IODC GROWTH OPPORTUNITIES

Capitalizing on Changes in a Dynamic Market
**METHODOLOGY**

*IODC Growth Opportunities: Capitalizing on Changes in a Dynamic Market* is FRC’s third study on the investment-only defined contribution (IODC) market. Due to the rapidly expanding nature of the IODC market, this study is not just an update to our 2004 *IODC Trends* and 2005 *Optimizing IODC Distribution* studies, but instead focuses on strategic and tactical business needs that are necessary in this increasingly competitive marketplace.

FRC surveyed asset managers of various sizes with differing experience levels in the IODC business during February through April 2007. The 35-question Investment Manager Survey and 25-question DC Gatekeeper Survey are located in Appendix A to this study.

In total, 15 asset managers responded to the asset manager survey, representing more than one-quarter of IODC assets. To better assess the positioning and strategies of firms participating in the IODC market, FRC divided the survey respondent firms into three tiers based on asset size, when applicable. As indicated in the exhibit below, Tier 1 represents the smaller firms while Tier 3 represents the largest amount of IODC assets. The DC Gatekeeper Survey captured responses from ten gatekeepers of varying sizes.

<table>
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<tr>
<th>Fund Group Tiers for IODC Assets</th>
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<td><strong>Tier</strong></td>
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<td>Tier 1</td>
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<td>Tier 3</td>
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Source: Financial Research Corporation (FRC)

In addition to the survey, FRC conducted extensive, personal interviews with a number of executives, primarily at asset management firms, in order to capture their views on IODC and to gain a more comprehensive understanding of the nature of how the IODC business is evolving. Interview discussions included product development, organizational structure, staffing, distribution options, and business threats and opportunities among other issues. FRC also interviewed executives at several leading DC recordkeepers to obtain the perspectives of firms that utilize IODC investment options.

FRC incorporated primary research gathered from the surveys and interviews with industry executives, along with secondary research and our own analysis and opinions to produce this study.

*Note: Some charts within the study may not add to 100% due to rounding*
FRC RESEARCH PARTNER

Luis Fleites

Luis is an independent consultant who has been focused on the retirement markets for more than six years. His research and consulting engagements have assisted a cross-section of financial services firms develop, validate, and implement strategic initiatives. His expertise crosses over the retail and qualified retirement markets and includes product development, market sizing, distribution channel assessment, strategy development, and other key areas. Luis is a frequent industry conference and client speaker and is frequently quoted in the media.

Prior to working with FRC, Luis was a consultant with Spring Consulting Group, LLC where his primary focus were the retirement markets, but his responsibilities also included broader healthcare and employee benefits markets. Before joining Spring, Luis was a Senior Analyst with Cerulli Associates where he was responsible for the firm's retirement research. At Cerulli, he authored multiple studies, including:

- *A Competitive Outlook for the 529 Market*
- *Capturing and Retaining Rollovers: Positioning for Success*
- *Retirement Income: Positioning for Success*

Luis began his career at State Street Bank and spent five years in various divisions of the bank.

Luis graduated with a MBA from Boston University's School of Management, and he has a Bachelor of Arts degree in International Relations from the College of William and Mary.
**STUDY EDITOR**

Lisa Campbell

Lisa rejoined FRC in September 2006 as an editor. In this role, she provides editorial support to FRC subject matter experts, and other members of a project team, to develop knowledge publications such as studies, white papers, and other analytical reports related to trends in the financial services industry. She also writes articles for the *FRC Monitor*, a monthly research report focused on forward-looking trend assessments.

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