



Industry Trends & Developments

MMI Annual Meeting
Boston, MA
15 March 2006

FRC

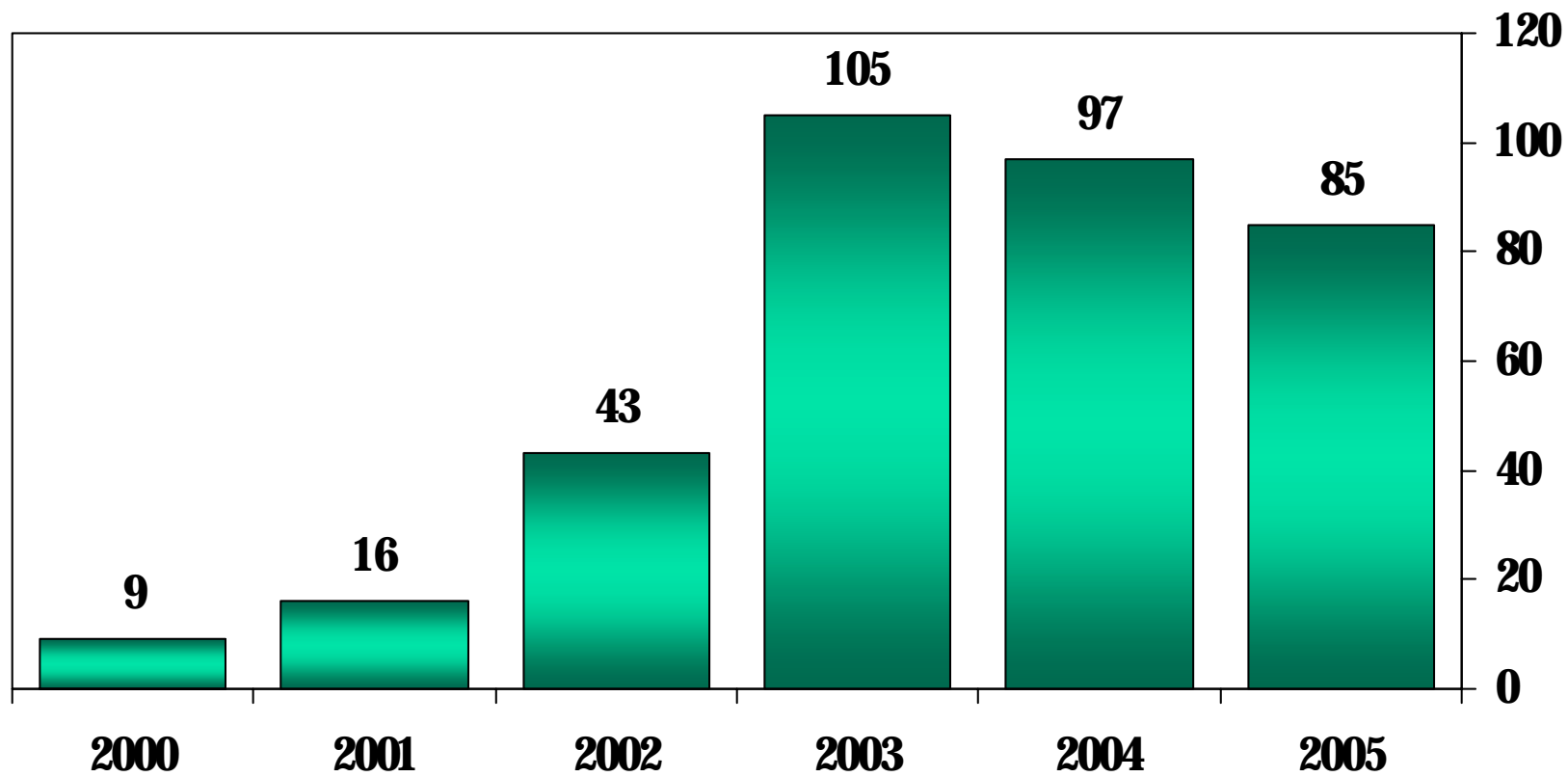
SHARPEN YOUR EDGE™

Discussion Topics

- ◆ SMA Sales & Asset Growth
- ◆ MDP Product Innovation
- ◆ Distribution Support

- ◆ Summarize Current Environment
- ◆ Link Trends
- ◆ Identify Implications
- ◆ Offer Recommendations

Expanding Awareness of SMAs



Source: Factiva 3/10/06 – “separately managed account” in headline/lead paragraph

SMA Sentiment: Decidedly Positive

InvestmentNews.com

**Citigroup moving separates into mainstream;
Multimedia drive seeks to educate advisers, investors**

DOW JONES

**SMA Assets Continue To Grow, But At A Slower Pace
Managed Accounts Growth Presents Challenges, Opportunities**

THE WALL STREET JOURNAL

**SMA's Gain Favor for IRA Rollovers --- Accounts That Let
Investors Own Their Stocks Directly Hold Advantages for Some**

FT .com
FINANCIAL TIMES

**Investors declare their independence - SEPARATE
ACCOUNTS: Affluent individuals want more
flexibility and control over their accounts...**

REUTERS

Investing: SMA's - an alternative to mutual funds

InvestmentNews.com

**Separates are thriving but need better PR;
Consumer education, consistent branding needed**

Components of the Experience

◆ Sizzle:

- Detailed Risk Profiling
- Personalized Goal Assessment
- One-on-One & Consultative
- Access to Exclusive Investment Managers
- HNW Cachet

◆ Substance:

- Customized Portfolio
- Tax Efficiency

Components of the SMA Experience

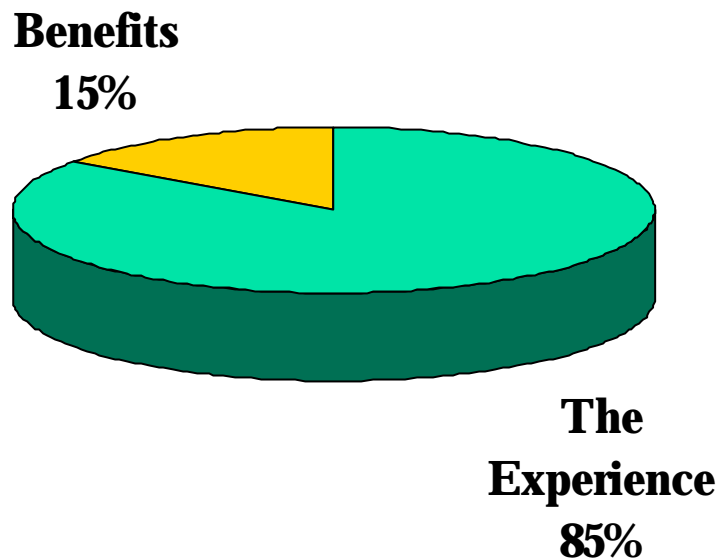
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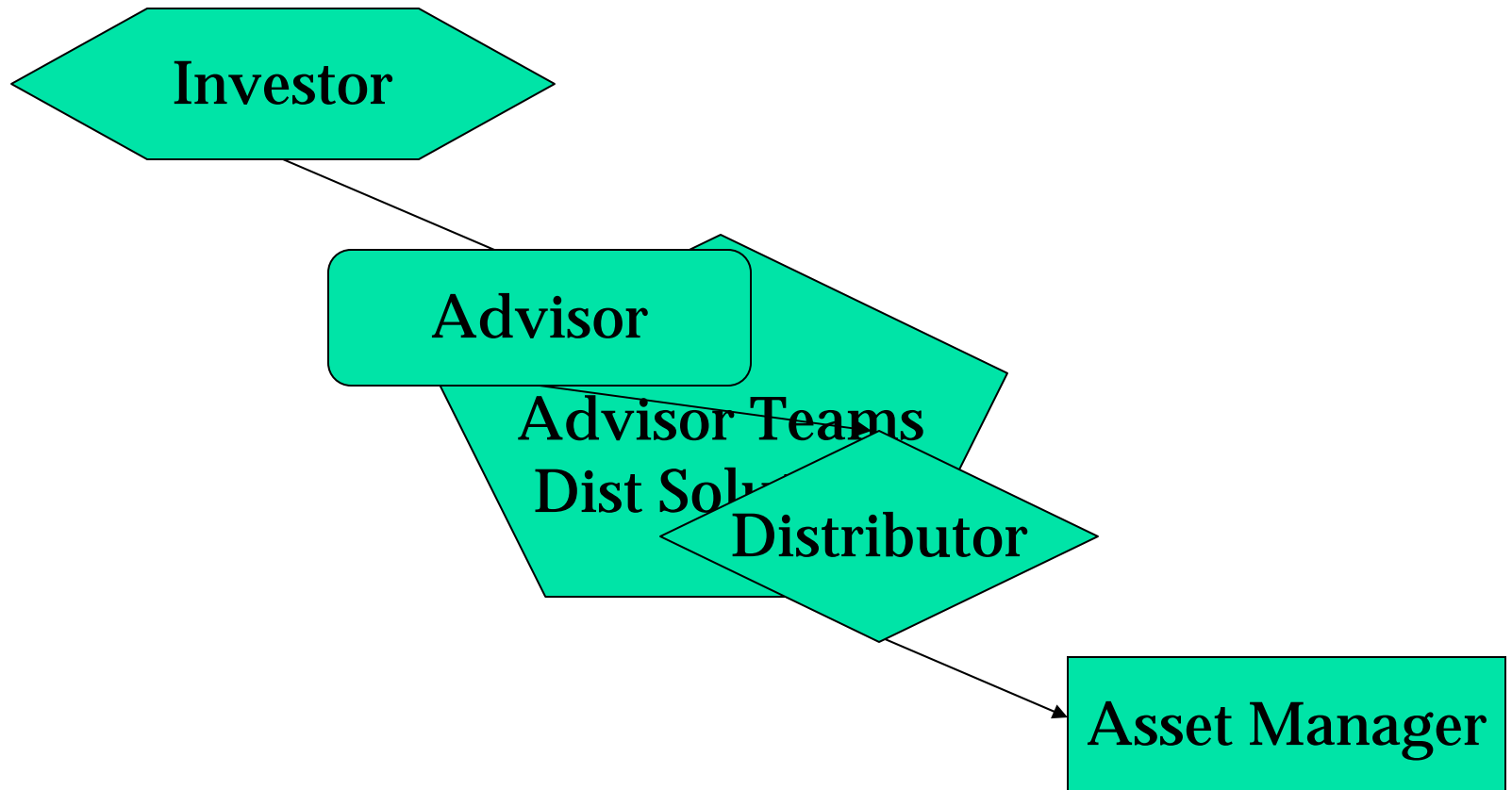
◆ Substance:

- Customized Portfolio < **10%**
- Tax Efficiency < **10%**

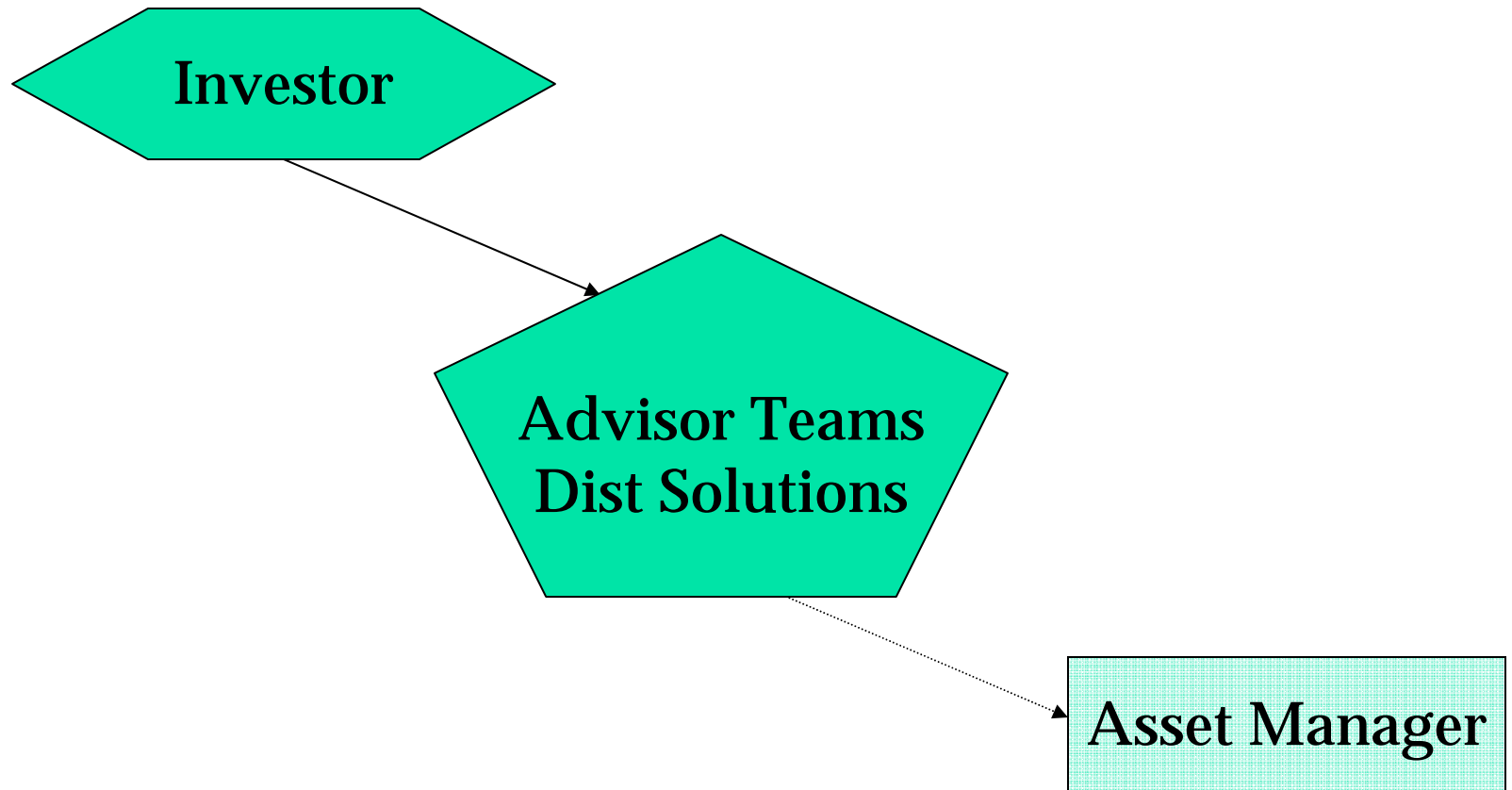
SMA Success Factors



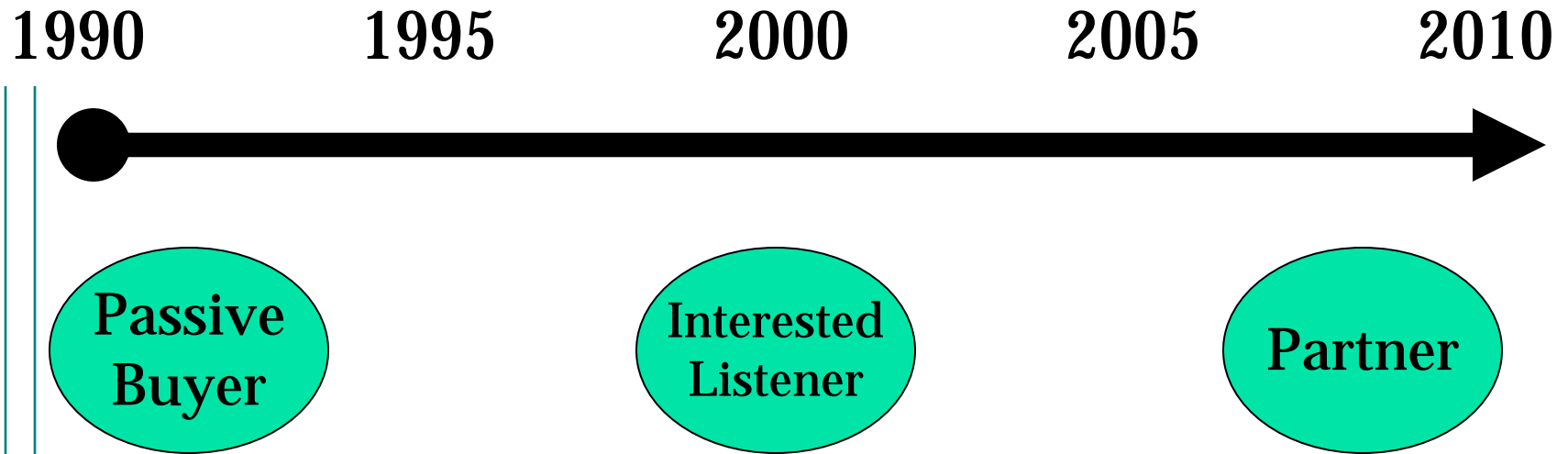
Overall Trend



Overall Trend



Investor Evolution



Investor Profile

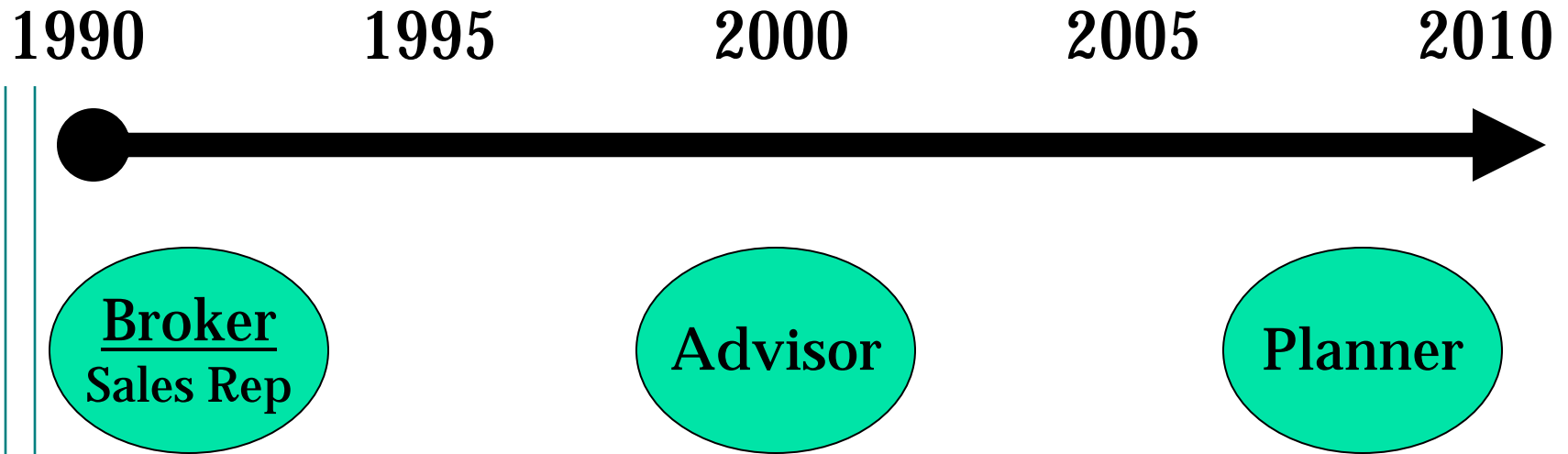
- ◆ Goal: education, retirement, health care, inheritance and peace of mind
- ◆ Challenges: trust / confidence
- ◆ Solution: a simplified, coordinated and customized solution (not product) that delivers better overall “results”

One Source of Lack of Confidence

- ◆ 75% of reps see themselves as “wealth managers” catering to the needs of the HNW
- ◆ Only 25% of the HNW see their advisors as “wealth managers”

Category	Client View	Rep Perspective
Preserving Assets is Primary Objective	90%	15%
Reducing Taxes is Highly Important	85%	8%
Asset Protection is Serious Concern	50%	28%

Rep Evolution

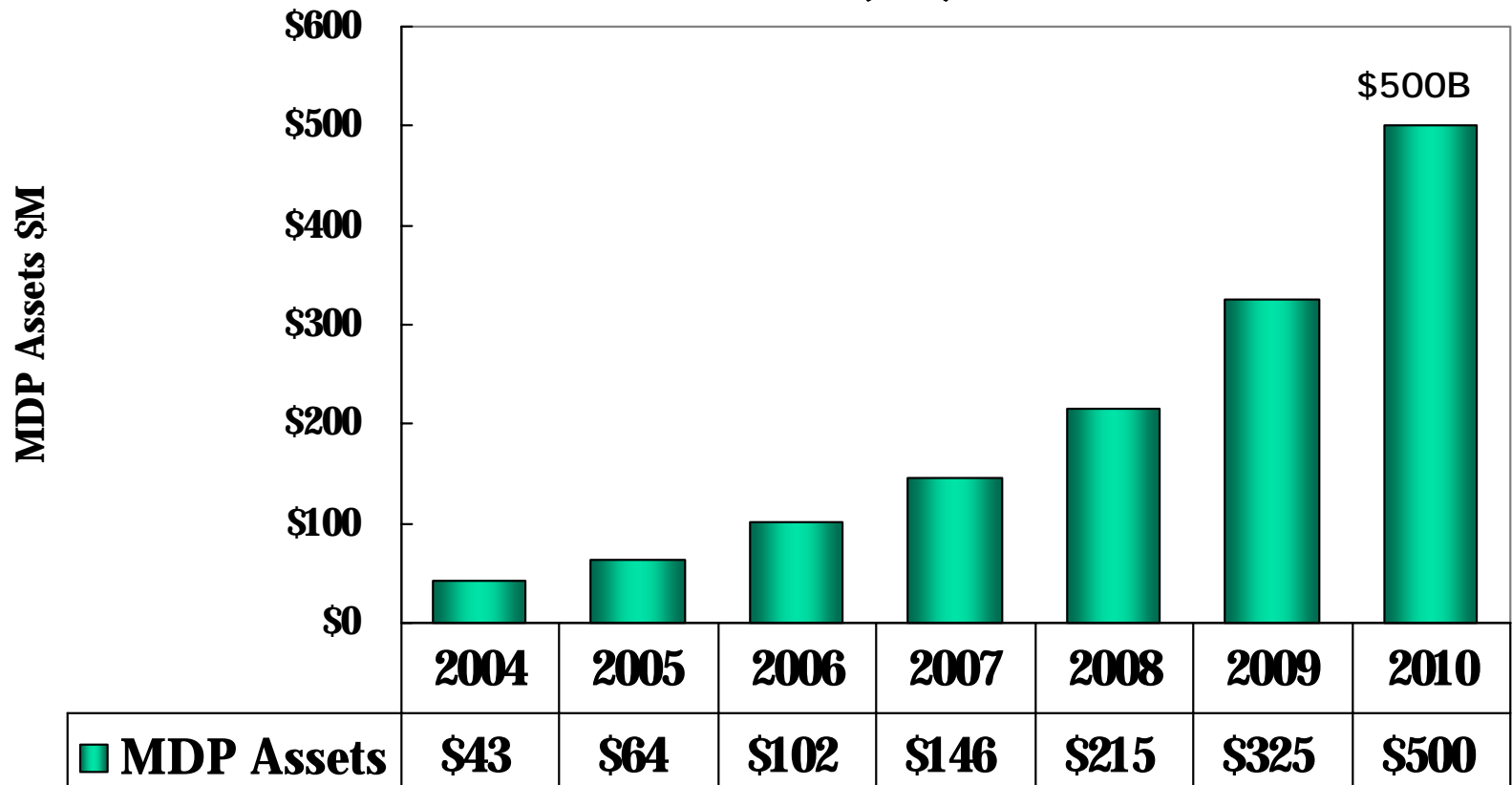


Rep Profile

- ◆ **Goal: optimize compensation**
- ◆ **Challenges: knowledge (products & platforms), new skill requirements, ego, reluctance to change**
- ◆ **Solution: education, compensation structure, centralized solutions, client management**

MDP Asset Growth Projection

MDP Assets (\$B)

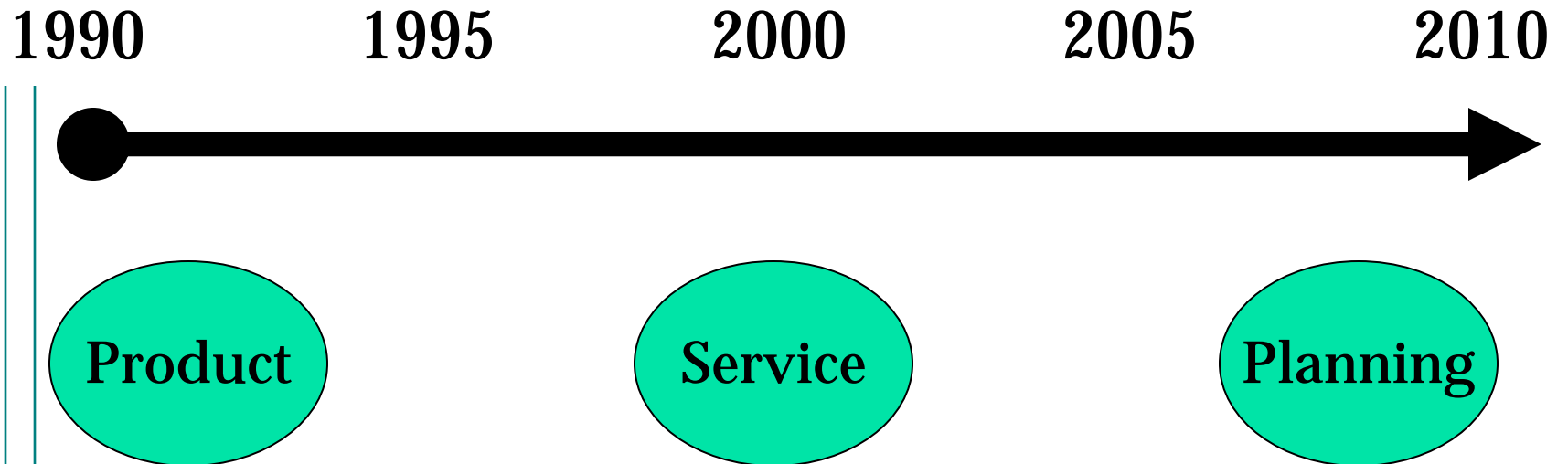


Source: Money Management Institute, FRC


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Distributor Evolution

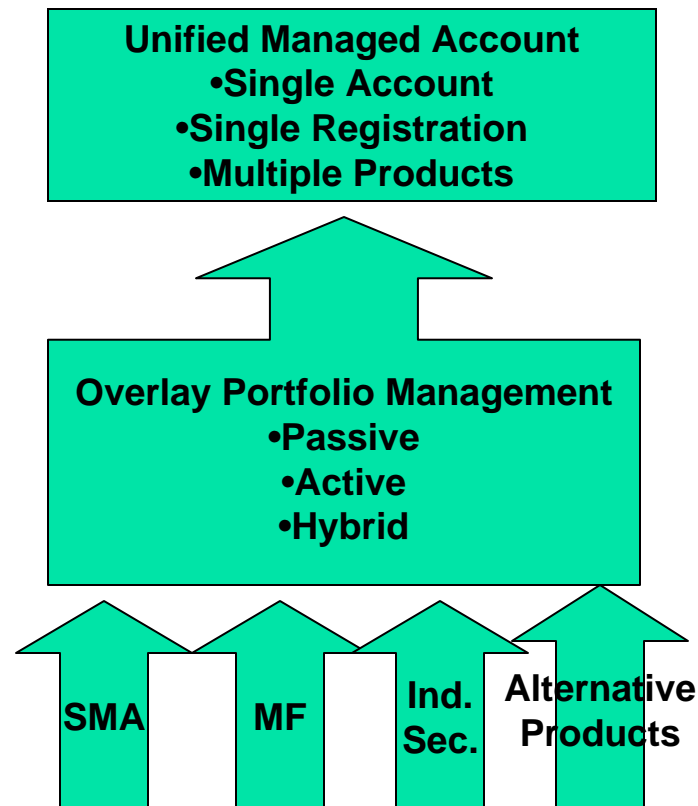


Distributor Profile

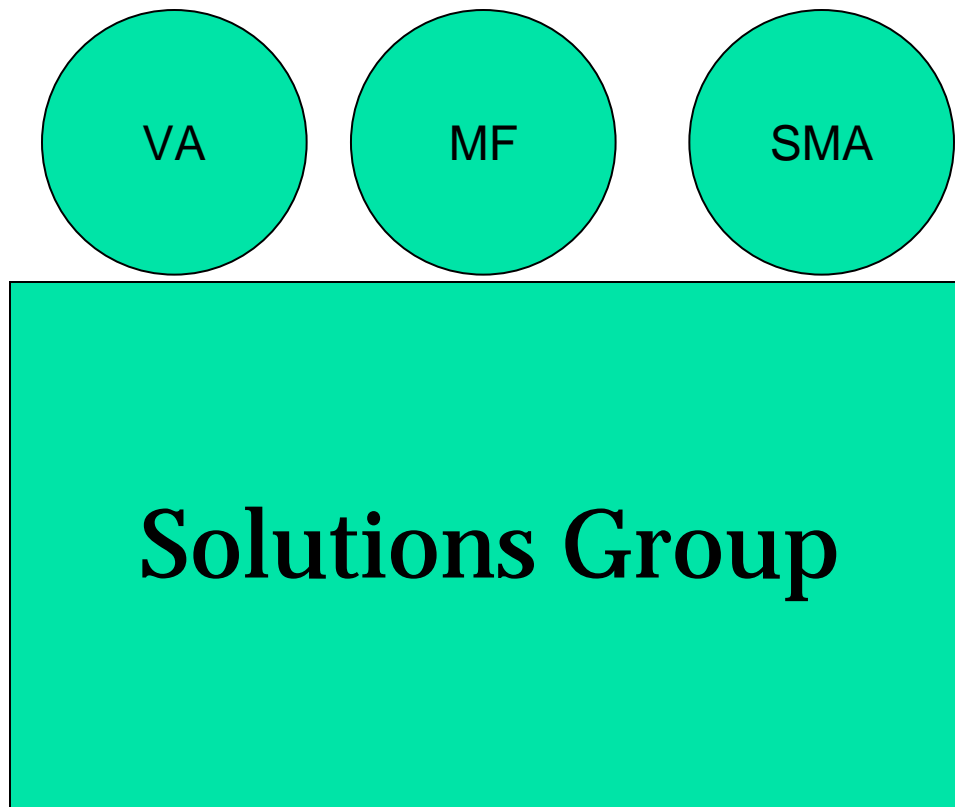
- ◆ Goal: Stable earnings, earnings growth and expand profit margins
- ◆ Challenge:  ts, changing development
- ◆ Solution: UMA! (asset-based fees, capture more assets and improve rep productivity)

The Answer for Distributors

UMA PLATFORM



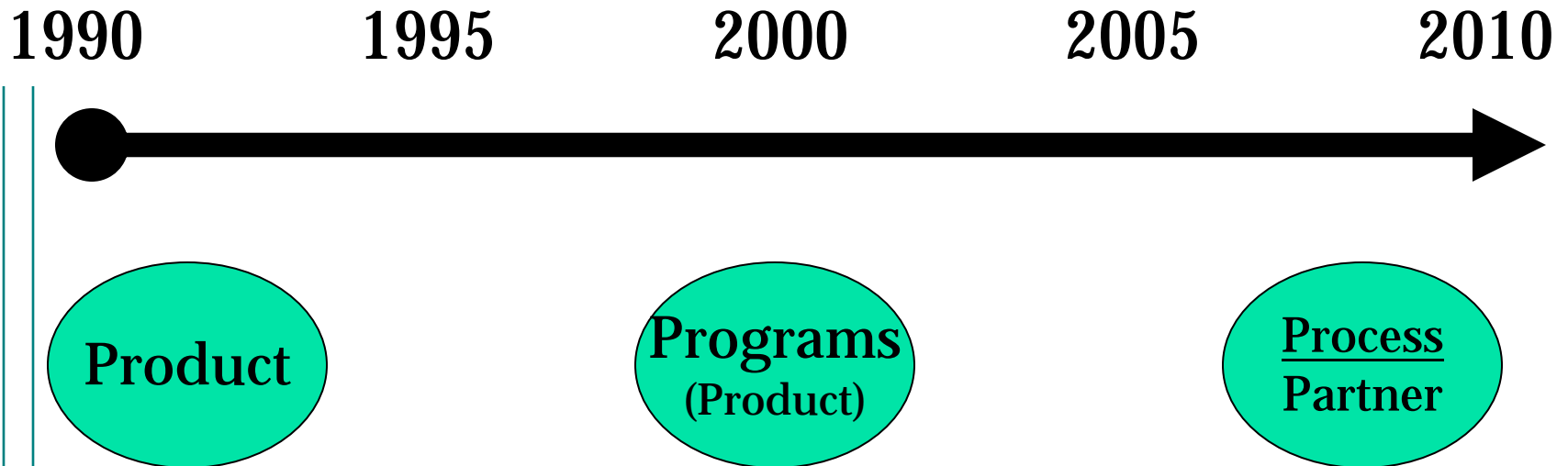
Due Diligence Evolution



Product Structure Optimization

	Advtnng	Fees	Tax Eff	Target
MF	Ease	Med	Low	All
SMA	Custom	Low	Hi	HNW
Hedge	Asst Classes	Hi	Varies	HNW
C-E	Lvrg	Med	Med	Inc
ETF	Cost	Low	Med	All
VA	Tax Adv	Hi	Hi	??
Priv Equ	Alpha	Hi	Hi	HNW
Ind Sec	Cost	Low	Hi	All

Asset Manager Evolution



Asset Manager Profile

- ◆ Goal: asset growth and margin protection
- ◆ Challenges: cost of distribution support, lack of investment process, inability/unwillingness to change, limited ability to impact “sale”
- ◆ Solution: shift to “professional buyer” mode

The Catalyst to Change?

Average Operating Profit Margins by Firm Manufacturers

Firm	1999	2000	2001	2002	2003	2004	2005 9-months
Nuveen	48%	50%	52%	53%	54%	52%	52%
Janus	44%	49%	36%	34%	31%	29%	24%
Gabelli	18%	44%	48%	46%	46%	45%	39%
Eaton Vance	25%	43%	36%	37%	32%	34%	35%
Federated	38%	41%	37%	40%	37%	37%	44%
T.Rowe	38%	37%	33%	34%	37%	42%	41%
Franklin	26%	32%	28%	23%	27%	30%	32%
Blackrock	30%	32%	34%	39%	42%	27%	25%
Alliance Capital	29%	29%	23%	24%	14%	25%	27%
Affiliated Managers	27%	24%	24%	25%	25%	24%	38%
Calamos						37%	53%
Manufacturer Average	32%	37%	34%	34%	32%	34%	37%

Professional Buyers

- ◆ Performance
 - ◆ Investment Process
 - ◆ Client Service
 - ◆ Sales Presentation
 - ◆ Image & Reputation
-
- ◆ But...current levels cost of sales & marketing support will be difficult for distributors to justify.

UMAs = Win⁴

- ◆ Investors – better overall service, comprehensive solutions, lower fees
- ◆ Advisors – streamline operations, improved focus, improved compensation
- ◆ Distributors – more productive reps, improved relationships with clients, access to total assets
- ◆ Managers – lower distribution costs, level playing field, tighter focus, selected on merit

Final Prediction...

