs are largely responsible for driving long-term mutual fund AUM. With nearly \$417 billion in AUM, these programs are comprised nearly exclusively of mutual funds. Mutual funds will continue to represent a sizable piece of total managed account industry assets, and although ETFs continue to make up an increasing percentage of managed account program assets, their recent rise appears to be at the expense of separate account assets, not from the erosion of mutual fund marketshare. Moreover, as more sponsor firms begin developing unified managed account platforms, mutual fund usage may increase, as it becomes more feasible to combine these vehicles with other product structures, such as model-driven separate accounts and exchange-traded funds.

Cross Reference: Exhibit 1.04, Exhibit 1.05, Exhibit 1.06, Exhibit 3.03, Exhibit 6.05

EXHIBIT 4.08

Rep-As-Portfolio-Manager Program Average Account Size, 2000-2Q 2009

Source: Cerulli Associates



- **The average RPM account value was \$331,947 as of 2Q 2009, which represents an 18% decline since their peak at year-end 2007.** RPM programs continue to report the largest average account values of the managed account segments (excluding open separate account consultant program accounts).
- **Average account values in RPM programs vary dramatically from channel to channel.** The largest average account values that were reported to CA were within the in the regional and wirehouse channels.

Analyst Note: The industry aggregate account values are calculated using a simple average method, dividing total assets by total number of individual accounts.

Cross Reference: Exhibit 4.05, Exhibit 4.07 (Key Implication)