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FRC ANNOUNCEMENT

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## **Mutual Fund Inflows Will Bounce Back, According to FRC's Latest Mutual Fund Market Sizing Study**

**April 29, 2009, Boston, MA**—For the next several years, mutual funds will garner annual net flows between about \$130 billion and \$180 billion, the low-to-mid range of where they have been over the last decade, according to the latest *Mutual Fund Market Sizing* study released by Financial Research Corporation (FRC). Investment managers are eager to know “what channels will drive fund sales?” In the study, FRC provides its latest model of the fund distribution landscape and a detailed cross-channel analysis of gross sales, net sales, assets, and growth rates for each of the six intermediary channels (wirehouses, regional brokers, independent brokers, banks, insurance companies, and RIAs). FRC analysts also provide commentary on the trends and business events shaping these projections.

Findings indicate that mutual fund gross sales and redemptions were at their highest levels in 2007 and 2008, exceeding \$2 trillion in each year. The velocity of money movement will remain high for the next several years with the percentage of gross sales and redemptions remaining above historic industry averages. Fund assets will grow at a faster rate in the independent, regional, and RIA channels, compared to the wirehouse, bank, and insurance channels. FRC projects that independent, regional, and RIA firms will contribute 55% of mutual fund net sales by 2013, up from 48% in 2008.

“There will be a tremendous amount of mutual fund money in motion,” states Maurice Leger, Senior Vice President, Research Director at FRC. “This will create a significant opportunity for winning asset managers to achieve outsized growth.”

**Other key findings include:**

**Gradual Decline for Wirehouses**—One might infer from reading recent headlines that advisors are leaving the wirehouse channel in droves. While FRC research indicates that this perception is more hype than substance, the wirehouse distribution model is changing, which will reduce the future sales opportunity for mutual funds.

**Rise of the RIA Channel**— Because the RIA channel is expected to experience the greatest growth in terms of number of advisors, FRC forecasts that mutual fund assets through the RIA channel will grow at a faster pace than any other channel over the next five years.

**Independents Face Growing Pressure**—Although FRC believes that competitive pressures will cause the independent channel to experience a slowdown in advisor growth, independent firms are forecasted to be second only to RIAs in terms of mutual fund asset growth.

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For more information on this study or to set up a press call, please contact Trisha Langlois at FRC at 617-399-5631 or via e-mail at [Trisha.Langlois@frcnet.com](mailto:Trisha.Langlois@frcnet.com).

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