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FRC ANNOUNCEMENT

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IODC Assets to Surpass Proprietary Assets by 2008 According to Latest FRC Research

July 24, 2007 Boston, MA – Financial Research Corporation (FRC) has released a new research study that provides investment-only defined contribution (IODC) asset managers with strategic and tactical advice. This research report, entitled *IODC Growth Opportunities: Capitalizing on Changes in a Dynamic Market*, was derived from a primary research survey conducted February through April of 2007 of 15 asset managers of various fund sizes and differing experience levels representing more than one-quarter of all IODC assets. Additionally, FRC interviewed a number of asset manager and DC recordkeeper executives on their organizational structure, staffing, distribution options, product development, business threats, and opportunities.

“Participation of investment managers in the IODC market for all intents and purposes is rather simple. Approach a platform, add a few funds, and presto—flows ensue. However, as investment managers attempt to diversify their distribution channels and approaches to the DC market significant hurdles emerge, even for established and leading players,” says FRC director of retirement markets Luis Fleites. “We have found the greatest challenge facing IODC managers to be the intensifying competition they are facing from existing and new entrants. Managers will need to bring more resources to the table yet implement more focused growth strategies.”

As investment managers adjust to the DC marketplace and approach DC platforms, there is an evolving need to make major changes to their organizations' staffing and support services. In this study, FRC offers eight options for improving business, as well as advice for managers on product development, structures, and strategies.

Key findings in this study include:

- **Market Sizing and Growth Opportunities** – In 2004, FRC projected investment-only DC assets would surpass proprietary assets by 2010; however, new study findings indicate this will now occur before the end of 2008. IODC assets are projected to grow at a 9.3% CAGR over the next five years while proprietary investments are projected to grow at a more modest 5.5% CAGR. FRC provides a detailed analysis of the driving factors promoting this growth.
- **Auto-Enrollment Models** – FRC estimates that total 401(k) contributions reached \$234 billion in 2006 and will rise to \$307 billion by 2011. There has been significant discussion in the industry regarding what impact auto-enrollment will have on contributions. FRC examines this trend and delivers auto-enrollment models and projections for 2011.
- **Platform and Manager Selection** – Investment managers pursuing the IODC market face two critical choices in the distribution of their products. The first is selecting the platforms on which they would like to offer their products, while the second is prioritizing the platforms on which they will focus significant time, effort, and resources. *IODC Growth Opportunities* provides managers comprehensive analyses, as well as metrics for the most important criteria to evaluate establishing selling agreements with platforms, top-20 recordkeepers, investment-only assets, and plan sizes.

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Financial Research Corporation (FRC) provides the knowledge to build stronger relationships through product development and management, distribution solutions, and

marketing strategies. For nearly 20 years, our insightful research and consulting services have been assisting marketing, product development, and strategic planning professionals in the creation of innovative products and services. Based in Boston, FRC is at the forefront of assisting its clients to comprehend and respond to the rapid changes occurring in the manufacture and distribution of investment products. Our more than 200 clients include the world's leading asset managers and distributors. For more information, visit the FRC Web site at www.frcnet.com.



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