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**ASSET MANAGERS INCREASE DCIO BUDGETS & SALES
STAFF AS BATTLE FOR \$2 TRILLION MARKET HEATS UP**
*A Clear and Focused Strategy is Needed More than Ever Before to Succeed
in the Highly-competitive DCIO Market*

November 16, 2010, Newton, NH – Asset managers are adding staff and increasing budgets in an effort to capture share of the fast-growing defined contribution investment-only (DCIO) market, as the competition for DCIO assets is now hotter than ever before. DCIO success is more difficult, however, because of the continued shift of DC assets into proprietary Target-Date products and increased competition from managers of all sizes. These are just a few of the conclusions reached in Sway Research’s latest in-depth study of the DCIO market titled *The State of DCIO Distribution: 2011—Managing Sales and Marketing to Maximize DCIO Market Share*.

Among the many revelations in this comprehensive study is that DCIO now accounts for an average of 23% of firm-wide net sales, despite being a small piece of firm business when measured by staff and budget levels. Even the largest asset managers generally have less than 20 full-time employees serving the DCIO market. However, DCIO staff levels are expanding fast. The 23 asset managers surveyed for this report added an average of 1.5 full-time sales and marketing professionals to support DCIO in the past year, and many plan to add additional staff in the months ahead.

Chris J. Brown, principal of Sway Research, said, “Asset managers of all sizes are aggressively targeting the DCIO market for growth and allocating more budget dollars to DCIO-specific marketing collateral and value-add programs, in addition to increasing the sales force budget.” Sway finds that the average DCIO sales and marketing budget will increase by

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17% in 2010—topping \$4 million for the first time. The average Tier 1 DCIO manager (one with more than \$10 billion of DCIO AUM) will spend more than \$1 million on DCIO-related marketing in 2010.

“Increases to DCIO marketing budgets illustrate the increasing importance of DCIO to overall firm sales efforts, and reflect the difficulty of gaining and maintaining a foothold in the DCIO space,” Brown said. “The flow of assets to proprietary Target-Date funds and increased competition mean that asset managers must develop a clear strategy for attacking the DCIO market. This includes a focus on key platforms and top-producing retirement advisors.”

Nearly one-third of the 13 DC platform gatekeepers surveyed by Sway for this report predict that their firm’s share of IO assets will decline over the next three years as a result of increased flows to proprietary Target-Date portfolios. Despite this, IO share of the overall DC market continues to increase and will top proprietary share by the end of 2011. Sway estimates that there is just under \$2 trillion in DCIO assets today, up from about \$1.7 trillion one year ago.

Sway’s latest report—the firm’s fourth examination of the DCIO market— is based on surveys and interviews with 23 DCIO sales leaders, 13 DC platform gatekeepers, and more than 100 retirement-focused advisors. Within the study, Sway reveals key business benchmarks for asset managers, as well as keys to building relationships with DC providers and retirement advisors. It is a must-have resource for asset management sales and marketing executives.

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About Sway Research LLC

Sway Research provides market data and analysis that empowers financial services executives to make decisions, effect change, and grow revenue. Leading manufacturers and distributors of investment products purchase Sway’s research in syndicated reports, custom research projects, and strategy engagements. Sway is the leading provider of research and intelligence on the defined contribution investment-only market, and is a partner in Hearts & Wallets LLC. Please visit www.swayresearch.com and www.heartsandwallets.com for more information.