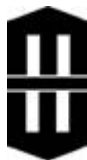


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**From:** MMI  
**Sent:** Tuesday, November 27, 2007 10:59 AM  
**To:** MMIMembers  
**Subject:** MODEL PORTFOLIOS CHANGING ASSET MANAGEMENT INDUSTRY: MMI STUDY SAYS



## THE MONEY MANAGEMENT INSTITUTE

**PRESS RELEASE**

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**MODEL PORTFOLIOS CHANGING ASSET MANAGEMENT INDUSTRY: STUDY SAYS**  
**—MMI REPORT SAYS ASSET MANGER/INVESTOR RELATIONSHIP UPENDED—**

**Washington, DC, November 27, 2007** – The Money Management Institute (MMI) and Dover Financial Research, LLC today jointly announced the release of their latest study—*The State of Model Portfolio Programs*—which concludes that the emergence of model portfolio programs fundamentally alters the asset management business.

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Model portfolio programs are advisory programs in which an asset manager hands over its investment model to an overlay manager. Overlay managers can be third party providers or in some cases major distributors such as brokerage firms or banks. In this type of program, the asset manager is often no longer involved in the implementation of its model or the management of the underlying assets—upending the traditional relationship many asset managers have had with individual investors.

Christopher L. Davis, president of MMI said, “In some way, managers’ enthusiasm for Model Portfolio Programs may seem counter intuitive, as this changes both their relationship with investors and fee structure. However, the data suggests there are broad advantages for the investor, and ultimately that is what is going to drive the market.”

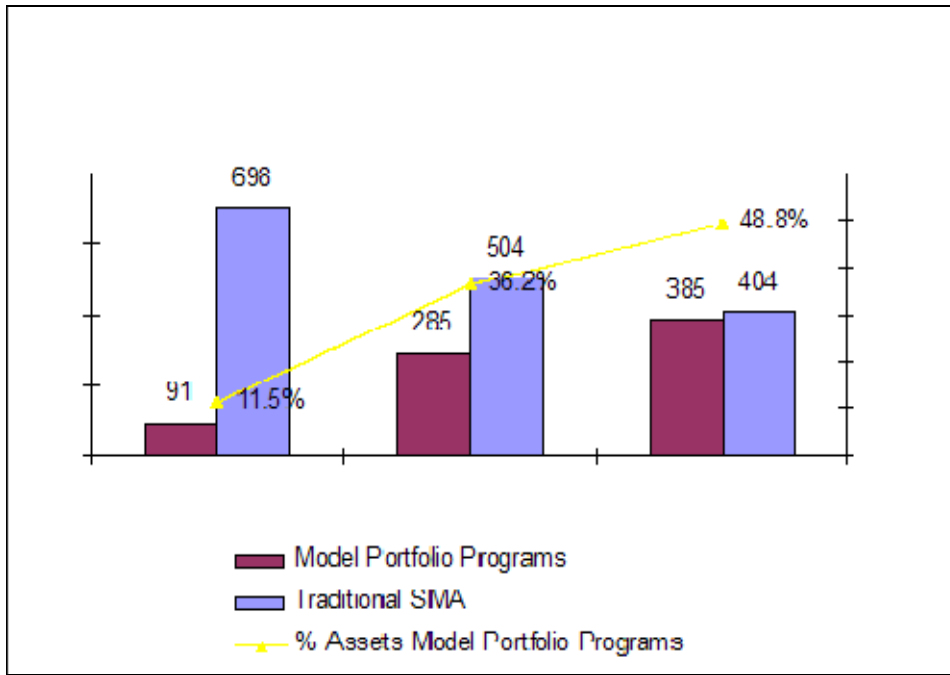
According to the report, model portfolio programs benefit investors by providing an efficient way of delivering comprehensive, customized financial solutions, including tax management, in the form of a single account.

“Asset managers continue to create and apply sophisticated research and analytics to the investor and the industry in a model portfolio program,” said Mark Pennington, Partner, Global Relationship Management at Lord Abbett. “By freeing the asset manager from the implementation, it enables managers to concentrate on what they do best—develop and fine tune investment strategies.”

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*The State of Model Portfolio Programs* defines model portfolio programs, assesses their position in the marketplace and discusses their implications for a range of industry participants. Other important report findings include:

- Model portfolio programs dominate the UMA/MDP market segment. As of 2Q 07 model portfolio programs represented \$78.4 billion in assets under management or 61.5% of total UMA/MDP assets.
- The number of asset managers participating in model portfolio programs has more than doubled in the last four years. From 2003 to July 2007, the number of participating asset managers increased from 90 to 214 representing approximately 25% of the total universe of SMA managers.
- Participating asset managers range in size from small to large firms in terms of assets. They include mutual fund, SMA and institutional-oriented managers. Smaller asset management firms, with less than \$10 billion in assets, dominate the model portfolio market segment representing 52% of total model managers.
- Of the model-based UMA programs included in MMI’s database, 95% offered access to wash sales monitoring, 85% offered tax lot management and 70% offered tax optimization capabilities. In addition, approximately 37% of all taxable accounts employed some form of tax management.
- The top concern for asset managers involves the economics associated with participating in a model portfolio program. Model portfolio programs are forcing asset managers to assume different roles and accept lower fees. In some cases asset managers are realizing a 20% to 25% reduction in the investment management fee. The implications of this trend are significant and vary depending on the size of the manager’s retail SMA business.
- Advisor adoption did not rank among the top concerns of managers and sponsors. However, longer term, advisor adoption may prove to be a more significant challenge. 22% of sponsors ranked complacency and repapering as top challenges to advisor adoption.
- Based on sponsor firm projections, the model portfolio marketplace within five years will have ballooned to \$385 billion in assets—or 48.8% of the total SMA advisory market.



Gary Jones, vice president for industry operations at MMI added, “Efficiency is a primary driver in the industry and like the opportunity that the communication standards represent this is clearly a significant evolution were technology is being used to create operational efficiency”

For more information about purchasing the report please contact Arlen Oransky at 212-309-6451 or [aroansky@mminst.org](mailto:aroansky@mminst.org) or go directly to <http://www.moneyinstitute.com>.

### **About The Money Management Institute**

*The Money Management Institute (MMI) is the national organization for the managed account solutions industry, representing portfolio manager firms and sponsors of the investment consulting programs. Organized in 1997, MMI assists industry leaders to address common concerns, discuss industry issues and work together to better serve investors. The Institute is the leading advocate for the industry on regulatory and legislative issues. MMI’s membership comprises firms that offer comprehensive financial consulting services to individual investors, foundations, retirement plans and trusts as well as related professional portfolio management firms. [www.moneyinstitute.com](http://www.moneyinstitute.com).*

### **About Dover Financial Research, LLC**

*Dover Financial Research, LLC is a boutique Boston-based research and consulting firm specializing in the financial services industry. Dover Financial Research represents more than twenty years of industry experience and has worked extensively with a wide range of financial services firms representing all aspects of the industry. The firm’s clients include top mutual fund companies, brokerage firms, banks and insurance companies. [www.doverfr.com](http://www.doverfr.com).*

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