

Strategic Insight

590 Fifth Avenue, New York, NY 10036

Tel: (212) 944-4455, Fax: (212) 730-7730

Available at www.sionline.com

	Page
<u>Perspectives</u>	Perspectives 2
<u>Domestic Funds: Trends in Q1 2010</u>	US Fund FlowWatch 3
<u>Global Trends: Managing Innovation</u>	Global Trends 5
<u>International Funds: Q1 Update</u>	International Funds 7
<u>ETF Update: Bonds Drive Q1 Inflows</u>	ETFs 8
<u>Actively Managed ETFs: Still Emerging</u>	ETFs 9
<u>'Alternative' Open-End Funds: Buoyant Flows and Vibrant Innovation</u>	New Funds / Filings 10
<u>National Broker-Dealer Distribution Trends in Q4'09</u>	Distribution 12
<u>Variable Annuities: A New Era for Retirement Income</u>	Variable Annuities 14
<u>SI Tool Time: ICI Confidential</u>	Tool Time 15

© Copyright 2010 Strategic Insight, an Asset International Company, and when referenced or sourced Morningstar Inc. and Lipper Inc. All rights reserved. The information, data, analyses and opinions contained herein (a) include confidential and proprietary information of the aforementioned companies, (b) may not be copied or redistributed for any purpose, (c) are provided solely for information purposes, and (d) are not warranted or represented to be correct, complete, accurate, or timely. Past performance is no guarantee of future results. The aforementioned companies are not affiliated with each other. Reproduction in whole or in part prohibited except by permission.

Any data or commentary in this report is for the internal use of client management companies only and is not to be disseminated to the general public and sales intermediaries in the form of regulatory or other reports, promotional material, or advertising without the prior written consent of Strategic Insight.

This report has been prepared using information and sources we believe to be reliable; however, we make no representation as to its accuracy, adequacy or completeness, nor do we assume responsibility for any errors or omissions or for any results obtained from the use of this report, including any action taken with respect to securities referred to in this report. Our employees may from time to time acquire, hold or sell a position in securities mentioned herein. We may from time to time perform services for any company mentioned in this report. This report is not a prospectus or representation intended to use in the purchase or sale of any securities mentioned in this report.

Strategic Insight is available by subscription and by single copy upon request to the publisher.

Perspectives



Avi Nachmany
(212) 944 4451
avi@sionline.com

In this edition: 2010’s first-quarter flow trends in the US, evolution of “alternative” UCITs funds in Europe and similar funds in the US, an update on the emerging field of actively managed ETFs, national broker-dealer fund distribution insights and more.

SI Developments, Announcements

ICI General Membership Meeting May 5-7th: We look forward to seeing you, **booths #103-105.**

State of the US and Global Mutual Fund Industry presentations at the GMM: May 5, 10:00-11:30 am just before the GMM starts. Register [here](#) (the discussion will be recorded and available for clients).

SI Global: We opened an **office in London** and appointed Andreas Pfunder as Managing Director Europe. Pfunder, who had spent years in senior business development roles with Fidelity International and AllianceBernstein, is responsible for expanding SI’s business among mutual fund companies, wealth managers and distribution networks in the UK and Europe. We are planning to open a **Hong Kong office in 2H** (the recent SI private breakfast presentation at the FundForum Asia was standing-room only, with nearly 60 executive attending).

New research studies: Our new report on UCITs product innovation focusing on alternative strategies (see pages 5-6) is available. The **SI Fund Sales Survey** (based on a detailed annual survey of fund managers selling mostly through financial advisors) is out. The report, analyzing sales by share class and by channel, is free to managers providing their confidential data to SI, and available to others for a fee; see [here](#). Our latest study of **national BD sales trends**, in collaboration with Coates Analytics, is also available (see [here](#)). Contact Dan Weirnerman (dweirnerman@sionline.com) for information about these for-sale studies.

SI National Conference (SINC): On June 28-29, Strategic Insight is holding a conference for senior fund industry executives. SINC should draw 100+ senior mutual fund distribution, planning, retirement and product management executives, as well as key executives among BD distributors. The conference

aims to deliver insight and information regarding how to serve critical distribution channels, where product innovation is headed, and what works in the retirement plan markets. Find out more here: [About SINC 2010](#)

Mutual Fund Fee Trends 2009

In early 2009 SI published an Executive Insight (available to clients [here](#)) explaining why fund expense ratios were likely to inch higher in 2009 post-crisis (due to smaller TNAs and shrinking “average accounts”). Indeed, even after the stock and bond market (partial) recovery, average total expense ratios (TERs) for active equity and hybrid funds moved slightly higher in 2009 – a trend to reverse this year. Naturally, the industry aggregate data is influenced by the lower fees of the mega-size funds, and many smaller funds saw a higher year-to-year TER spike.

**Actively Managed Open-End Funds
Total Expense Ratios %
(Asset Weighted, Average for Each Year)**

Fund Type	2005	2006	2007	2008	2009
Domestic Equity	0.971	0.938	0.916	0.916	0.940
International Equity	1.118	1.073	1.036	1.035	1.076
Hybrid	0.785	0.748	0.716	0.707	0.734
Taxable Bond	0.752	0.719	0.709	0.697	0.690
Tax-Free Bond	0.659	0.649	0.636	0.629	0.640
Money Market	0.426	0.426	0.408	0.390	0.372
All Active Open-End	0.794	0.783	0.768	0.735	0.693

Source: *Strategic Insight Simfund MF*

Lastly: The period for submission of comments regarding the Department of Labor’s new proposal around investment advice in DC plans will end on May 5. We eagerly await our industry’s response to the proposal’s game-changing new requirements, which we understand would generally disallow the use of past performance for the selection of funds through an advice model and suggest only differences in fees and management styles (when they are highly likely to recur) can be used. This would be tantamount to the DOL mandating the selection of only the lowest-fee index funds within a particular asset class. I believe that if adopted as written now, this provision of the proposed regulation will have far-reaching, draconian implications for the investment management industry (incl. DB plans), for Americans’ access to advice, for stock investors’ ability and willingness to save and secure their retirement income, and possibly for the capital markets themselves.

Strategic Insight Editorial Board

Avi Nachmany, avi@sionline.com, (212) 944-4451 Sonia Mata, sonia@sionline.com, (212) 217-6947
Loren Fox, lfox@sionline.com, (212) 944-4460 Dennis Bowden, dbowden@sionline.com, (212) 217-6895

Domestic Funds: Q1 2010 in Review



Loren Fox
(212) 944 4460
loren@sionline.com



Susan Belle
(212) 217 6948
susan@sionline.com

Fund Industry Overview (Excludes ETFs and VA Underlying Funds)				
	Net New Flows \$B			
	2007	2008	2009	Q1 '10
US Equity	-35.3	-137.6	-26.1	8.0
Int'l Equity	<u>182.0</u>	<u>-57.8</u>	<u>41.1</u>	<u>27.8</u>
Total Equity	146.7	-195.4	15.0	35.8
Taxable Bond	92.4	17.6	280.8	73.8
Muni Bond	<u>9.2</u>	<u>4.6</u>	<u>69.1</u>	<u>13.2</u>
Total Bond	101.6	22.2	350.0	87.0
Total Equity and Bond	248.3	-173.2	365.0	122.8
Money Market	653.2	594.6	-505.9	-330.8
Total Industry	901.5	421.3	-141.0	-208.0

Source: Strategic Insight Simfund MF; historical assets and flows have been restated and may not match past reports

In the first quarter of 2010, U.S. mutual fund investors put an estimated **\$123 billion into stock and bond mutual funds**, providing signs that investor confidence is slowly improving. US equity funds saw \$8 billion in net inflows, the strongest quarterly inflows into US stock/hybrid funds since Q2 2009 (\$26 billion), and were a positive sign coming a year after domestic equity markets hit bottom and began their rebound. Looking back at prior bear markets, SI research has found that it has taken stock investors 12 to 18 months after a stock market trough to significantly re-engage with equities. Fund investors may slowly be overcoming their risk aversion and starting to respond to the fact that the average equity fund delivered over 50% returns over the 12 months ended in March. International/global equity funds continued to draw net inflows. (For more on international funds, see page 7.)

Bond fund inflows were \$87 billion, including fairly steady flows of at least \$24 billion in each of January,

February and March. Of taxable bond fund net inflows in the first quarter, \$29 billion, or 39%, went to short, short-intermediate, and intermediate corporate portfolios – as many investors sought higher-yielding investments than in money funds. Muni bond funds saw net inflows of \$13 billion.

Investors withdrew a cumulative \$331 billion from money market funds in the first quarter of the year, as savers sought higher-yielding asset classes.

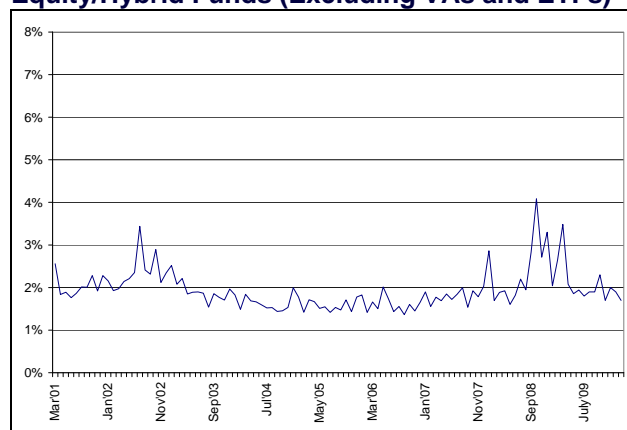
Following the stock market/economic turmoil of the 2007-09 period, high-tracking-error investments subsequently delivered robust returns, in both 2009 and Q1 2010. **The average domestic equity fund investor's total return through Q1 was a 5.3% gain** on an average asset-weighted basis, matching the return of the S&P 500 index.

Average Asset-Weighted Annualized Returns %				
	2007	2008	2009	Q1'10
Domestic Equity*	7.1	-36.9	31.0	5.3
Int'l Equity	16.4	-42.0	40.2	2.0
Taxable Bond	5.7	-5.1	17.1	2.5
Muni Bond	1.2	-9.0	16.1	1.4
Money Market	4.7	2.3	0.3	0.01

* Includes hybrid/allocation funds. Sources: Strategic Insight Simfund MF; Morningstar. Data excludes Funds of Funds

Although the worst seems to be over, financial pressures on the middle-income investors that anchor the fund industry have not abated. Consequently, the pace of new equity fund investments has been slow. While the sales pace remains moderate, the pace of stock fund redemptions fell to its normalized pace. As we have noted before, redemption spikes, as recently evidenced, tend to be short-lived.

Redemptions as a Percentage of Assets Equity/Hybrid Funds (Excluding VAs and ETFs)



Source: Strategic Insight Simfund TD (ICI Trends)

Equity / Hybrid Funds: Active vs. Passive (excl. VAs)

	Net New Flows \$B		
	2008	2009	Q1'10
	-		
Actively Managed Funds	236.6	-14.5	24.1
Index Funds (non-ETF)	41.2	29.0	11.4
ETF Open-End Funds	96.2	57.5	9.9
ETFs Structured as UITs/ Grantor Trusts / ETNs /Other	56.9	10.0	-11.0

Source: Strategic Insight Simfund MF; historical assets and flows have been restated and may not match past reports

In the first quarter, actively managed equity funds (mostly international) handily outdrew flows to both equity index and open-end ETFs. On the bond side, active funds attracted high inflows to a far greater degree than did index funds and ETFs.

Bond Funds: Active vs. Passive (excl. VAs)

	Net New Flows \$B		
	2008	2009	Q1'10
Actively Managed Funds	11.7	321.8	78.5
Index Funds (non-ETF)	10.4	26.1	8.0
ETF Open-End Funds	22.5	46.1	10.0

Source: Strategic Insight Simfund MF; historical assets and flows have been restated and may not match past reports

Funds with Highest Inflows: Some Risk-Return Characteristics

While the decision to invest in a particular fund or with a particular fund manager is the result of numerous factors, SI has observed that **trailing three-year rankings, within the fund’s investment style and on both relative-return and relative-risk dimensions, offer explanatory and predictive value for flows.**

SI’s “Bubble” charts, generated in Simfund, plot funds on a relative risk/return basis versus similarly invested peers. Funds in the top-left quadrant have superior positioning relative to peers, displaying below-average risk (defined as cumulative monthly losses over 36 monthly observations) while achieving above-average returns. **The first quarter of 2010** was another period for which the top-left quadrant of such graphs housed the highest-inflow funds (even when many such funds experienced losses during the trailing three years). Trailing relative performance may soon be even more significant in marketing funds.

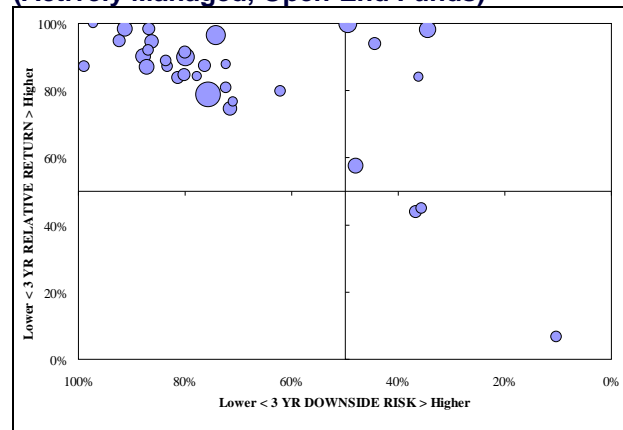
As an illustration of cash flow results through the first quarter of 2010, we capture below the “trailing three-year risk-return vs. cash flow bubbles” of the industry’s 40 highest cash flow funds in the first three months of the year (risk and return measured within

each fund’s Lipper investment classification). Simfund subscribers can easily replicate these graphs for their peer funds (and can run such graphs within the funds’ Morningstar category as well). Note that **bubble size corresponds to first quarter 2010 net inflows.**

The funds in the charts clearly share appealing risk-return characteristics for the 36 months ending March 2010. The few outliers are funds offered by well-respected managers benefiting from a “halo” effect, hard-to-classify funds, or those reflecting strong performance in periods prior to recent years. In the bond area, some funds with high relative yields (but below-average relative returns) saw high net inflows in the first three quarters of 2010.

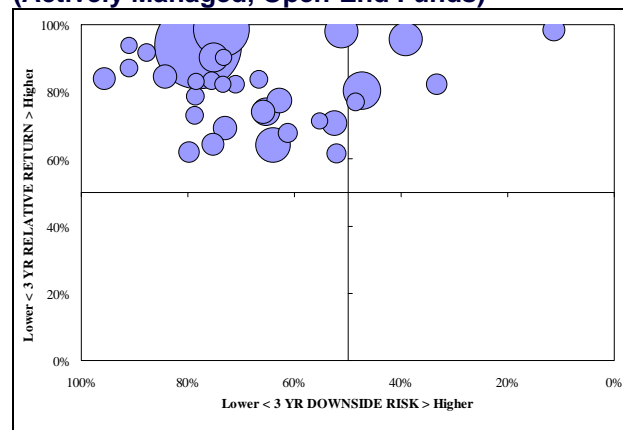
Risk-Return Characteristics of Best Selling Mutual Funds in Q1 2010

Highest Net Inflow Equity Funds in Q1 2010 (Actively Managed, Open-End Funds) *



*Q1 2010 Flows and 3-Yr. Risk/Return Analysis within Lipper Classifications; Source: Strategic Insight Simfund MF

Highest Net Inflow Bond Funds in Q1 2010 (Actively Managed, Open-End Funds) *



*Q1 2010 Flows and 3-Year Risk/Return Analysis within Lipper Classifications; Source: Strategic Insight Simfund MF

Global Trends: Managing Innovation



Jag Alexeyev
(212) 944 4456
jag@sionline.com



Daniel Enskat
(212) 217 6859
daniel@sionline.com

As innovation accelerates, fund products unimaginable a decade ago are today being sold to retail investors and a broadening base of smaller institutions, insurance companies, and wealthy individuals. But managing innovation across an increasingly complex product and distribution landscape, as alternative and traditional approaches converge, has become quite a challenge.

This article presents some key observations about fund developments in the European UCITS fund format, drawn from our new 60-page, for-sale report, “Managing Investment Fund Innovation.” For more information about purchasing this report, contact Jamie Maak, Manager, Global Business Development, at jmaak@sionline.com, or +1 (212) 217-6918.

The Challenge of Alternative UCITS

Implemented in 1985 as a framework for open-ended investment funds that could be sold cross-border across Europe, UCITS have come a long way since 2001, when they were allowed to pursue a more flexible range of investment strategies. Asset managers used these flexibilities to launch innovative, alternative, and absolute return funds, but experiences were mixed. Several funds failed, some lost 80% or more of their assets to net redemptions, and a few liquidated. But a number were quite successful, and these now serve as signposts for managers looking to the future.

Today more than 1,000 alternative and absolute return UCITS funds are home to nearly \$200 billion in assets. This universe includes a diverse range of strategies from long/short and market neutral to commodities, managed futures, leveraged and inverse/bear market funds, arbitrage and others. While these alternative funds represent a small proportion of the \$7 trillion UCITS industry, their share will increase as advisors and investors pursue investments providing credible

diversification, lower volatility and capital appreciation potential.

Most of the bigger products are managed by well-known fund companies with a long-only tradition, and only a few represent offerings by hedge or alternative fund managers. Estimates suggest roughly only a small number of “hedge fund” strategies have been put in a UCITS format (often referred to as “Newcits”).

The opportunities and challenges are perhaps most visible as hedge fund managers adapt their strategies to European UCITS, seeking to broaden their client base and respond to investor demands for greater transparency and liquidity, in a better regulated vehicle. The industry and media got excited about this trend. But some of the most talked-about funds hardly raised any assets. Meanwhile, so-called traditional fund managers, extending their alternative and absolute return capabilities, are recording more meaningful sales gains. Distribution approaches and relationships often account for these differences, and understanding best practices provides a key to unlocking sustainable competitive advantages.

Fund selection units and financial advisors want to offer more alternative choices, diversification potential, and lower volatility investments, yet often struggle to adapt their methodologies to account for increasingly sophisticated product dimensions. Industry classifications and analytical approaches have not fully caught up with innovation, another factor in slowing down progress.

A large number of first-generation alternatives also have not lived up to the expectations. Managers are only now beginning to recover from the absolute return disaster in Europe three years ago, when the subprime crisis caused severe NAV dislocations and investor disappointment; this resulted in damaged reputations and \$140 billion of net redemptions over seventeen consecutive months.

Lessons from Leaders

The media has focused extensively on the latest generation of alternative UCITS being offered by hedge fund managers. However, many of these Newcits have not raised much assets, with most attracting less than \$100 million. At the other end of the spectrum, several large, established, and successful alternative and absolute return UCITS are widening their lead. These products were launched between 2003 and 2006, are managed by predominantly “traditional” money managers, but are just as innovative – if not more so in some cases – than the offerings from the hedge entrants.

The largest commonly regarded “hedge” fund in the UCITS space, JPM Highbridge Statistical Market Neutral fund, has \$3.5 billion in assets. It remains a particularly interesting case study, with a highly variable growth trajectory, and a U.S. mutual fund version of the strategy with a markedly different portfolio, risk, and return profile.

Selected Successful Absolute Return and Alternative UCITS

Portfolio	Strategies	12/09 AUM \$B
Julius Baer Absolute Return Bond	Global fixed income	5.0
JPM Highbridge Statistical Mkt Neutral	long/short Quant mkt neutral	3.5
CAAM Dynarbitrage Volatility	Volatility arbitrage	3.4
BlackRock UK Absolute Alpha	Long/short, pair trades, 100% cash	2.9
FAST – Europe	Equity short extension	2.5
Dexia Index Arbitrage	Equity mkt neutral/arb	2.3
SEB Asset Allocation	Multi-asset long/short futures	2.2

Source: *Strategic Insight Simfund GL*

Even bigger than JPM Highbridge though is the Julius Baer Absolute Return Bond fund, which straddles the blurring line between traditional and alternative. With long/short overlay strategies, use of derivatives and limited leverage, the fund shares many investment techniques with alternative products. The portfolio now has nearly \$5 billion in assets, with \$1.4 billion of inflows last year. Between 2006 and 2008, Julius Baer added to its Absolute Return Bond range with three funds that captured an additional \$1.4 billion in net flows last year. Such product line extensions are common among the most successful established products.

Other UCITS funds with an alternative bent that have raised meaningful assets include Blackrock UK Absolute Alpha, CAAM Dynarbitrage Volatility, Dexia Index Arbitrage, FAST (Fidelity Active Strategy) Europe, and SEB Asset Selection. Just among these few offerings can be found a diverse range of strategies including long/short and market neutral, pair trades, global tactical asset allocation, volatility arbitrage, futures trading, and portable alpha. Equally diverse are the home bases of the fund managers, spanning the UK, France, Sweden, and Switzerland, but with all of these products sold cross-border internationally.

Communication and Trust

The “traditional” fund managers with experience and knowledge in supporting distributors are doing better than most hedge fund managers in Newcits, at least so far, by extending these best practices to their alternative ranges.

While the biggest asset managers with strong distributor relationships have an advantage in selling retail funds, less well-known providers have proven that they can still make inroads. A great example is SEB with its Asset Selection fund. Assets surpassed \$2 billion within a couple of years of its 2006 launch, but not everyone in the industry is familiar with this surprise from Stockholm, which has become one of the largest alternative UCITS in Europe.

SEB Asset Allocation has delivered on performance. Yet a notable feature of the fund is its high commitment to investor communication and transparency. The fund manager, Hans-Olov Bornemann, can be found discussing the details of the product, its conception, risk and return details, investment process, and practically every other relevant aspect of the portfolio in a 30-minute video publicly available on their website. The presentation offers far more insights on the fund and manager than anything that can be found in a factsheet or brochure.

In general, we frequently observed the importance of creating “customer intimacy” in realizing business gains. Customers demand personal contact in some form. SEB Asset Selection’s approach strikes us as a modern-day and highly scalable version of that.

Meanwhile, in our research we have encountered many Newcits hedge funds that do not provide even the basics – readily available legal and marketing documents, fund performance details or AUMs – let alone pursue some of the best practices that set apart the most successful asset managers: frequent, detailed performance attribution analysis; manager interviews and webcasts; and financial advisor micro sites.

All of these practices add up to a clear message that is sent to distributors and investors during their decision-making process, revolving around understanding the product, the manager, and trust in both.

International Funds: 2009 Update



Susan Belle
(212) 217 6948
susan@sionline.com

US-Based International/Global Equity Mutual Funds \$ Billion

Structure/Type	Assets		Net Flows		
	03/10	2007	2008	2009	Q1'10
Open-end Active	1,327	139.3	-69.8	33.5	22.8
Open-end Indexed	96	23.5	12.5	9.7	4.9
ETFs*	258	51.8	27.6	53.6	1.0
Closed-End	34	19.4	0.1	0.0	0.4
VA Funds (thru Feb.)	178	20	4	7	0.3
Total	1,893	254.0	-25.2	103.8	29.3

Source: Strategic Insight Simfund MF / VA. *ETFs include UIT and open-end ETFs; Int'l Equity includes Gold.

Flows into US-domiciled International / Global equity funds continued to be strong in the first quarter of 2010, with inflows of \$29 billion.

Domestic equity funds, meanwhile, saw net inflows of \$8 billion in Q1 2010.

A large part of international funds' success at capturing flows was fueled by actively managed, open-end funds as investors with higher risk appetites continued to seek global diversification in their portfolios (especially as inflation concerns loom on the horizon). International/global funds marked their fourth consecutive quarter of net inflows.

US funds out-earned international/global funds in Q1 2010 (reversing recent patterns) as a strengthening US dollar reduced international equity fund returns.

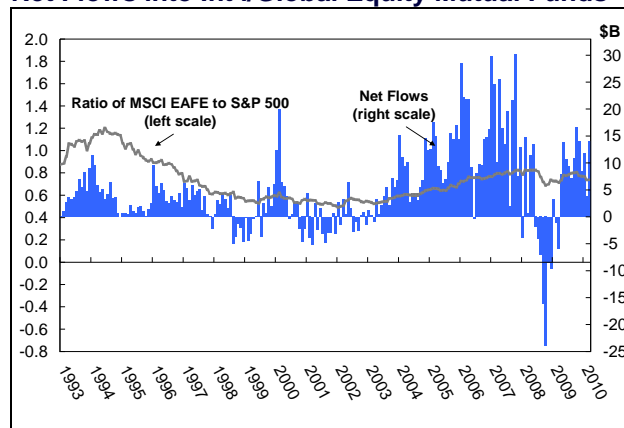
Int'l Equity, US Equity, and World Bond Funds Annual Average Total Returns (Asset-Weighted)

	2005	2006	2007	2008	2009	Q1'10
U.S. Equity*	7.95	14.08	7.16	-37.9	31.43	5.50
Int'l/Glbl Eqty	16.23	24.29	16.53	-41.9	40.50	1.94
World Bond^	-2.10	6.62	8.94	0.23	13.68	2.53

Source: Strategic Insight Simfund MF; * Exc. Balanced/Hybrid, Int'l Equity now includes Gold; historical data may not match prior reports. ^ Morningstar category.

The trend of the outperformance of the EAFE and the recovery of inflows since April 2009 continued through March 2010 as captured in the chart below.

Relative Performance of US v. Foreign Stocks, Net Flows into Int'l/Global Equity Mutual Funds



Source: Strategic Insight Simfund, Standard & Poor's; Int'l flows include Gold funds

Actively managed emerging markets funds, like they did in 2009, top the list of highest flow classifications in Q1 – but the pace of inflows to such diversified or regional funds slowed dramatically. Meanwhile, developed market diversified fund flows accelerated in Q1. Overall, flows to international/global equity funds also reflected a return to the global diversification of investors' portfolios that we saw in years prior to 2008.

Actively Managed Int'l/Global Equity Funds 10 Highest Q1 2010 Net Flow Classifications

	Net Flows \$B		Assets \$B
	Mar'10	Q1'10	03/10
Emerging Markets	2.17	4.87	136.3
Intl Large-Cap Growth	0.87	3.46	209.4
Intl Large-Cap Core	0.45	1.57	160.3
Intl Multi-Cap Value	0.34	1.50	44.4
Intl Multi-Cap Growth	0.41	1.37	40.1
Intl Multi-Cap Core	0.45	1.29	48.4
Intl Large-Cap Value	0.22	0.53	74.1
Global Large-Cap Growth	0.58	0.40	19.7
Global Multi-Cap Value	0.13	0.28	108.7
Pacific Region	0.15	0.27	3.2

Source: Strategic Insight Simfund MF; Excludes index funds and ETFs, as well as VA funds; historical assets and flows have been restated and may not match past reports.

ETF Update: Bonds Drive Q1 Inflows



Loren Fox
(212) 944 4460
loren@sionline.com



Sonia Mata
(212) 217 6947
sonia@sionline.com

ETFs drew US net inflows of \$8 billion in the first quarter of 2010. Although down from Q4's \$53 billion of net inflows, it bettered the net outflows of \$1.5 billion experienced in Q1 2009. **At the end of March 2010, US ETF assets (including ETNs) were \$815 billion**, up from \$785.8 billion at year-end 2009.

ETFs: By Investment Type

	Assets		Net Flows \$B		# of Funds
	\$B			Q1	
	03/10	2008	2009	2010	03//10
US Equity					
Diversified	313.3	87.4	-14.1	-6.3	0.3
Sector	101.5	33.1	16.5	5.1	229
Subtotal US Eqty	414.8	120.5	2.4	-1.3	482
Int'l/Global Equity					
Diversified	57.9	9.1	0.7	1.9	54
Divsfd Emerg Mkts	64.3	9.3	17.0	-0.8	31
Single Country	56.2	-0.4	12.2	-0.2	71
Regional	16.5	-0.8	3.0	-0.5	28
Sector	12.4	2.4	4.1	0.4	74
Subtotal Int'l/Glbl Equity	207.3	19.6	37.1	0.8	258
Bond					
Taxable Bond	111.2	20.8	42.8	9.6	77
Muni Bond	6.4	1.7	3.6	0.5	27
Subtotal Bond	117.6	22.5	46.4	10.0	104
Specialized					
Commodity	68.5	13.0	27.8	-0.7	71
Currency	6.9	0.4	4.0	-0.9	35
Subtotal Specialized	75.3	13.4	31.8	-1.6	106
Total	815.0	176.0	117.7	8.0	950

Source: Strategic Insight Simfund MF

The flows into ETFs in Q1 2010 were driven by bond ETF inflows, mirroring trends seen in the traditional mutual fund space. At the end of March, bond ETFs accounted for 14.4% of US ETF assets, up from 13.6% at the end of 2009.

Domestic equity ETFs experienced net outflows of \$1.3 billion in the first quarter, as a result of heavy net outflows in January (due largely to portfolio rebalancing); domestic equity ETFs saw net inflows in February and March. Commodity ETFs, which made up a large portion of 2009 ETF inflows, had a different experience in Q1 2010: investors net redeemed \$700 million out of the segment, with 23 of 57 commodity exchange-traded products experiencing net outflows.

The number of exchange-traded products continued to grow, reaching a record 950 at the end of March 2010, up from 893 at the end of 2009.

The table below lists the highest cash-flow ETFs of 2010's first quarter. Five of the top 10 were fixed-income ETFs, not surprisingly, but featured an array of fixed-income exposures: short-term Treasuries, TIPS, short-term corporate bonds, diversified bonds and high-yield bonds.

Highest Cash Flow ETFs Q1 2010

Fund Name	Year	Assets		Q1 2010 Net Flows	
		Start	\$B	\$B	Rate*
Vanguard Emerging Mkts Stock	1994	22.9	2.8	15%	
iShares Barclays Short Tstry	2007	3.6	1.8	104%	
iShares Barclays TIPS Bond	2003	20.0	1.5	8%	
PowerShares QQQ	1999	20.9	1.4	8%	
iShares Barclays 1-3yr Crd Bd	2007	6.0	1.0	20%	
Vanguard Total Bond Mkt Index	1986	7.2	0.8	14%	
iPath S&P 500 VIX ShtFtrs ETN	2009	1.2	0.8	106%	
SPDR Barclays Cpt HiYield Bd	2007	4.3	0.8	24%	
Select Sector SPDR Industrial	1998	3.2	0.8	39%	
UltraShort S&P 500 ProShares	2006	3.2	0.8	27%	

*Q1 2010 Net Flows as a % of 12/09 assets.

Source: Strategic Insight Simfund MF

ETF Managers: The top five US ETF managers at the end of March 2010 were: **BlackRock**, with \$385.5 billion in assets, or 47.3% of US ETF assets; **State Street Global**, with \$187.3 billion, or 23% market share; Vanguard, with \$103.8 billion, or 12.7% market share; **Invesco PowerShares**, with \$36.8 billion (4.5% market share); and **ProFunds**, with \$24.5 billion (3% market share). At the end of March, the Top five together managed 90.5% of US ETF assets. Among notable newcomers, **Schwab** ranked 18th with \$953 billion in assets and **PIMCO** ranked 20th with \$876 billion.

Actively Managed ETFs: Still Emerging



Loren Fox
(212) 944 4460
loren@sionline.com



Sonia Mata
(212) 217 6947
sonia@sionline.com

A flurry of recent SEC filings by brand name mutual fund managers has drawn much attention to actively managed ETFs. Actively managed ETFs don't track the returns of particular indexes. So they offer the potential of combining active management with the ETF structure's increased tax efficiency, intraday trading capability and greater transparency (and maybe a way for some firms to join the growing ETF space).

So far, 15 firms that have yet to launch active ETFs have applied to the SEC for exemptive relief, the first hurdle for launching ETFs. These include:

- **Russell Investment Management** filed in July 2009 for permission for active and passive ETFs.
- **Vanguard** filed in November 2009 for permission for an ETF share class for the actively managed Vanguard Inflation Protected Securities Fund (which had \$30 billion in assets at March 2010).
- **T. Rowe Price** filed in December for an initial domestic fixed income active ETF.
- **John Hancock Advisors** filed in December 2009 for an initial global balanced active ETF.
- **Legg Mason** filed in February 2010 for a global equity ETF that may invest in other asset classes.
- **Eaton Vance** filed in March 2010 for five short and intermediate maturity fixed income ETFs.
- **JPMorgan** filed in March 2010 for an initial active ETF that would invest in roughly 300 domestic companies' stocks. It also filed to offer index ETFs.

There is no guarantee that all of these applications will result in product launches – and the SEC has said its probe of derivatives use by funds and ETFs may delay some ETF launches. Still, so much activity could bode well for the development of active ETFs.

Some background: The first actively managed ETFs launched in 2008. **Invesco PowerShares** launched five equity products and **WisdomTree**, partnering with **Dreyfus**, launched eight currency funds. (Bear Stearns also had a short-lived active ETF.) However, the first active ETFs were quantitative, benchmark-oriented portfolios that were not all that “active”.

The second wave of active ETFs, starting in 2009, more closely resembled traditional mutual funds. Approaches differed. **Grail Advisors** and **AdvisorShares** provided the active ETF package and found advisor partners to provide the strategies (American Beacon, RiverPark and Grail McDonnell, and economist Harry Dent, respectively). And **PIMCO** and Barclays Global (now **BlackRock**) launched active ETFs with strategies they didn't offer elsewhere to retail investors.

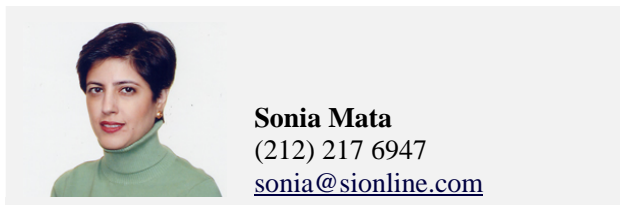
Second Wave Active ETFs (As of 3/31/10)

Portfolio Name	Objective	Assets	Net New
		03/10	Flows Q1
		\$MM	\$MM
PIMCO Enhanced Short Maturity Strategy ETF	Corp Shrt Maturity	192	147
iShares Diversified Alts	Gbl Asset Allocn	40	25
PIMCO Intermediate Muni Bond Strategy ETF	Muni Nat'l Intermd	33	20
Dent Tactical ETF	Global Growth	28	4
PIMCO Short Term Muni Bond Strategy ETF	Muni Nat'l Short	7	8
Grail McDonnell Core Taxable Bond ETF	Corp Intm Maturity	5	5
Grail McDonnell Intrmed Muni Bond ETF	Muni Nat'l Intermd	5	5
RP Focused Large Cap Growth ETF	Growth	4	1
RP Growth ETF	Growth	4	1
Grail American Beacon Large Cap Value ETF	Growth & Income	3	0
RP Technology ETF	Technology	3	0
RP Financials ETF	Financial Sector	3	0
Total		327	217

Source: Strategic Insight Simfund MF

As the table above shows, the second wave of more “active” actively managed ETFs has amassed just \$327 million in assets as of March. That might feed skepticism, already stoked by questions about active ETFs' value proposition versus mutual funds and concerns that their required daily portfolio disclosure may eventually spur front-running. But it is too soon to draw conclusions from the existing market. If the ETF industry as a whole is in its early innings, active ETFs are still in batting practice. Further developments are coming, and they will be closely watched.

‘Alternative’ Open-End Mutual Funds: Buoyant Flows and Vibrant Innovation



Sonia Mata
(212) 217 6947
sonia@sionline.com

The recent heightened appeal of non-traditional strategies delivered through conventional open-end mutual funds in the US is showing resilience, as investor risk-aversion persists in the aftermath of the 2007-09 financial crisis and sustains interest in uncorrelated alpha and beta and in low-volatility / “absolute” return investments, especially within liquid, well-regulated, and transparent structures. Another impetus has been fund company efforts to provide added diversification beyond traditional stocks and bonds for their packaged lifecycle and other fund-of-fund offerings.

Net flows into open-end funds (excluding ETFs) providing exposure to selected alternative strategies and asset classes—specifically, Market-Neutral / Long-Short, Commodities, Currencies, Gold and Bear funds—rose to about \$10 billion in the first quarter of 2010, up from \$8 billion in the prior quarter. Last year, these strategies gathered a record \$27 billion, outstripping the previous annual highs of \$10 billion seen over 2004-05.

Selected Alternative Strategy / Alt Asset Classes: Conventional Open-End Mutual Funds (Excludes ETFs) \$ Billion						
	Assets	Net Flows				
	3/10	2006	2007	2008	2009	1Q'10
Market-Neutral / Long-Short Broad	50.5	7.5	5.9	5.8	12.3	6.1
Commodities Fds	25.6	0.7	-1.7	-0.5	9.9	3.3
Bear Funds	5.2	-0.7	-0.1	-2.0	2.3	0.8
Gold Funds	23.4	1.5	0.2	0.7	2.2	0.2
Currency Funds	1.2	0.3	0.5	0.5	-0.2	0.0
Total Above	105.8	9.3	4.8	4.5	26.5	10.4

Source: Strategic Insight Simfund MF

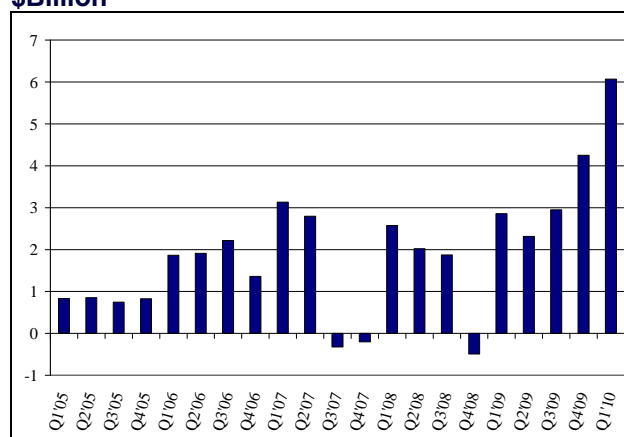
Note that even these flow totals actually understate the recent allure of alternative mutual funds for investors, as they represent primarily single “alternative” strategies

and asset classes, and exclude flows gathered within global multi-asset tactical-allocation offerings as well as single traditional-asset-class “unconstrained” funds managed flexibly to seek opportunities and downside protection.

In contrast, the demand for traditional, long-only active US stock funds has been depressed, with the category being in net redemptions last year and this year, despite the strong market revival.

The **market-neutral long/short** segment within the alternatives open-end fund area has seen flows rise steadily over the previous three quarters (see chart below), culminating in the record \$6 billion volume seen in Q1'10. The Q1 flow leader in the category was an innovative equity market-neutral offering from PIMCO that is predominantly used as an underlying investment in two of the firm’s global tactical allocation mutual funds-of-funds run by Research Affiliates. The **PIMCO Fundamental Advantage Total Return Strategy** fund gained \$1.5 billion in net flows in Q1, or a quarter of flows within the segment; it seeks alpha from two sources: (i) relative to the S&P 500 Index—by combining long exposure to derivatives linked to a fundamentals-based stock index with an equal-sized short exposure to the market-cap weighted S&P 500 index, and (ii) from the active management of a fixed income portfolio.

Quarterly Flows into Open-End (Excluding ETFs) Market-Neutral / Long-Short Mutual Funds \$Billion



Source: Strategic Insight Simfund MF

The volume of net new money flowing into open-end **Commodities** mutual funds (excluding ETFs) also remains elevated: a net \$3 billion or so has been added in 1Q'10 to these offerings aided by their use as portfolio diversifiers and to hedge against the threat of inflation. Inflation protection or the pursuit of “real

returns” has also been a theme within some multi-asset funds filed lately.

Highlighted below are some interesting new “alternative” funds, whether internally managed or sub-advised, that were launched recently as well as some of those in the pipeline.

Global Tactical Asset Allocation (GTAA)

- **Goldman Sachs’ Dynamic Allocation fund**, launched this January, achieves its asset class exposures through ETFs and derivatives to minimize trading costs. The fund emphasizes risk management by targeting a particular level of volatility (a target it can adjust downwards in unstable markets), and seeking to have its equity, fixed income, and commodity investments contribute to the overall volatility profile in a manner that risk is not heavily concentrated in any one asset class. The fund uses a composite of various measures of financial dislocation (such as the volatility of the S&P 500 Index and credit spreads) as a “market sentiment indicator,” and increases allocations to cash or other less risky assets when the indicator suggests significant market distress.
- **Waddell & Reed** is planning a variation of its *Ivy Asset Strategy* fund, which has gathered \$5 billion or more in net flows in each of the last three years, and \$1.9 billion in Q1. Like its precursor, the **Ivy Asset Strategy New Opportunities** fund (filed this January) would invest globally in equity, fixed income, and money market securities but with a twist—the equity portion of the proposed new fund would focus on small- and mid-cap securities (the existing *Ivy Asset Strategy* invests in companies of all sizes.)
- **Nuveen** (in partnership with affiliate Tradewinds) and **The Hartford** (teaming up with Wellington) are among others that have filed global tactical asset allocation funds.

Multi-Asset Inflation Protection

- **Principal’s** multi-managed **Principal Diversified Real Asset** fund, started this March, had **\$170 million** in assets at March-end. The fund intends to invest primarily among five asset categories: TIPs, commodities, REITs, natural resources securities, and master limited partnerships.
- Other managers that have launched multi-asset inflation protection or “real return”-seeking funds include **AllianceBernstein** and **Legg Mason**. **Dreyfus**, **American Century**, **The Hartford** and **Pioneer** are among those readying such products.

Commodities

- **JPMorgan** has started the actively managed **JPMorgan Highbridge Dynamic Commodities Strategy** fund, which invests in commodity-linked derivatives using a long-biased style with the flexibility to short commodity sub-sectors. The fixed income portion of the portfolio will seek to provide liquidity and preserve capital. The fund targets a particular long-term volatility level and has a risk control process that reduces exposure to commodities during “extreme” events or periods of portfolio underperformance. It is the second offering on the manager’s mutual fund lineup in the US to be sub-advised by its wholly-owned hedge fund subsidiary, **Highbridge Capital Management**; the first—the JPMorgan Highbridge Statistical Market Neutral (\$3.2 billion)—was launched in 2006.
- **Eaton Vance** has engaged the sub-advisory services of **Armored Wolf**, a global macro hedge fund boutique, for a new commodities offering. **John Brynjolfsson**, cofounder and CIO of Armored Wolf and former portfolio manager of several PIMCO funds (including the PIMCO Commodity RealReturn Strategy offering), co-manages the **Eaton Vance Commodity Strategy** fund, which became available to investors in April. The new offering seeks to provide broad commodities exposure backed by long and short bond positions. Armored Wolf will use active strategies with respect to commodity-linked derivatives, global inflation-linked bonds, and emerging market bonds, in a bid to seek incremental alpha relative to the fund’s benchmark - the Dow Jones-UBS Commodity Index Total Return.
- **PIMCO**, **MFS**, **Russell** and **ALPS/Jefferies** are among others that have filed new commodities funds.

Long-Short / Market-Neutral Equity

- **Prudential’s Jennison Market Neutral** fund went live in April. The fund’s long positions will be picked using a fundamental multi-strategy approach typically spanning growth, value, small- and mid-cap, while its choice of short positions will be determined quantitatively.
- **JPMorgan’s** proposed **Research Equity Long/Short** fund would take long and short positions in mid to large cap equities, combining research into a company’s “real growth potential” with valuation rankings. The fund’s net equity market exposure is expected to typically range from 20%-30%.

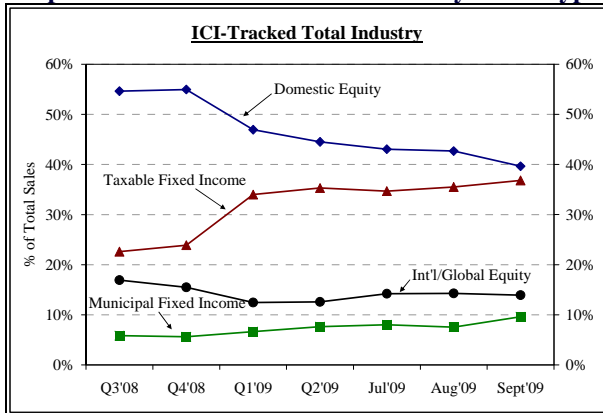
National Broker-Dealer Distribution Trends in Q4'09



Dennis Bowden
(212) 217-6895
dbowden@sionline.com

As industrywide long-term fund flows continued on their record pace during the third quarter of 2009, the explosion in investor demand for fixed income investments also persisted. Net flows into bond funds (including VA funds) topped \$300 billion year-to-date through September, while equity fund buying (particularly domestic stock funds) has remained relatively flat. From a proportional gross sales perspective, as depicted in the graph below, demand for both taxable and municipal fixed income funds has trended consistently upward as 2009 has progressed, at the expense of equity funds. As of September, equity funds still held a slim *gross* sales advantage over bond funds. However, a major source of these equity sales were likely via qualified retirement accounts, and this edge in gross sales over bond funds was down significantly from a year earlier.

Proportional Mutual Fund New Sales by Fund Type



Source: Strategic Insight Simfund TD / ICI

Within the framework of this overall industry picture, interesting differences have emerged across various segments of the fund distribution landscape. In SI's continued joint quarterly research with Coates Analytics, combining the distinctive sales and distribution data in Coates Analytics' Distribution

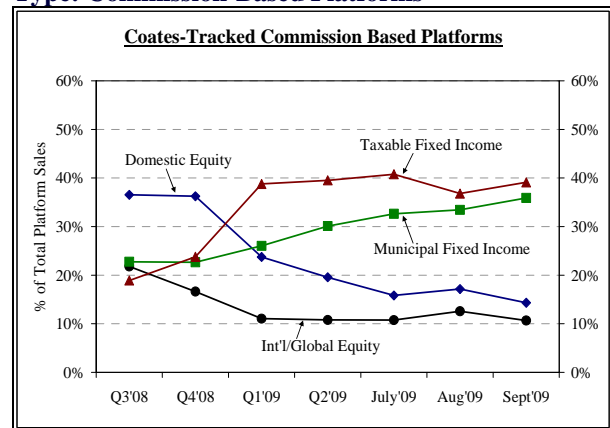
Management System™ with the industry perspective and expertise of Strategic Insight, we have observed significant trends in investor and financial advisor demand at national broker-dealers – trends that vary from commission-based to mutual fund wrap platforms.

In this article, we summarize some of the important macro-level findings from the Q3'09 version of our National Broker-Dealer Distribution Opportunities report series. [This new subscription-based quarterly report series provides important competitive benchmarking, peer group analysis, and actionable information regarding the National BD distribution marketplace. For more information regarding subscription options for this quarterly report series, contact Dan Weinerman – dweinerman@sionline.com; 212-217-6897.]

National BD Sales Trends

In the context of the continued explosion in bond fund sales industrywide during Q3'09, the commission-based platform structure continued to be a primary distribution vehicle for FAs in supporting this demand. As can be seen in the graph below, proportional gross sales of bond funds, both taxable and tax-free, accelerated to an overwhelming 75% of long-term commission-based fund sales during September'09 within national broker dealers.

Proportional Mutual Fund New Sales by Fund Type: Commission-Based Platforms



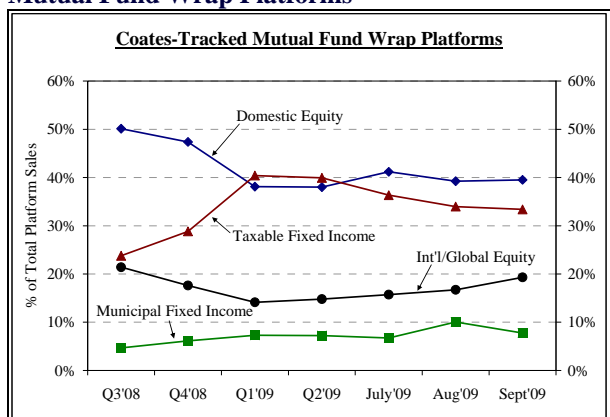
Source: Coates Analytics Distribution Management System

While sales of taxable bond funds remained relatively steady on a proportional basis within commission-based platforms during Q3, the key driver of the continued rise in total bond fund sales were tax-free fixed income investments. Proportional sales into municipal bond funds rose more than 6 percentage

points, from 30% during Q2'09 to 36% in September, as FAs and investors continued to a large extent to use shorter-duration municipal funds as an income substitute for zero-yielding money market and cash-equivalent products.

Contrary to the continued dominance of fixed income investing within commission-based platforms, mutual fund wrap programs within national broker dealers did experience a thaw in equity fund sales during Q3'09.

Proportional Mutual Fund New Sales by Fund Type: Mutual Fund Wrap Platforms



Source: Coates Analytics Distribution Management System

The graph above charts sales trends by fund type within mutual fund wrap platforms. After tracking at basically a 50/50 proportional split between equity and bond sales for the first half of 2009, equity funds increased over the course of Q3 to 60% of total wrap platform sales during September. This rise in proportional sales of equity funds within wrap platforms was spurred primarily by steadily increasing demand for International / Global Equity funds. As these funds outpaced their US equity counterparts by 250 basis points in asset-weighted total return during Q3'09 (18.3% vs. 15.8%), they also added 4.5 percentage points to their proportional sales total within wrap programs over the course of the quarter, as compared to only a 1.5 percentage point gain for US equity funds.

In fact, a clear trend toward non-US diversification can be seen in the fastest-growing investment styles within each of commission-based and wrap platforms via national broker-dealers during Q3. Each of International and Emerging Markets Equity, as well as Global and Emerging Markets Fixed Income registered in the top-10 fastest growing styles in Q3'09 via each platform structure (with Global Fixed and the two Emerging Markets styles repeating the feat for the second straight quarter). Clearly, this demand for non-

US focused investments was based not only within the equity portion of investors' portfolios, but also in the fixed income piece as well. Given the evolution of fixed income markets abroad and the recent weakness in the US dollar, this shows investors' desire for geographic diversification within the fixed income portions of their investment portfolios (in addition to the equity side), and also perhaps indicates a maturing of 2009's steep run up in investor demand for exposure to domestically invested taxable fixed income funds.

National Broker-Dealer Competitive Landscape

The evolving differences in investor demand by asset class between commission-based and mutual fund wrap platforms during Q3'09 also produced auxiliary effects on the competitive landscape for asset managers within each respective platform structure. As commission-based sales continued to accelerate toward bond funds during Q3'09, many firms with strong fixed income capabilities continued to experience sales success. Within commission-based platforms, nine of the top 10 selling firms in Q3'09 were also among the top-10 sellers during Q2'09.

Conversely within wrap platforms, five new firms made the top-10 sellers during Q3'09, as the previously discussed shift in asset class sales mix within wraps back toward equity-based asset allocation spurred opportunity for several managers to gain traction within the equity portion of their product lines.

At the same time, only three firms were able to score among the top-10 fastest growing managers via both commission-based and mutual fund wrap programs during Q3'09. This again showed how the differences in opportunity sets across each platform structure offer unique opportunities for managers with appropriate investment and product strengths.

With investor demand for risky assets still evolving in the post-crisis economic environment, the competitive landscape within the fund industry will also continue to change and evolve. Given the differences in sales trends observed across subsections of the national broker-dealer marketplace during Q3'09, the ability of fund firms to manage their product and distribution strategies in parallel could play an important role in fund sales success moving forward.

Variable Annuities: The Future of Income Guarantees



Kevin Ng
(212) 217 6922
kng@sionline.com



Tamiko Toland
(212) 217 6949
tamiko@sionline.com



Jeffrey Hutton
(212) 217 6954
jeff@sionline.com

Commoditization Conundrum

Is there a commoditization conundrum in the VA industry, with consumers (most saliently advisors) pulling in one direction and manufacturers pulling in the other?

Despite manufacturers' need to carefully assess product sustainability from a company-centric standpoint, **the consuming side understandably yearns for standardization** and better ways of comparing one product with another. Advisors in particular clamor for more information on living benefits in order to select the best product for their clients and keep up with the now-somewhat-slower stream of product changes. In addition, there is a movement afoot to introduce guaranteed income as an asset class. This alone necessitates a discipline for distilling the value of the guarantee – whether that means a VA with living benefit, single premium immediate annuity, longevity insurance, or other solution – that can be implemented in retirement plans side-by-side with equities and bonds.

On the other hand, we see a **stratification of the marketplace with insurers spread across the map vis-à-vis their appetite for risk**. The calculation of what kind and amount of risk an insurer can assume is based on individual circumstances. The approach is influenced by factors such as the disposition of existing books of business, availability of capital, product line diversification and ratings, among other things.

The drive to easily compare features and contracts is reasonable but it also facilitates commoditization, spelling for slimmer margins and lower return for risk.

The truth is that VA designs are different in ways that are often not easily quantified, such as client servicing and support.

Opportunity in Risk Management

The financial crisis taught the industry unforgettable lessons about risk management that have changed the game, forcing insurers to resist the pressure of commoditization. Environmental changes have shifted the emphasis so strongly onto risk management that manufacturers are unlikely to respond to advisor demands for consistency. Furthermore, guarantees that were difficult to compare against each other two years ago will become nearly impossible to do so in the coming months and years.

Technology may provide tools to simplify analysis of income guarantees on one plane, allowing their use within planning software. Yet this cannot substitute for the selection process. The devil is in the details, and other factors may play a more crucial role in assessing the suitability of a guarantee for a particular client. Therefore, it is likely that **a planning process that includes retirement income as an asset class will not dictate the appropriate solution**, which will instead be driven by a separate decision-making process.

Successful Differentiation

Income guarantee manufacturers can certainly differentiate their products based on the guarantee itself. For instance, **SunAmerica now links the cost of the guarantee to the movement of the volatility index (VIX)**. Meanwhile, companies such as the **Hartford** (with its fixed based guarantee embedded inside its VAs) and **Manulife/John Hancock** (with its simplified *AnnuityNote* contracts aimed at non-annuity sellers) have introduced **new strategies because pre-crisis risk management issues are limiting their ability to offer richer guarantees today**.

The effort to avoid commoditization is facilitated by new concepts, with **long-term care / VA combo products being on the top of the list**. Part of the reticence in jumping into this market is due to inexperience with long-term care and overall uncertainty about VA guarantees.

New markets are the most appealing of all, and this is exactly what companies like AXA, John Hancock and Lincoln, among others, are pursuing. Though new product is important, VA wholesaling must evolve, too.

In the end, grappling with commoditization is more about understanding and meeting the client's needs than it is about creating a fancy new widget.

Tool Time: ICI Confidential



Phil Herzog
(212) 944 4452
phil@sionline.com



Anibal Soto
(212) 217-6944
Anibal@sionline.com



Carl Werowinski
(212) 217 6869
carl@sionline.com

The ICI (Investment Company Institute) is the national trade association of U.S. investment companies, including mutual funds, closed-end funds, ETFs, and UITs. As the primary source for statistical data on the investment company industry, the ICI surveys its members and disseminates aggregate industry data to regulators, policymakers, the general public, and its members. This information is published in a variety of schedules and forms, including the revealing weekly estimates of stock and bond fund flows, and other data releases.

The ICI enables the sharing of detailed monthly sales data with a selected group of its members who choose to participate in the **Monthly Confidential Sales Report** dataset. This data includes monthly new sales, redemptions, exchanges and net flows by individual share class for a subset of management companies reporting to the ICI. Only those managers who are willing to share their own results with other managers are included in each monthly “ICI Confidential” dataset. Roughly 60 fund firms are represented in the dataset, including most large investment managers (but not all) who distribute through FAs, as well as many other managers. In summary, only when a manager is willing to share its own sales and redemption data, this manager can review the same data for other managers in the dataset.

Accessing this data via Simfund: Since its introduction in the early 1990s, Simfund has facilitated electronic access and use of ICI Confidential data. The roughly 40 firms that currently access and use this data via Simfund download the data directly from the ICI monthly. Then, participants import the data into Strategic Insight’s Simfund MF database, where users can integrate the information with other Simfund data in one report or graphic presentation and analyze the

information with Simfund’s easy user interface: For example, manager market share of sales within a specific peer group, sales and redemption rate trends, sales of peer funds’ within Lipper or Morningstar classifications and how they correlate to returns, risks, fees, dividend rates, investment policies, and the hundreds of other fields in Simfund (**Note: SI does not have access to ICI Confidential data.**)

ICI Confidential data is separate from the industry-level data available in the ICI Trends database – which is also available through Simfund.

ICI Confidential Data (included or calculated):

Data	Definition
New Sales	New purchases of mutual fund shares. (Exc. shares purchased through reinvestment of dividends)
Total Sales	New sales plus sales made through reinvestment of income dividends
Net New Sales	New sales minus redemptions.
Redemptions	Dollar amount of shareholder liquidation.
Exchange sales / redemptions	Switches within funds in the same complex.
Net New Flows	New sales – Redemptions + Net exchanges

Confidentiality: Data included in the Confidential Report can be used or distributed only within the participating fund complex.

Want to learn more? ICI member firms interested in more information about participating in the ICI’s Monthly Confidential Sales Report may contact: Sheila McDonald, Investment Company Institute, mcdonald@ici.org or 202-326-5942.

Global Research
Global service used by over 70 of the world's largest asset managers



**Simfund GI
Global Database**

- Track over 30,000 funds in Europe/Offshore and 20,000 funds in Asia and Australia
- Provide a global perspective on fund flows and trends
- Cover more than 20 key markets throughout the world
- Monthly Flows, Assets, Performance, Ratings, Fees

Asia FlowWatch
Monthly: Highest Selling Funds, Newest Funds, Innovations, Investment Demand by Country and Across Region

US Registered Mutual Funds
Fund research suite used by managers of 90% of the US fund industry's total assets



**Simfund MF
Mutual Fund Database**

- Used by managers overseeing 85% of industry assets
- Training on demand
- Sub-advisory mapping
- Fee benchmarking
- Monthly cash flows and assets
- Lipper, Morningstar, SI: One Platform

- SEC: Daily Fund Changes
- New Fund Registrations
- New Prospectus Data Profile
- Customizable email alert
- Instantly connect between Simfund and each fund's SEC Filings
- Weekly and monthly synopsis

SimfundFiling.com

Data Feeds

Compliance Assistance

Private Label Simfund

Variable Annuities/VA Funds
VA research suite used by a great majority of industry participants



**Simfund VA
Variable Annuity Database**

- Monthly assets and net flows
- Comprehensive sub-advisory data and analytics
- Performance and risk data
- Fee benchmarking

AnnuityInsight.com
Daily and Weekly Synopses of VA innovations

- Daily tracking VA filings with the SEC
- Weekly write-ups of industry trends
- Essential for contract design

Variable Annuity Consulting

- Library of VA research reports
- On-site industry trend presentations
- Contract feature trends
- Best practice analytics on targeting sub-advisory opportunities

Research and Consulting Services

StrategicInsightGlobal.com
For Investment Companies Worldwide

- Monthly flow data on fastest growing funds in Asia and Europe
- Research and consulting on more than 20 countries
- In-depth analysis of Industry Developments
- Opportunities for Marketing and Distribution
- Product Development Ideas and Benchmarking



Slonline.com

- Online Library of On-Going Reports
- Past studies since 1994 archived
- Trends, Product, Distribution, Fees

Fee and Expense Consulting

- Interpreting the Data
 - Analytical Integrity
 - Hard to Find Historical Data
 - Integration with SEC Edgar
- Consulting**
Industry Trends, Strategy, Marketing and Distribution, On-line Industry Briefings

On Demand Research

Responsive Solutions for your information needs

Board of Director Services

- Prism Review: 15(c) Analytics (Advisory Contract Renewal)
- On Demand Reports