



OVERVIEW OF STRATEGIC INSIGHT'S US MUTUAL FUNDS RESEARCH SUITE JANUARY 2011

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This year marks Strategic Insight's 25th anniversary and, in many ways, the silver anniversary for the modern mutual fund industry as well. From a base in 1985 of less than \$1 trillion globally in assets under management, our industry has grown exponentially to over \$13 trillion in the US and more than \$25 trillion globally as of the end of 2010. Over the course of the past 25 years, the fund industry has faced and overcome many challenges. Since the beginning of 2009, following the peak of the global financial crisis, bond and stock funds have attracted roughly \$1.7 trillion of net inflows worldwide – a faster pace of net asset accumulation than before the crisis and a reinforcement of mutual funds as the savings vehicle of choice among individual investors.

Since Strategic Insight's origin, we have been committed to supplying the highest quality of research to each of our clients and to the mutual fund industry as a whole. Today, investment managers controlling more than 90% of US fund industry assets benefit from SI's research and advisory services. **In this document, we provide a general summary of the type of research and reports (format, frequency, etc.) that SI Online subscribers can expect in 2011.**

During 2010, we shared more than 60 studies, statistical reports and webcasts with our US clients. The core offerings that comprise our US mutual funds research suite include our monthly publications: Fund Industry Review (flow trends, newly launched funds, highest selling managers, etc.), New Fund Filings (discussing future product innovation), and statistical reports showing management company results (Flow Watch). In addition, Windows is our quarterly newsletter and we also offer topical studies (Executive Insights) and annually published reports (Overview series). Our live, interactive Webcast series was greatly expanded last year. Selected highlights from some of SI's studies published in 2010 can be found below. Clients can access our entire archive of US research on our subscription website www.sionline.com.

As our clients' needs continue to evolve, SI's research and delivery of content also continues to adapt. In addition to our traditional written research, you can expect more frequent live webcasts from us in 2011. Our 15+ live webcasts in 2010 included discussions on fund distribution, product innovation, potential implications around the SEC's proposed Rule 12b-2, and a trio of December presentations devoted to planning for 2011. In the coming year, we will continue to explore these types of important industry issues via our live webcast series, as well as additional areas of interest. As always, SI welcomes your suggestions on potential research and discussion topics.

Outside of our US mutual funds research suite, we have also continued to improve and expand SI Conferences. In 2010, we hosted two events in New York City – the day-and-a-half SI National Conference in June and the one-day SI Future of Funds Conference in October. These events were attended by roughly 250 senior fund executives. They featured in-depth panel discussions around fund distribution (including panels of key gatekeepers from National Broker Dealer and Independent/Regional Broker Dealer firms) and the future of product innovation, as well as presentations on the latest research from SI.

On June 27-28, 2011, we will be hosting the Strategic Insight Fund Trends 2011 conference in New York City. This day-and-a-half event will again feature a mix of panel discussions and original SI research centered on fund distribution and product innovation. As with our previous events, you can continue to expect top-notch content and a great venue to network with your industry peers at SI's Fund Trends 2011 conference. Event details and a "Save the Date" will follow.

SI will also continue to offer various unique and in-depth for-sale reports in 2011. Our quarterly report series focusing on the national broker dealer marketplace (leveraging by the data of Coates Analytics Distribution Management System[®]) – ***National Broker Dealer Product Strategy & Distribution Trends*** – continues to provide a unique and granular look at financial advisor demand and fund sales via this important channel. In addition, our recently published ***Variable Annuity Living Benefits and Eligible Funds*** study details key information on the industry's most popular and newly innovated living benefits. During Q1'2011, we will be publishing a new for-sale report – ***How Financial Advisors Use ETFs*** – which will take a unique and granular look at ETF use among 4,000+ U.S. financial advisors who use ETFs. Last year, the SI global research team also published a number of revealing in-depth studies on global distribution and fund innovations.

In the coming week, you will be receiving our 2011 Forecast article. Over the first half of 2011, we will provide a number of additional studies and webcasts – including our annual ***Fund Sales Survey***, examining trends in intermediary fund sales by distribution channel and share class pricing structure.

As we embark on our 25th year, SI remains committed to providing our clients with the highest quality content and service in 2011 and beyond. We look forward to continuing to enhance our research services to you, your firm and the overall fund industry. Reflecting on the mutual fund industry's past 25 years of innovation, prosperity and overall commitment to investors' financial needs, we are excited to assist each of you in embarking on the next 25.

To learn more about Strategic Insight's research or how SI's advisory services can help you and your team, please reach out to a member of our U.S. research team:

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Strategic Insight's U.S. Mutual Funds Research Suite

Report Series	Description	Frequency	Availability
Monthly Fund Industry Review	Commentary on and statistical analysis of the US mutual fund industry's results for the month: includes a comprehensive review of net flow trends by investment category and fund type/structure, and highlights of key new fund launches. Data for this report comes from Strategic Insight's proprietary <i>Simfund MF</i> database.	Monthly	Sionline.com
New Fund Filings Review	Analysis of newly registered funds and key themes in product development and innovation.	Monthly	Sionline.com
Flow Watch Statistics	Monthly trend analytics statistical reports providing in-depth rankings and analysis of the mutual fund industry's competitive landscape on timely basis each month. Data for this report comes primarily from Strategic Insight's proprietary <i>Simfund</i> databases.	Monthly	Sionline.com (hard copy mailing by request)
Windows into the Mutual Fund Industry	A quarterly newsletter, <i>Windows</i> summarizes timely research from Strategic Insight's multi-disciplinary teams on various areas of the U.S. and global mutual fund industries. Examples of topics covered: investor demand in the US and abroad, product innovation, retirement income, distribution, pricing and fee trends, and future directions for the industry.	Quarterly	Sionline.com (hard copy mailing by request)
Executive Insights	Timely, insightful and actionable commentaries for executives on topics critical to the fund business, <i>Executive Insights</i> draw on our ongoing research, client work, and observations of recent trends and developments in the industry.	Periodic	Sionline.com (hard copy mailing by request)
Overview Series	Annual statistical reports and in-depth analyses on specific areas of the mutual fund business (with a particular focus on mutual fund fees and expenses).	Annually	Sionline.com (hard copy mailing by request)
Webcasts	Live, interactive webcasts presenting research on the mutual fund, variable annuity and global asset management industries—some of which accompany a published subscription- or for-sale report; the webcasts are also recorded and archived for on-demand access.	Periodic	Sionline.com
Industry Presentations	A series of PowerPoint presentations covering key themes and research across SI's various content disciplines. Includes our main Key Forces Shaping the Mutual Fund Industry presentation, as well as separate decks covering distribution, product innovation, ETFs, global fund trends, and more. We encourage our clients to use these presentations internally throughout their respective companies.	Periodic	Sionline.com

Selected Highlights from SI content shared with subscribers in 2010

Webcasts

Planning for 2011 Presentation Series **12/2010**

During December 2010, Strategic Insight hosted a series of three webcasts devoted to looking ahead to 2011 across various subsections of the mutual fund industry. The first webcast addressed the bond fund segment of the marketplace, the second focused on the equity fund outlook, and the third offered a summary presentation forecasting key trends which will impact the overall fund industry into 2011.

Rule 12b-2: Transitional or Transformational **10/29/2010**

Strategic Insight's initial review of the SEC's eagerly-awaited 277-page proposed amendment to Rule 12b-1 suggests thoughtfulness and sensitivity to many of the concerns raised by marketplace participants. This webcast explores the implications of Rule 12b-2 for the mutual fund industry.

Key Trends Shaping National Broker Dealer Product Strategy **9/16/2010**

Product demand among investors and financial advisors within the National Broker Dealer marketplace continues to evolve post-crisis, with important differences in the types of products and strategies gaining traction within these distributors' mutual fund wrap and commission-based platforms. This webcast examines these key trends.

U.S. Mutual Fund Product Innovation Trends **8/10/2010**

This webcast discussed key trends within US mutual fund product innovation. Notable topics include: the key drivers overall of product development in the current environment; the appeal post-crisis of "unconstrained" and other alternative investment approaches; how alternative approaches are playing out among exchange-traded products, including active ETFs; and notable new products in the pipeline.

U.S. Mutual Fund Trends in H1'2010 **7/7/2010**

A discussion of trends in the U.S. mutual fund industry during the first half of 2010, as well as a look ahead to H2'10.

Windows into the Mutual Fund Industry

Windows into the Mutual Fund Industry: November 2010

11/9/2010

This issue of “Windows” reviews mutual fund industry developments in the third quarter and first nine months of 2010, including the continued popularity of bond funds. We discuss the rising interest in emerging markets equity funds, the uptick in risk appetite evidenced by US ETF investors, and the return of IPO activity to the closed-end funds sector. This edition also: examines changes in commission-based fund sales versus fee-based fund sales within national broker-dealers (based in part on our quarterly report series); excerpts our new report on successful practices in global fund distribution; provides a look at fees in the growing field of subadvised funds; scrutinizes the slow uptake of standalone living benefits products; and summarizes some key observations from the SI Future of Funds Conference in October.

Windows into the Mutual Fund Industry: August 2010

8/6/2010

This issue of “Windows” reviews mutual fund industry developments in the first half and 2Q of 2010, including a pullback in equity-fund demand. We discuss US ETFs, shifts in the US funds-of-funds landscape, and the use of TIPS in variable annuities. This edition also: updates national broker-dealer sales trends for Q1 2010 (from our quarterly report series); excerpts our new report on US intermediary-based fund sales; previews our upcoming report on global fund distribution, incorporating input from distributors; offers initial thoughts on Rule 12b-2; weighs in on money managers’ 2009 financial results; looks at small shareholder accounts; and summarizes some key observations from the SI National Conference in June.

Windows into the Mutual Fund Industry: May 2010

4/29/2010

This issue of “Windows” reviews mutual fund industry developments in the first quarter of 2010, including the appeal of US bond funds and a potential rebound for equity funds. We discuss the success of “alternative” open-end mutual funds in the US, and also provide an excerpt from our new study on alternative UCITS funds in Europe. We provide an update on Q4 national broker-dealer sales trends from our quarterly report series on the topic, offer the latest on the ETF marketplace and the emerging field of actively managed ETFs, and weigh in on retirement income strategy and “ICI Confidential” data.

Monthly Fund Industry Review

Monthly Fund Industry Review: November 2010

12/16/2010

Bond prices slipped in November, resulting in total returns of negative 1.28% on average and net outflows of \$1.8 billion within bond funds. While November marked a pause in what has been persistent high demand for bond funds since early 2009, it is SI's current view that next year, at least through the first half, with still-cautious investors and high current income needs, many savers would continue to search for opportunities to invest in bond programs. Equity funds drew a net \$17 billion in November, including \$7 billion within US-focused equity/hybrid funds. Actively managed US equity/hybrid funds, which experienced net outflows in each of the prior six months, with the magnitude of the net redemptions ranging from \$6 billion to \$15 billion, net redeemed again in November but only about \$1.6 billion in total. As financial confidence slowly rebuilds, demand for US equity funds should improve in the coming years.

Monthly Fund Industry Review: October 2010

11/12/2010

In October, flows into bond and stock mutual funds rose to \$42 billion from September's \$26 billion. Importantly, as much as 40% of October's long-term fund net inflows, or \$17 billion, came from stock/hybrid funds, in a turnaround from five consecutive months of net redemptions from equity-based programs, and reflecting a noticeable uptick in investors' risk appetites. October's bond fund flows (\$25 billion) were led by globally investing programs, which received record net new commitments, while the month's stock/hybrid fund flows came principally within funds that either focus more or less exclusively on non-US securities or can invest both in the US and abroad, as investors sought also to benefit from the weakening US dollar. In aggregate, international/global equity/hybrid funds drew \$18 billion in October (up from \$10 billion in September), with Emerging Markets Equity and Global Flexible Portfolios persisting in dominating investor interest in this area.

Monthly Fund Industry Review: September 2010

12/14/2010

Strong equity market performance in September notwithstanding, economic uncertainty, and money market yields close to zero combined to cause investors to remain wary of stock funds, particularly those focused on US and other developed countries, and to continue to favor bond funds. Bond funds captured net inflows of \$28 billion over the month. In spite of a stock market rally, US equity funds suffered net redemptions of \$12 billion in aggregate in September, while US dollar weakening and continued investor demand for emerging market exposure and global asset allocation solutions, helped international/global equity funds garner positive inflows of \$10 billion in aggregate.

New Fund Filings Review

Monthly Fund Industry Review: November 2010

12/20/2010

Some highlights from new funds filed in November: American Funds plans to bring to market a flexible Global Balanced fund; JPMorgan is readying a tactical multi-asset class real-return seeking offering and also a global equity income product; Dreyfus plans an emerging market hybrid fund and an Indian equities offering; ING, Alpine Woods, Brandes and Jackson National subsidiary Curian Capital are among others readying new international / emerging market /global equity mutual funds. On the non-traditional strategy front: Turner plans to bring to market multiple new long/short funds while Nationwide is preparing an Alternatives Allocation product. Lazard, American Beacon, SEI and Curian Capital are among those readying new bond funds. In the closed-end fund area, Legg Mason and Swank Capital are preparing new offerings.

Monthly Fund Industry Review: October 2010

11/19/2010

Emerging Market Equity, Tactical Asset Allocation, Flexible Bond, and MLP/Commodities strategies were prominent themes in new funds filed in October. PIMCO, Janus, Baron Capital, Henderson Global, Fred Alger and Marsico were among those planning new broad-based emerging market equity/hybrid offerings, while BlackRock and Indian financial services firm, ICICI, are readying single-emerging-market funds. Nuveen and Fiduciary Asset Management are teaming up for an MLP-based closed-end offering. On the ETF side of the business, Russell further expanded its initiative to enter the market as a direct provider. Invesco PowerShares, Van Eck, WisdomTree, DBX Advisors, and AdvisorShares were others to file open-end ETFs in October.

Monthly Fund Industry Review: September 2010

10/22/2010

Some highlights from new funds filed in September: Flexible, global bond and emerging market debt were important themes among new bond funds filed over the month; Franklin Templeton, Federated, ING, Morgan Stanley, Natixis, Aston, HighMark, Euro Pacific and Fiduciary Management were among those filing new international/global equity funds; in the closed-end fund area, Pioneer, Stone Harbor, Kayne Anderson and RiverNorth, each filed new funds during the month.

Overview Series

Money Management Financial Comparison 2009

This annually published report provides a summary of the financial results of 18 money managers with publicly held equity. The companies included in our annual survey managed a total of \$7.0 trillion at year-end 2009, up 56% from 2008, and generated aggregate revenues of \$24.6 billion. Appended to the body of the report are detailed comparative summary tables and income statements for the surveyed companies.

Mutual Fund Industry Fee and Expense Benchmarks Fiscal Year 2009

This report provides industry benchmarks for key mutual fund fee and expense ratios: Gross Management fee, Waiver/Reimbursement fee, Net Management fee, Transfer Agent Expense, Custody/Bookkeeping Expense, Operating Expenses, and Total Expenses before 12b-1 Distribution Fees. We also offer an estimate of fees in dollars (\$) for Transfer Agent Expense per Shareholder Account, and Audit and Legal Expenses.

Contractual Management Fee Breakpoint Schedule Comparison Fiscal Year 2009

This report summarizing key mutual fund fee and expense related statistics has just been posted on Sionline.com. It provides contractual management fee breakpoint schedule summary statistics for actively managed open-end mutual funds aggregated into 44 Morningstar Categories. The charts in this report depict average, median, 80th percentile, 20th percentile hypothetical management fees for each universe at asset levels ranging from \$100 million to \$10 billion.

Executive Insights

Benchmarking the Management Fees of Sub-Advised Funds

10/5/2010

Sub-advised funds hold \$1.4 trillion in assets and investment management outsourcing by fund companies continues to expand. Given the numerous managers endorsing the sub-advisory model in both the traditional fund and variable annuity businesses, either for their entire fund line or for selected funds, the fees associated with such relationships are drawing increasing attention. Yet the benchmarking of the management fees of sub-advised funds is an increasingly complex issue for both management companies as well as fund Boards of Directors.

Financial Advisors in Transition

8/9/2010

The post-financial crisis market environment has seen an increase in sales via commission-based platforms among National Broker-Dealer (NBD) financial advisors (FAs). A closer examination of this trend, however, suggests that this shift in business structure may be a temporary one for many FAs. In this special Executive Insight report, we utilize the data contained in Coates Analytics' Distribution Management System to focus on a large selection of high-producing FAs who transitioned new business toward the commission-based platform structure in 2009. This report profiles these FAs' sales patterns at an aggregate level to give both historical and forward-looking perspective on the composition of their mutual fund business, and offers lessons of how mutual fund managers might engage such advisors in the future.

Are Short-Term Redemption Fees Still Needed?

1/13/2010

While short-term redemption fees among some funds were effective in the past in negating arbitrage opportunities associated with short-term trading, the implementation and maintenance of such fees can bring with them a bevy of ongoing challenges for fund managers. Given the potential for such costs and complexities, close ongoing examination of the necessity and effectiveness of short-term redemption fees in protecting long-term shareholders' interests is essential as marketplace forces continue to evolve. In this Executive Insights report, we analyze the role that short-term redemption fees currently play in the marketplace, and discuss whether such fees are still necessary given current market forces and redemption patterns.

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