

MMI Emerging Manager Benchmarking Study

New York – October 2016



Survey Background



Emerging Manager Benchmark survey was conducted by FUSE Research on behalf of MMI. The survey was designed to explore the following areas:

- Staffing Roles & Levels
- Product Delivery & Mix
- Distributor Relationships
- Vendors & Technology Solutions

The survey was completed by 22 firms which forms the basis for the underlying findings on the emerging manager community.

Demographics



The asset managers that responded to the survey skewed to the higher end of MMI definition of an emerging manager

<u>Age of Firm</u>		<u>Firm AUM</u>	
< 5 Years	9.60%	<\$1 Billion	14.30%
5-10 Years	19.00%	\$1-\$2.5 Billion	14.30%
11-25 Years	28.60%	\$2.5-\$5.0 Billion	19.00%
>25 Years	42.90%	>\$5 Billion	52.40%

<u>Retail Effort</u>		<u>Number of Employees</u>	
<5 Years	38.10%	<25 Employees	28.50%
6-10 Years	9.50%	25-50 Employees	33.30%
>10 Years	52.40%	>50 Employees	38.20%

Demographics



Majority of emerging managers taking the survey indicated that their primary distribution avenue was through the retail intermediary channel followed by institutional business

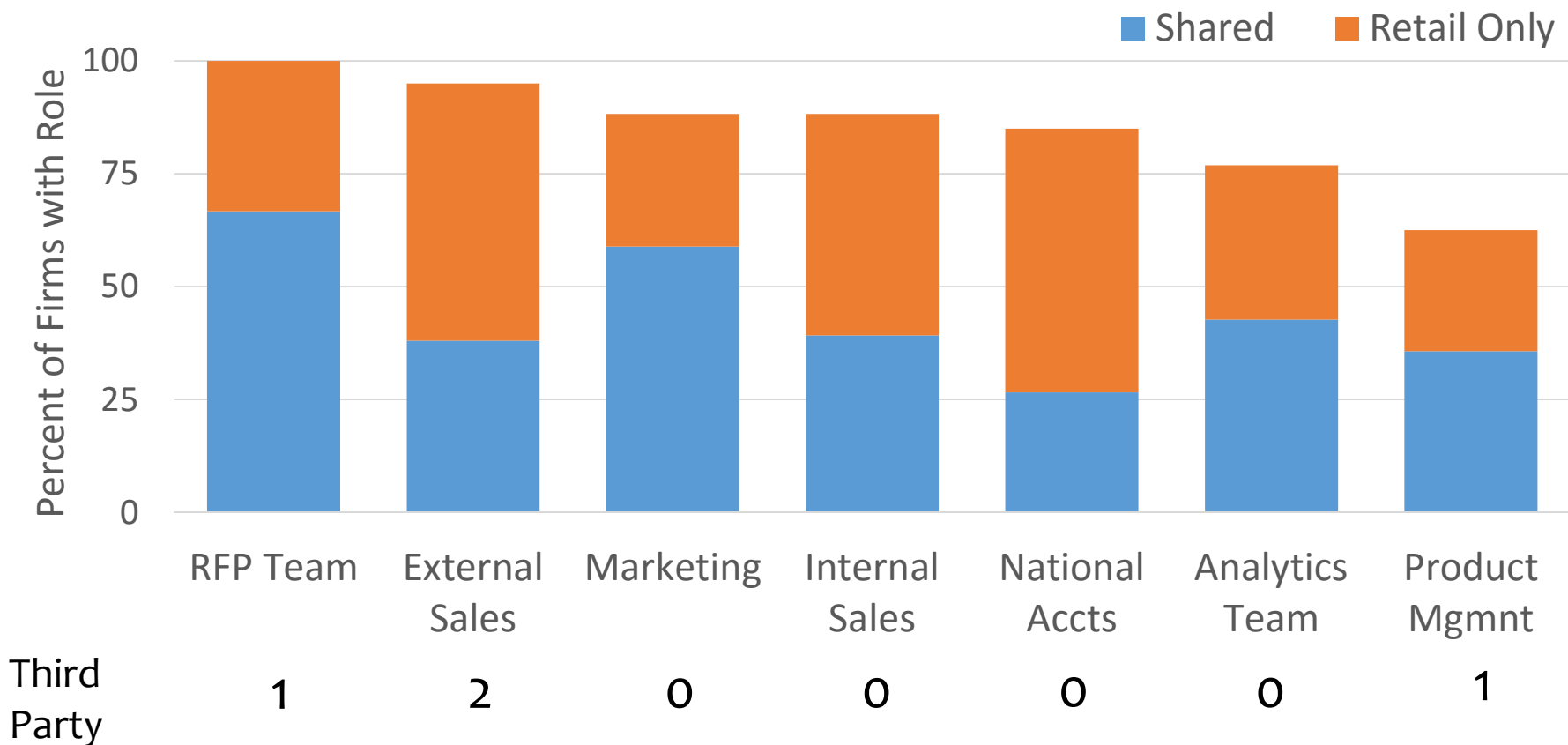
% of Business	Retail - Intermediary	Retail - Direct	Institutional	Subadvisory
<25%	21.1%	81.8%	44.5%	85.7%
26%-75%	47.4%	9.1%	38.9%	14.3%
>75%	31.6%	9.1%	16.7%	0.0%

Staffing Roles & Levels

Staffing



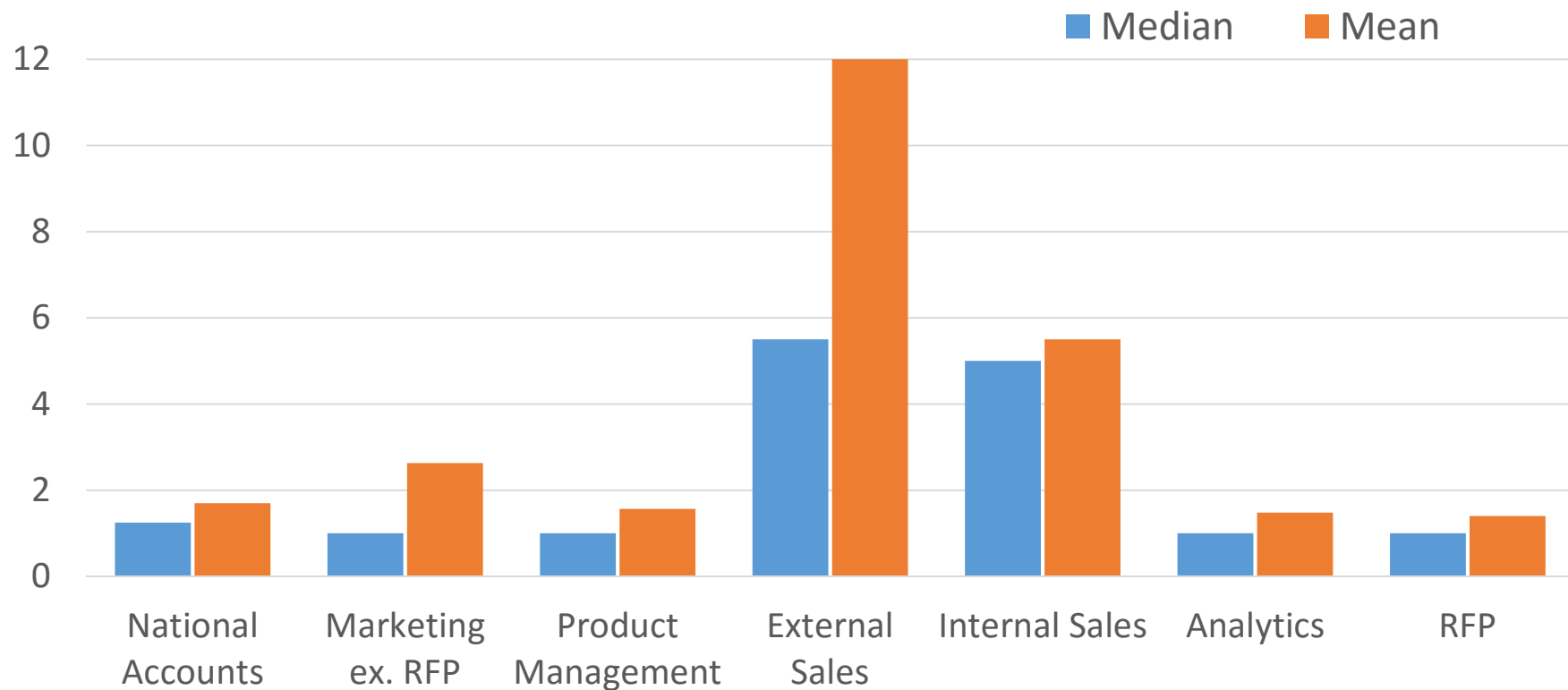
Most emerging managers share resources in support functions while distribution resources tend to be retail focused



Staffing



The survey provided insight into the levels of FTE that emerging managers are employing in different functional areas



Product Delivery & Mix

Products



Most emerging managers leverage their investment capabilities across multiple products and are equity and fixed income focused; only a small amount of a firm's AUM exist in specialty classes

Product Delivery	Equity	Fixed Income	Multi-Asset	Alternatives	ESG/Specialty
1 Product	26.7%	25.0%	0.0%	28.6%	50.0%
2-4 Products	40.0%	41.7%	80.0%	71.4%	50.0%
5+ Products	33.3%	33.3%	20.0%	0.0%	0.0%
<25% of AUM	6.3%	50.0%	100.0%	87.5%	100.0%
25%-50% of AUM	12.5%	21.4%	0.0%	0.0%	0.0%
51%-75% of AUM	18.8%	7.1%	0.0%	0.0%	0.0%
>75% of AUM	62.5%	21.4%	0.0%	12.5%	0.0%

Products



Equity products tend to be packaged in all available product wrappers; fixed income forgoes the SMA model delivery

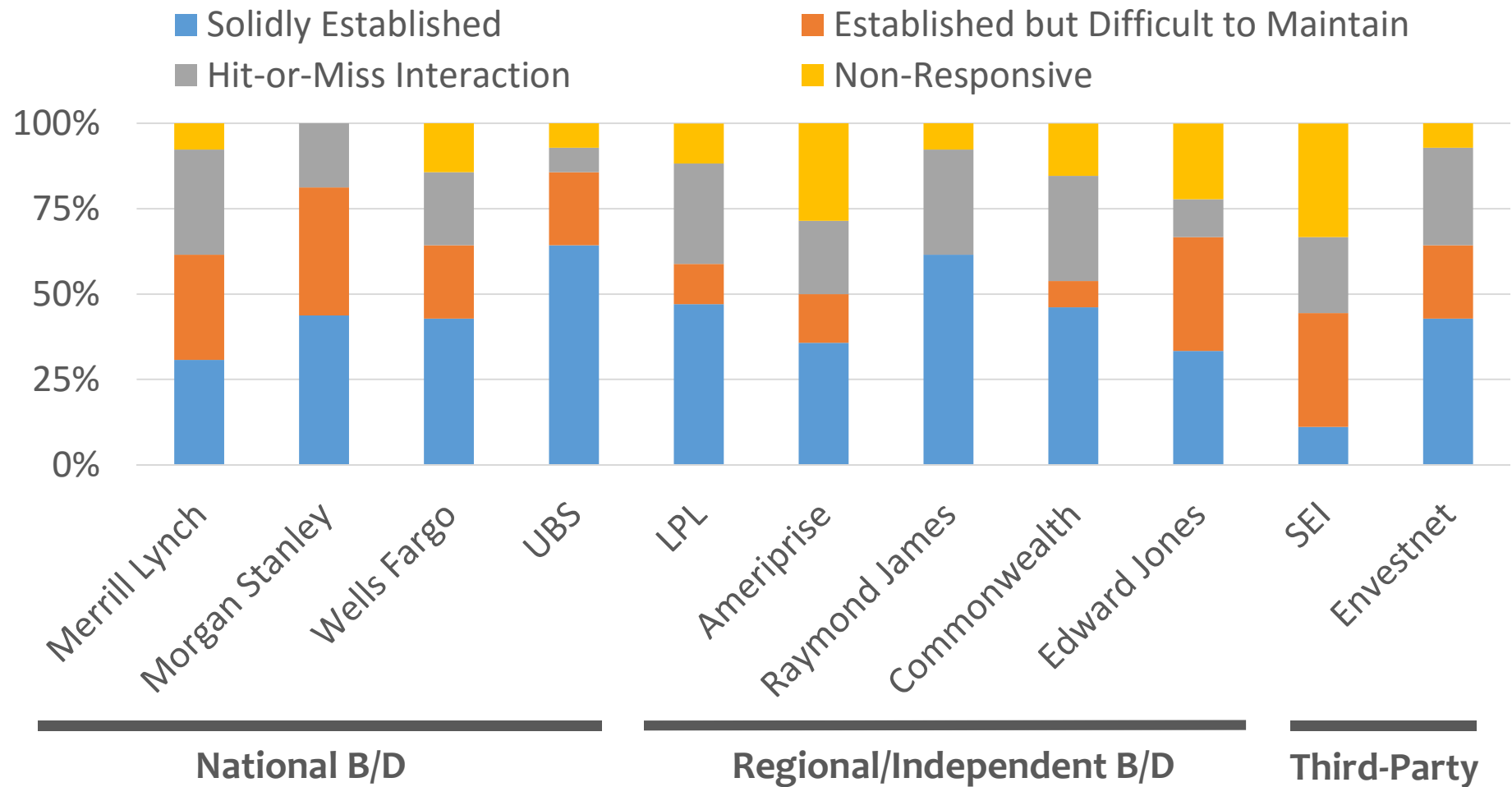
Product Delivery	Equity	Fixed Income	Multi-Asset	Alternatives	ESG/Specialty
MF Only	18.8%	42.9%	40.0%	33.3%	50.0%
SMA (Model) Only					
SMA (Trad) Only	6.3%	14.3%	20.0%	33.3%	50.0%
SMA (Trad)/SMA (Model)	6.3%	14.3%	40.0%	16.7%	
MF/SMA (Trad)	6.3%	28.6%		16.7%	
MF/SMA (Model)	12.5%				
MF/SMA (Trad)/SMA (Model)	50.0%				

Distributor Relationships

Distribution



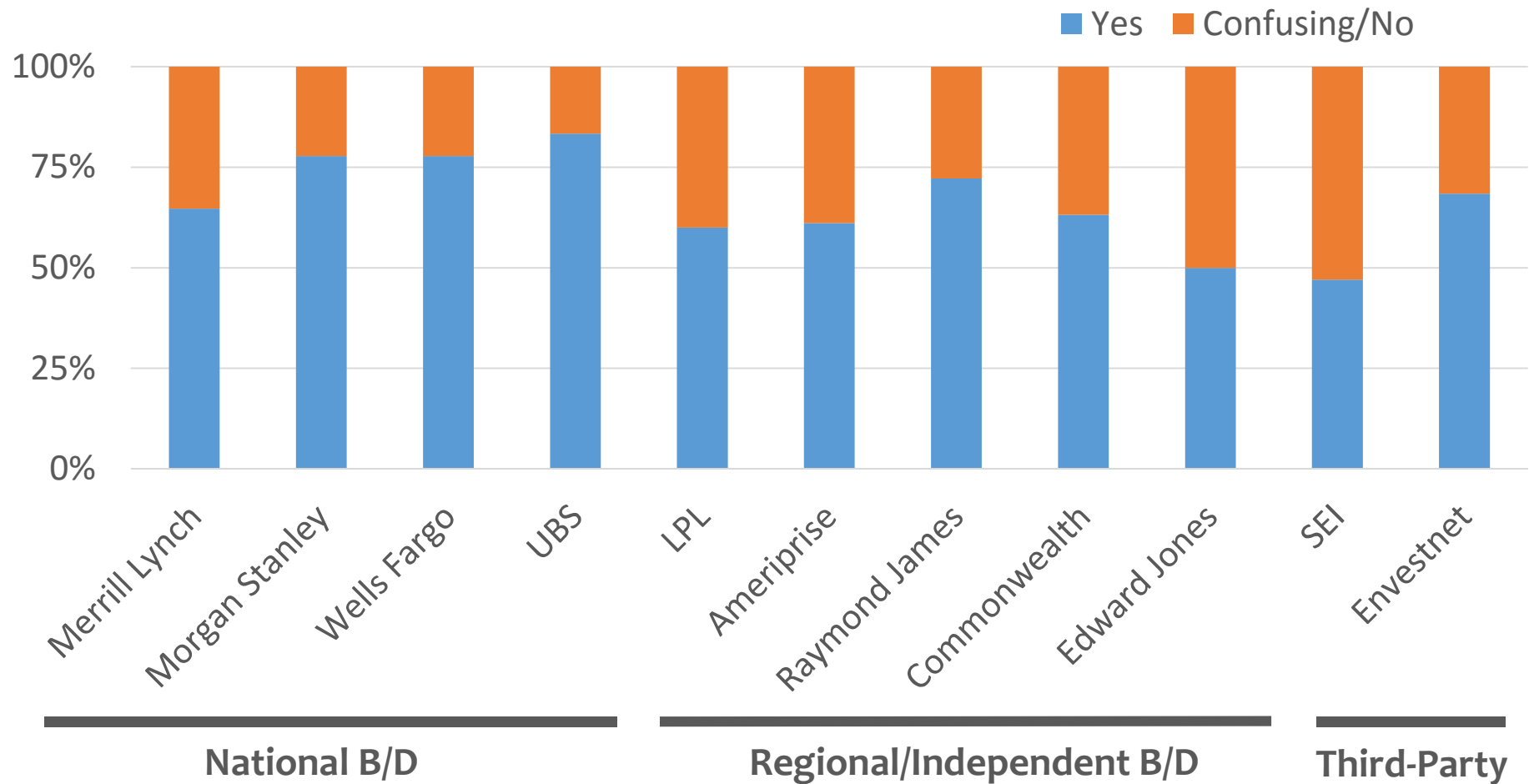
The Manager/Distributor Relationship



Distribution



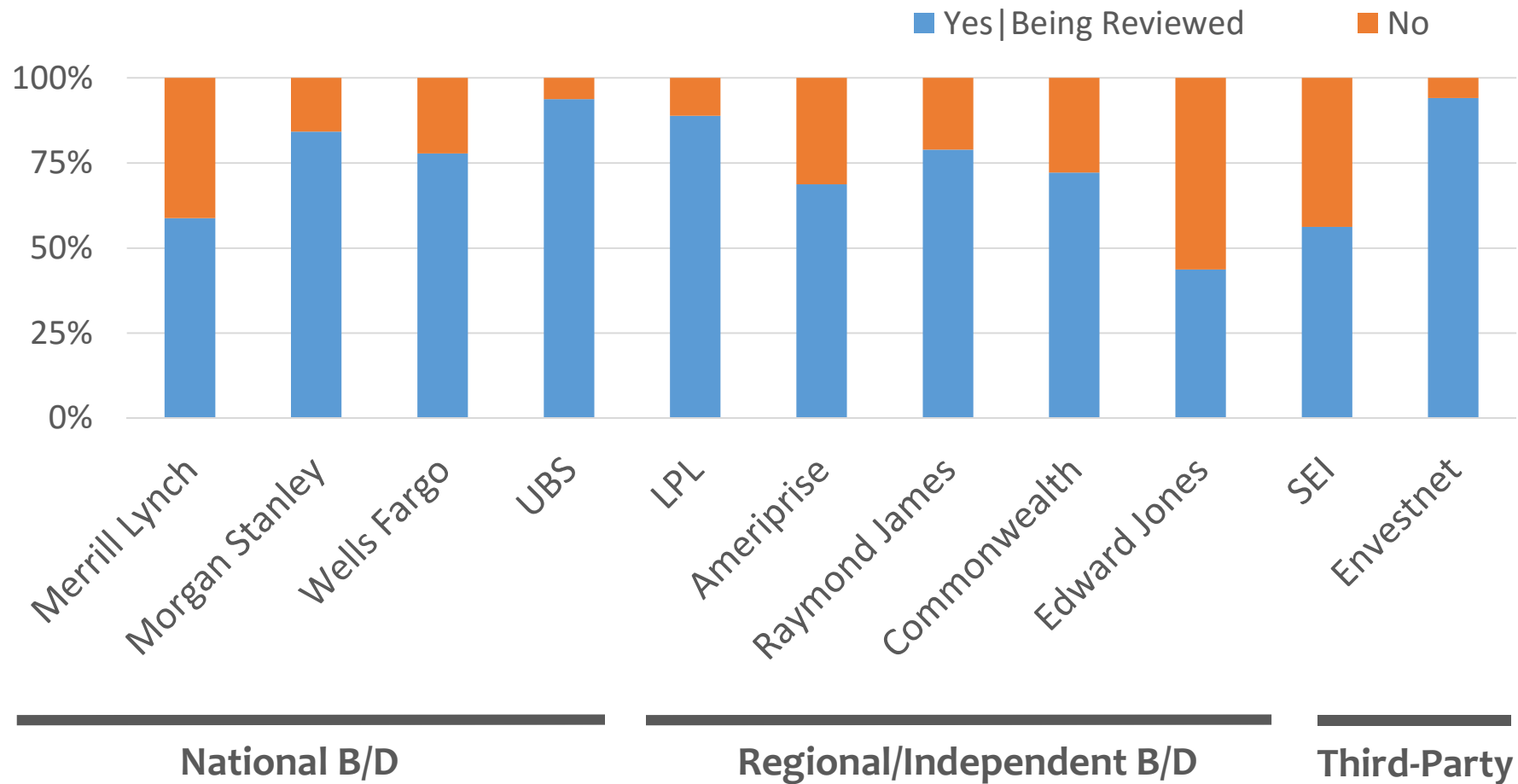
Clear Understanding of Due Diligence Process



Distribution



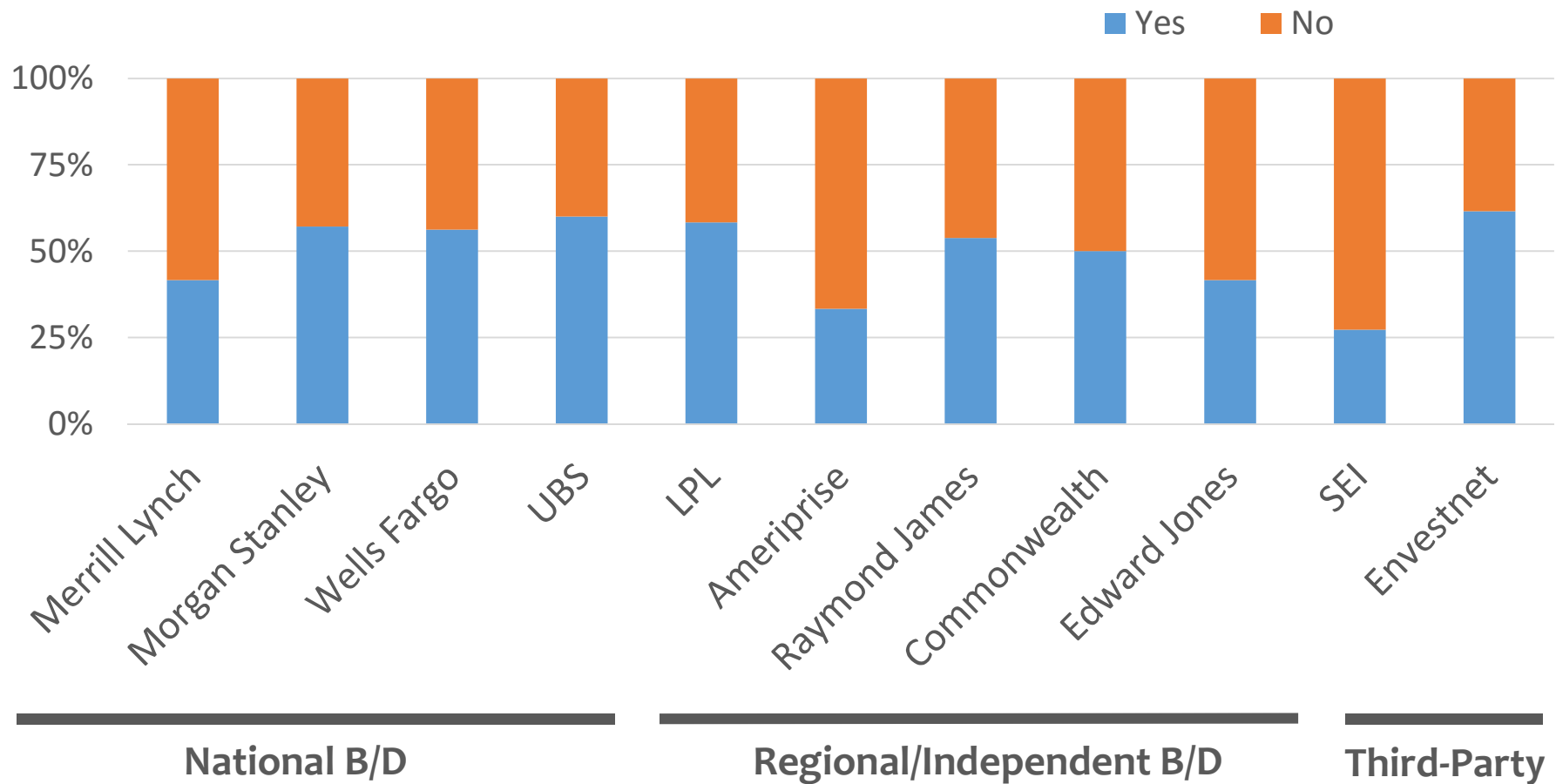
Percent of Firms with Products at Distributors



Distribution



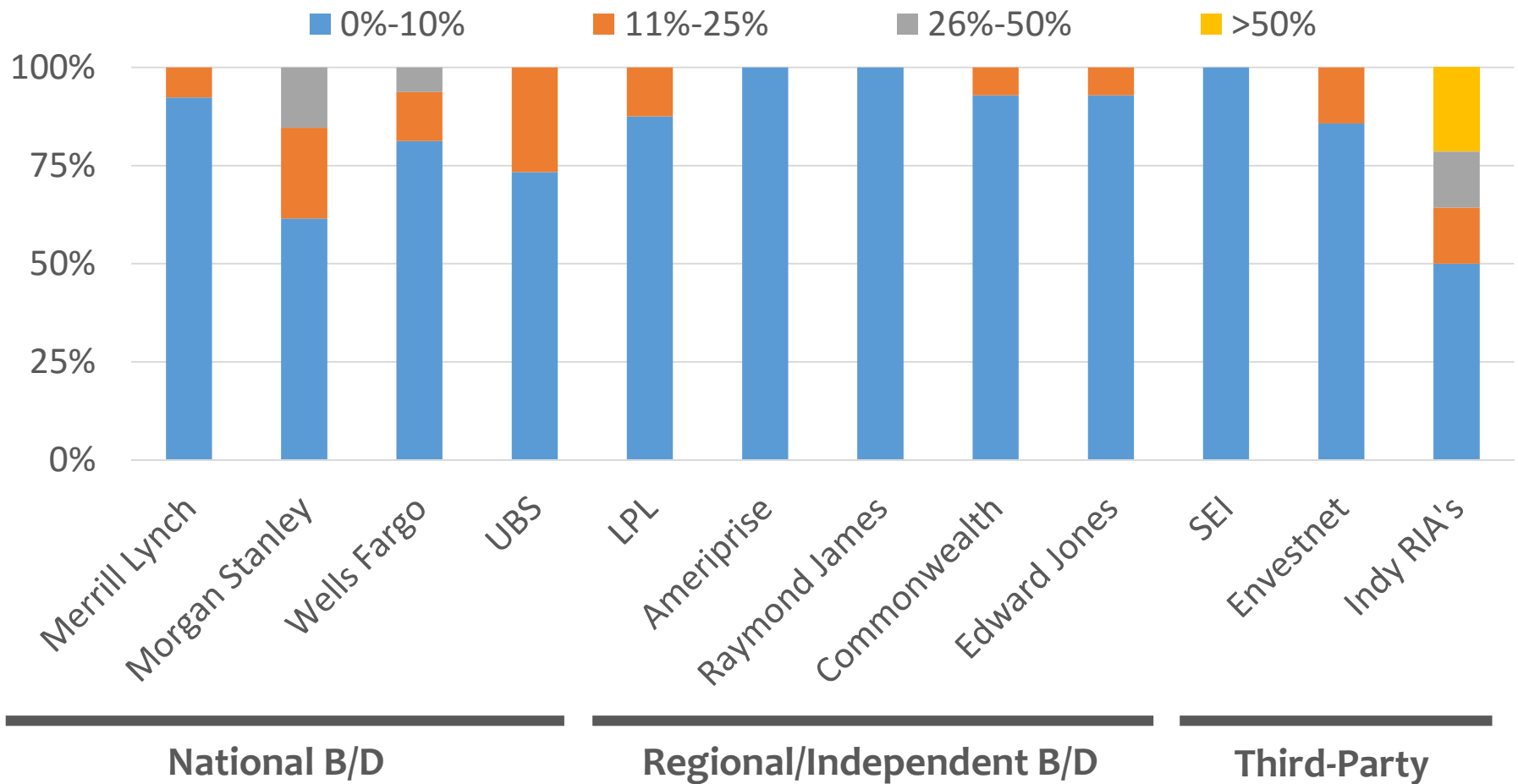
Percent of Firms with Recommended Products



Distribution



Percent of Assets at Select Distributor



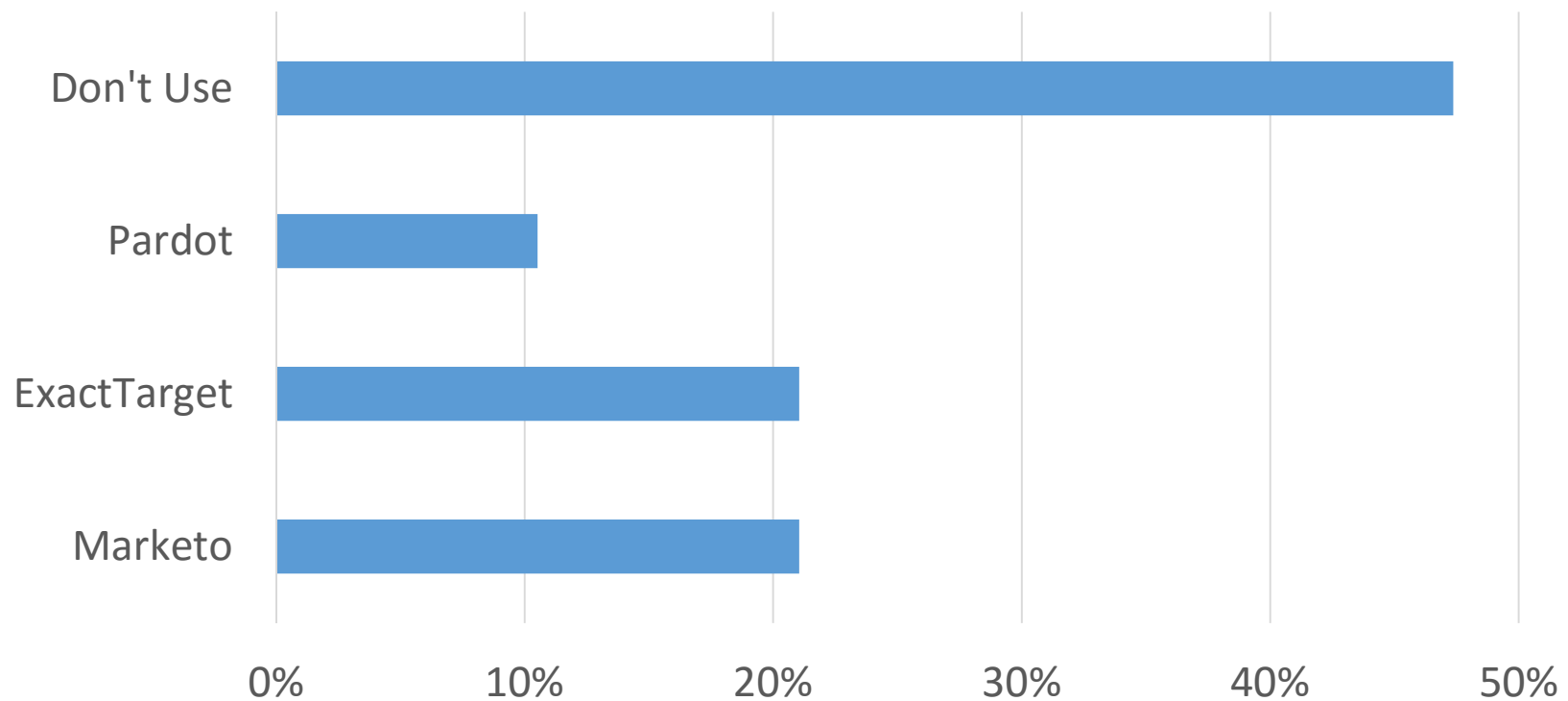
Vendors & Technology Solutions

Business Support



Roughly half the managers surveyed are leveraging marketing software while the rest have not incorporated it into their business

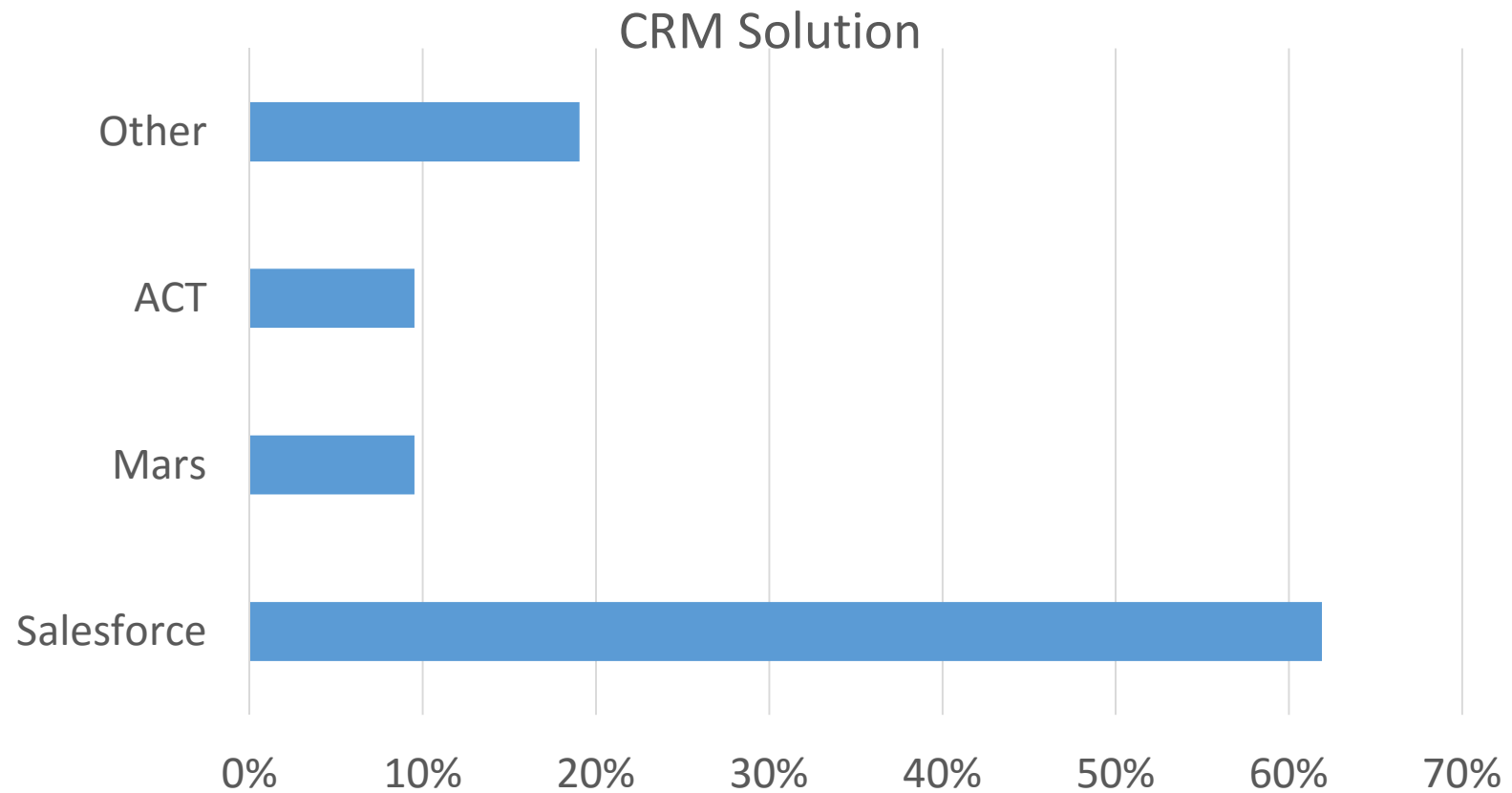
Use of Marketing Software



Business Support



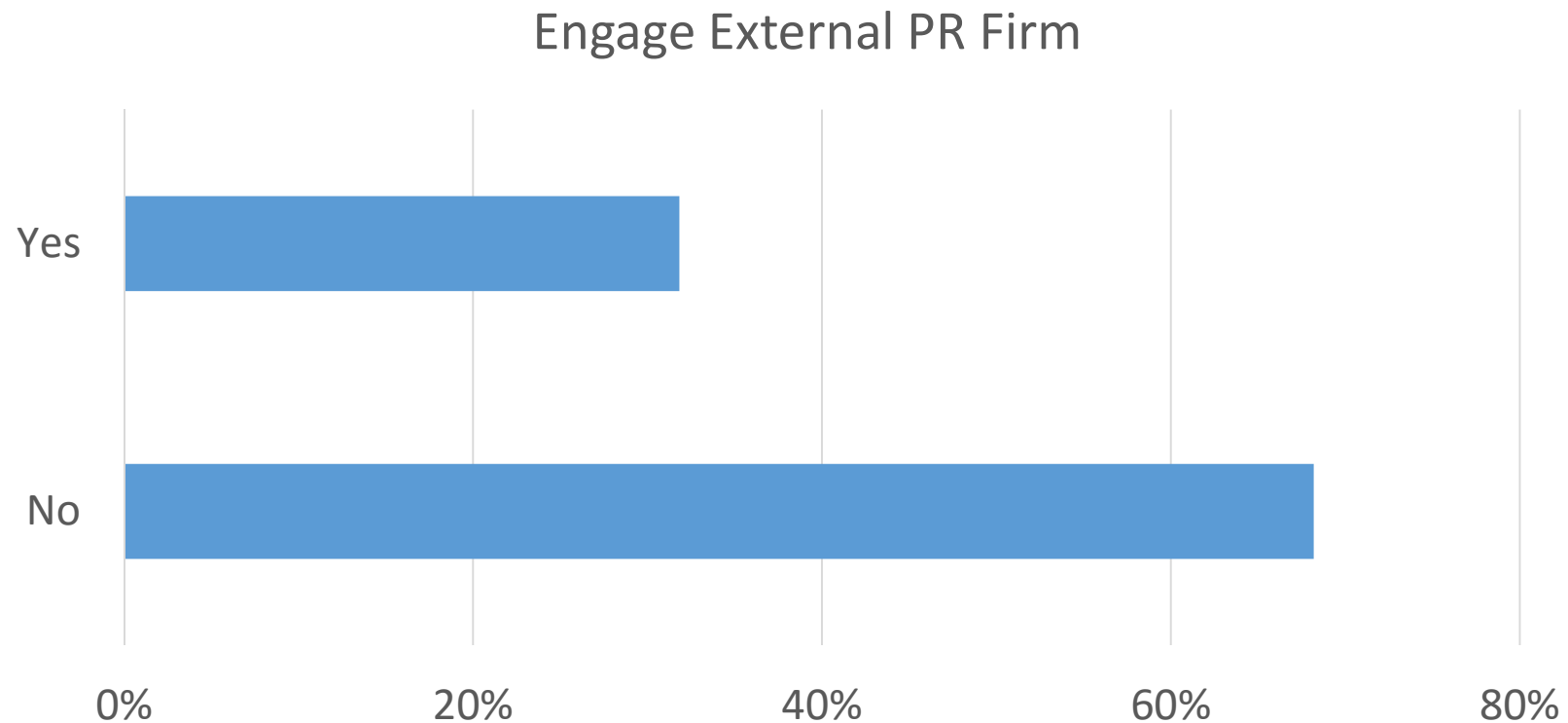
Salesforce is the clear frontrunner in CRM implementations



Business Support



A majority of emerging managers do not work an external PR firm



Contact Info



Rick Ledbury, CFA

Director – FUSE Research

Ph: 781-400-5762

Email: rledbury@fuse-research.com