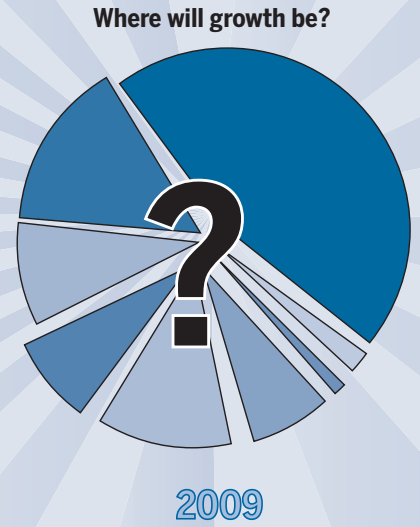
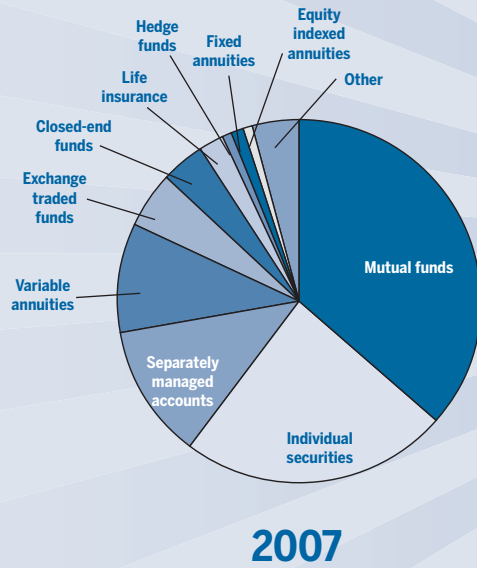


## The Advisor Product Forecast Report



## The Product Landscape Is Changing What will your piece of the pie be?

### Reality vs. Your Business Plan

**Test your two-year business plan with Cogent's *Advisor Product Forecast™*, which is built on advisor predictions that have been validated with market-level data. Do you have the appropriate resources allocated to areas of growth? Is your marketing strategy targeted to the right product lines and producers?**

#### The Right Product Pipeline

The product development cycle is six to nine months at a minimum, which means you need to know at least a year ahead of time what products advisors will be selling in the future.

Cogent's market projections of products in the growth and decline phases ensure you know where to focus your product pipeline.

*Think of the competitive advantage you would have if your product development pipeline were focused on the products advisors say they'll be selling two years from now.*

#### The Right Producer Focus

The advisor profile has changed radically over the past few years, and change promises to continue. From payment structures to average age and focus, you need to understand the "new" generation of advisors.

Cogent's advisor profiles ensure you understand the specific type of advisors that will sell more (or less) of specific products and brands over the coming years.

*Think of the competitive advantage you gain by getting ahead of your competition in targeting the advisor of tomorrow, today.*

#### The Right Positioning

Understanding what will drive advisor interest in specific products, as well as knowing which brands are poised to capitalize on changing preferences, is critical to creating effective marketing and sales strategies.

Cogent's ranking of the companies that stand to gain or lose in tomorrow's marketplace ensures you have the perspective necessary to optimize your future position.

*Think of the competitive advantage you gain by having the insight necessary to create consistent, compelling messaging.*

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### Custom Research

Our custom research produces "actionable insights" that inspire decisions and drive behavior. Solutions include customer loyalty, brand assessment and tracking, product development, and customer acquisition and retention modeling.

### ► SYNDICATED RESEARCH

The most up-to-date and comprehensive understanding of emerging issues and trends lets us continuously generate insight and action strategies for clients. Products and services include white papers, syndicated reports, and "sponsored" papers.

### Evidence-based Consulting

Our own proprietary data assets combine with client supplied information and primary research to produce powerful insights and recommendations toward product, trend, and client experience. The result is significantly improved bottom-line performance.



## Study Overview

Cogent Research's *Advisor Product Forecast™* is designed to gain insights into the current product mix of financial advisors' books of business and their forecasted product mix two years from now. Not only will the study investigate the movement of money between products, but also between investment providers and channels.

### The report will cover the following areas:

#### **Cogent Forecast**

Cogent's prediction of product and provider winners and losers based on advisor input, 3rd party sales and asset data, and proprietary analytics.

#### **Products – Today vs. 2009**

For each product, the report explores the dispersion of advisors' assets under management today versus two years from now.

##### **Products to be covered include:**

- Open-end Mutual Funds
- Closed-end Funds
- Exchange Traded Funds
- Separately Managed Accounts
- Variable Annuities

##### **Questions to be answered by product class:**

Is the product class growing or shrinking? If so, by how much and why? What products will suffer/benefit as a consequence?

Which brands stand to gain or lose in the product class and why? How much do specific brands stand to lose/gain in terms of market share and dollars?

Which advisors will sell the product class in two years and why? Which types of advisors expect the greatest increase or decline and why?

#### **Products on the Rise**

The evolving use of other products, such as hedge funds, REITS, real return funds, 130/30 funds, target date and risk funds, and international funds.

#### **Product Dynamics by Channel**

Notable differences in predicted product allocations between national wirehouses, regional firms, independent firms, banks, and RIAs.

#### **Advisor Practice Profiles**

Advisor practice demographics including such information as AUM, number of years in the business, number of years at current firm, compensation structure, age of clientele and investable assets of clientele.

#### **Company Report Cards**

A comprehensive summary of your brand's expected performance overall and by product class, as well as a measure of advisor loyalty by product class [Net Promoter® Score (NPS<sup>SM</sup>)].

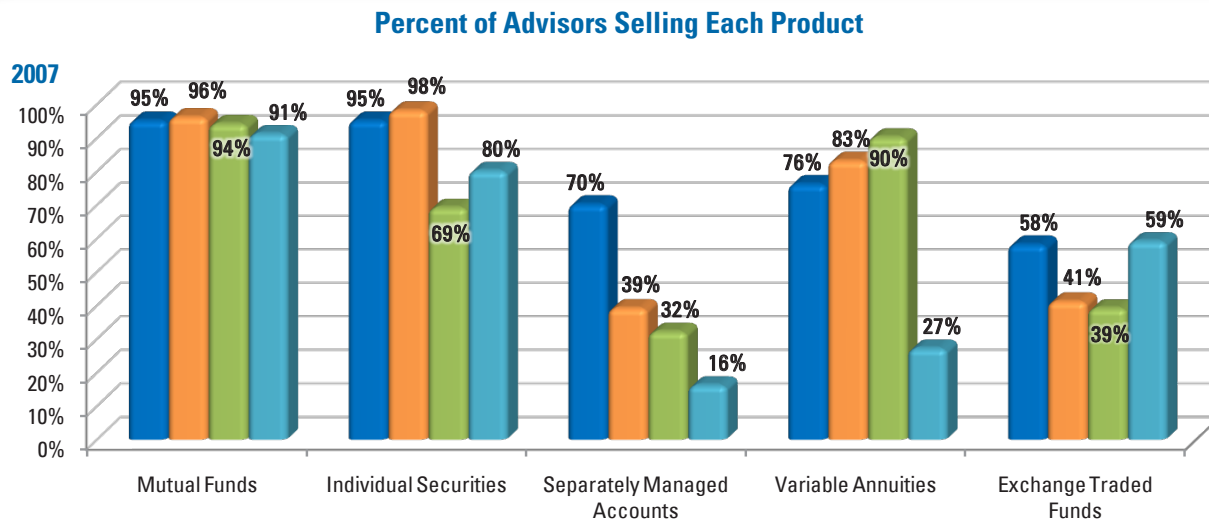
## Study Methodology

Online survey of over 1,200 registered financial advisors from the following five distribution channels – RIAs, national wirehouse brokers, regional brokers, independent planners, and bank representatives – conducted during October 2007.

## Excerpts from The Advisor Product Forecast™

### Product Usage by Distribution Channel 2007-2009

Although all four distribution channels—National wirehouses, Regional firms, Independent financial planners, and Registered Investment Advisors (RIAs)—sell many of the same products, certain product categories lend themselves to certain channels over others. For instance, separately managed accounts are a favorite among National advisors, while Independents sell more variable annuities. And whereas RIAs are keen on exchange traded funds, closed-end funds are more likely to be sold by National and Regional advisors. As expected, mutual funds are and will continue to be a top seller across the ranks.



“I use closed-end funds only as needed, mostly because they can fit a creative slot in some fixed income-only strategies.”

-National Advisor

Advisors expect minimal changes in their assets allocated to closed-end funds, and being stagnant in a market where competitive products are expecting double-digit gains is problematic at best. Not for the faint-of-heart or passive trader, closed-end funds have one of the lowest advisor channel penetration figures of any investment product, 40% overall. What’s more, only 5% of total advisor-sold assets are parked in these funds today.

Where they do fit is among some of the most experienced hands-on asset managers, who also employ a wide range of other investment products to meet the needs of high net-worth clients. In fact, a small, exclusive percentage of Registered Investment Advisors (RIAs) hold nearly half of all closed-end fund dollars currently invested.

The 600+ closed-end funds available in the U.S. are heavily weighted toward municipal bonds and other income-oriented asset categories. Advisors are tapping an average of four providers out of the 125+ who offer the product. Three providers in particular, Eaton Vance, Nuveen, and BlackRock garner close to one-third of all closed-end fund advisor assets under management (A-AUM).

Is it possible to reinvigorate this languishing also-ran of the mutual fund industry?

Percent of A-AUM Allocated to Closed-End Funds

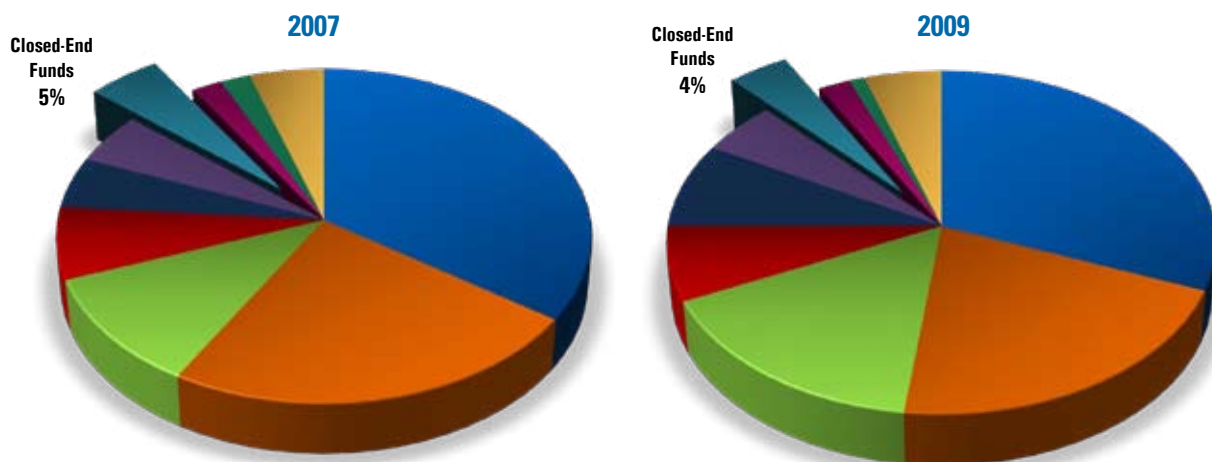


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## Objectives & Methodology

The objective of the study was to determine which investment products and providers are most utilized today and likely to gain or lose share by the end of 2009 among financial advisors. Specifically, we were interested in measuring the proportion of an advisor's assets under management (AUM) in the following products:

- open-end mutual funds
- closed-end funds
- separately managed accounts
- exchange traded funds
- variable annuities
- individual securities
- fixed annuities
- fixed index annuities
- hedge funds
- life insurance (variable universal life, universal life)

Using advisor-reported and industry asset data, we forecasted growth for each product where reliable industry asset data was available. In addition to product usage, we pinpointed where “new” money is likely to be allocated in 2009, calculated loyalty to the product firms advisors partner with, and profiled advisors who intend to start, continue or stop selling individual products. We also examined product usage in the four major distribution channels – national wirehouses, regional broker/dealers, independent financial planners, and registered investment advisors.

An online survey of a representative cross section of 1,266 U.S.-based advisors was conducted between September 21 and October 30, 2007. Survey participants were required to have an active book of business of at least \$1M, and offer investment advice or planning services to clients on a fee or transactional basis. The survey has a sampling error of + 2.74 percentage points at the 95% confidence level.

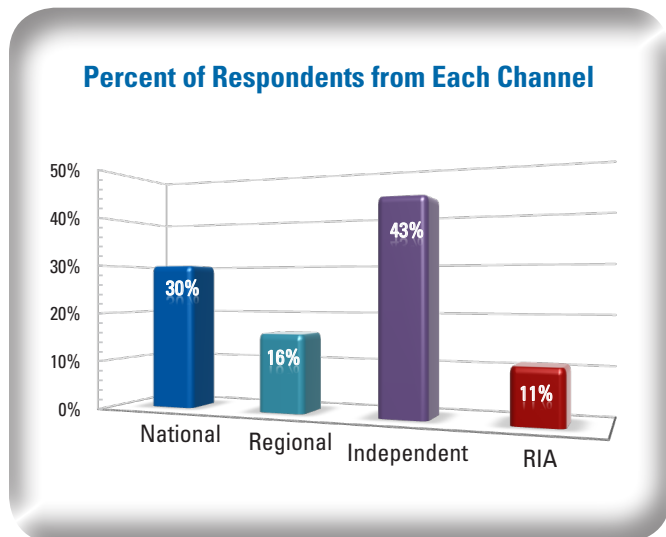
The survey sample was obtained from the most recent Discovery Registered Representative and RIA databases. The databases were analyzed both in total and filtered to examine only those advisors with \$1M+ in AUM. The total figures were compared to external sources for validation, and the \$1M+ figures were used to set guidelines for data collection. Quotas based on the figures were set for region, age, gender, and AUM. During fielding, close watch was kept on all demographic variables and survey invitations were released accordingly. In order to ensure the survey data is accurate and representative of the target audience in question, a weighting scheme was applied based on the aforementioned demographic variables.

The Net Promoter® Score is a management tool created by Fred Reichheld of Bain & Company that can be used to gauge the loyalty of a firm's customer relationships. Obtained by asking customers on a 0-10 scale how likely they would be to recommend a firm to a friend or colleague, where a 0 means “extremely unlikely” and a 10 means “extremely likely”, respondents are then categorized into three groups based on their response - Promoters, Passives, and Detractors. Customers rating 9-10 (very/extremely likely to recommend) are classified as Promoters, those rating 7-8 are classified as Passives, and those rating 0-6 are classified as Detractors. A firm's Net Promoter® Score is the difference between the percentage of a company's Promoters and Detractors. For example, if 75% of a company's customers respond with a 9 or 10, and 20% respond 0 - 6, the company's NPSSM would be 55%. The value of the Net Promoter® Score is that it allows for comparisons across industries, firms, or even product lines of a company's success in maximizing the percentage of its customers who are loyal to the firm (and likely to promote the firm, spend more with the firm, and remain with the firm) relative to those who are not loyal.<sup>1</sup>

## Objectives & Methodology

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Following are the survey respondent breakdowns by channel and AUM:



<b>Advisor AUM</b>	<b>Percent of Survey Group</b>
\$1M - <\$20M	29%
\$20M - <\$50M	43%
\$50M - <\$100M	15%
\$100M - <\$250M	10%
\$250M+	2%

<sup>1</sup> Net Promoter® is a registered trademark of Satmetrix, Bain & Company, and Fred Reichheld. NPS<sup>SM</sup> is a service mark of Bain and Company Reichheld, Fred. The Ultimate Question, Driving Good Profits and True Growth. Boston, MA: Harvard Business School Press, 2006.

# Subscription Agreement

## The Advisor Product Forecast™

### DELIVERABLES:

- **Strategic Report:** Written report containing an in-depth analysis of survey questions (overall and by key subgroups) and a detailed summary of findings and strategic recommendations.
- **On-site Strategy Session:** A presentation of findings and facilitation of strategic discussions.
- **Three Hours of Analyst Support:** Hours can be used to answer questions or perform additional data cuts.

### COST & BILLING PROCEDURE:

- **Cost:** \$20,000. *Any travel expenses incurred are not included and will be billed at cost.*
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**Please fill out the form below, sign, and fax back to 617-441-9966.**

Upon receipt of the signed agreement, two copies of the report will be mailed to you. You will be contacted shortly regarding scheduling of the strategy session.

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