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DCIO MOST PROFITABLE PLATFORM MARKET

Market's Fast Growth Driving Demand for Experienced Sales Personnel

April 25, 2008, Newton, NH – According to a new research study from Sway Research LLC, the DCIO (defined contribution investment-only) market offers dramatically higher profit margins for asset managers than those found in other platform markets, such as insurance products, SMAs, mutual fund wrap, bank trust, and college savings plans.

Based on a survey of executives from leading asset managers, the study, titled *Aligning an Organization for Platform Sales Success*, reveals asset management firms are earning average margins of 25% on DCIO business versus roughly 18% in markets, such as mutual fund wrap and sub-advisory, and only 12% on the SMA business, which also includes multiple-discipline products and UMA platforms. According to Chris J. Brown, principal of Sway Research, “despite experiencing a combination of upward pressure on recordkeeping fees and downward pressure on fund expenses, asset managers are still generating sizable profits on DCIO business, largely as a result of low distribution costs, driven by the small sales forces needed to generate DCIO flows.” However, sales staffs are likely to grow in 2008.

In addition to the higher margins, asset managers produced greater gross sales relative to assets under management, on average, in the DCIO market than other platform markets in 2007. “The success that many firms have had in the DCIO market has been noticed by senior management, which, in many cases, has responded by dramatically raising DCIO sales goals for 2008,” says Mr. Brown. This has DCIO managers looking to bolster sales staff with experienced personnel to help them reach these goals, while also working to retain the talent currently in-house. “All of this is driving up compensation levels for



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sales people fortunate enough to possess a combination of ERISA and investment product knowledge,” adds Brown.

Sway Research’s groundbreaking report examines the evolution of sales and marketing units in response to the growth of platform businesses, which have flourished as complimentary distribution outlets to more traditional brokerage platforms. Within the report, Sway provides benchmarks for key distribution components, such as sales force headcounts, sales and assets generated per head, and compensation levels and structures.

In addition to searching for additional sales talent, many asset management firms have been making significant alterations to organizational structures as a means to better integrate sales, marketing, and operational functions for platform businesses. This trend is covered in-depth within the study, in which a number of organizational structures are depicted including an advanced model in which platform businesses are housed in the retail unit, with functions such as marketing, portfolio analytics, and operations grouped into centralized units supporting multiple platform business lines.

Dozens of sales executives were interviewed for the study, while ten leading asset management firms completed the arduous survey, which asked for data and insights for each of the following platform business lines – DCIO, insurance, mutual fund wrap, sub-advisory, SMA, MDP, and UMA, bank trust, and college savings plans.

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About Sway Research LLC

Sway Research is owned and operated by Chris J. Brown, an experienced researcher and leading authority on trends in the development and distribution of financial services products. The goal of Sway Research is to provide market data and analysis that empowers financial services executives to make decisions, effect change, and drive more revenue. For more information on Sway Research and its services, please visit our Web site at www.swayresearch.com.