Client Service and Asset Retention Benchmarking Survey

Project Description and How to Access

Investment managers face many challenges in the quest to win and retain assets. Eager, Davis & Holmes will help you negotiate these challenges so that you reach the prize on the horizon.
Background

Working in partnership with Pensions & Investments, in December 2009 and January 2010, Eager, Davis & Holmes (EDH) conducted a benchmarking study on client service practices and standards in the U.S. institutional investment management industry. This benchmarking study represents a continuation of research EDH has periodically conducted on client service practices in the institutional asset management industry since the late 1980s.

The study is designed to help investment management organizations more effectively evaluate and compare:

- Use and effectiveness of various asset retention practices and activities
- How client service is organized
- Client service communication practices, resource levels and productivity
- Trends in client service – particularly in light of the 2008/2009 credit crisis
Method

Participants completed a questionnaire focusing on:

- Client servicing organizational approach
- Client service staffing levels and productivity
- Client communication practices
- Activities directed toward improving asset retention

To ensure accuracy, each manager’s submitted data was reviewed by our staff to identify outliers and inconsistencies. Incorrect data was adjusted or eliminated. Questionnaire responses were then entered into our Benchmarks Database for this analysis.

Questionnaire information from each firm remains strictly confidential and is used only for the purpose of developing universe information.

All data shown in this report is for the period ended September 30, 2009, unless otherwise noted.
Sample Characteristics

In total, 56 institutional investment managers participated in this study. Participating managers were required to have at least $2B in institutional assets under management.

Following is a summary description of the 56 participants:

- Participants in aggregate had over $2 Trillion in institutional assets under management as of September 30, 2009
- Participants in aggregate had over 20,000 institutional clients as of September 20, 2009
- Participants’ assets under management were distributed across numerous client types; including Defined Benefit, Defined Contribution, Endowment/Foundation, and Subadvisory
- On average, 78% of participants’ institutional assets were invested in either active equity products (41%) and/or active fixed income products (37%)
Three Levels of Consulting Guidance

Your firm has three options for accessing EDH’s 2010 Client Service Benchmarks research and using it to strengthen your firm’s client service program:

<table>
<thead>
<tr>
<th>Level:</th>
<th>Description:</th>
</tr>
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</table>
| 1. 2010 Client Service and Asset Retention Benchmarks Report  
Data Version | This report presents *tabulated results* of EDH’s most recent industry benchmarking study on client service:  
- Free to study participants  
- $750 for non-participants |
| 2. 2010 Client Service and Asset Retention Benchmarks Report  
Analysis and Conclusions Version | A more detailed report that includes EDH’s assessment and conclusions of practices that lead to better client retention:  
- $750 for study participants  
- $1,950 for non-participants |
| 3. Client Service Program Strategic Evaluation | Completing over 130 client service-oriented projects for investment managers combined with our ongoing client service benchmarks research makes EDH a thought-leader on client service best practices. We know client service practices that lead to strong client relationships that weather the ups and downs of the performance cycle.  
In a Client Service Program Strategic Evaluation, EDH evaluates your firm against industry best practices in client service. You are provided with detailed recommendations for improving and/or building-out your client service program. |

Please contact us to discuss how we can help strengthen your client retention and cross-selling success:

Dave Eager  502 657 6477  deager@eagerdavisholmes.com  
Glenn Davis  502 657 6478  gdcavis@eagerdavisholmes.com  
David Holmes  502 657 6479  dholmes@eagerdavisholmes.com
Survey Questions
Client Service and Asset Retention Benchmarking Survey

December 2009

Participating investment managers receive a comprehensive report that helps
you compare your firm's client service resources and activities to those of others.

Please return your completed questionnaire by December 16. Send via fax to 502-526-4275 or email to dholmes@eagerdavisholmes.com. We suggest you save a copy of this questionnaire to facilitate comparison to aggregated survey results.

For questions, contact:
David Holmes
Phone: +1 (502) 657-6479
e-mail: dholmes@eagerdavisholmes.com

Please provide the following information so that we can contact you if needed:

- Firm Name:
- Contact Name:
- Telephone Number:
- E-mail:

Estimated time required for completion: 20 to 30 minutes assuming you have all the required information at hand.

Your answers will be kept strictly confidential. Only aggregated data will be shared.

Firms included in this survey represent a diverse group of institutional investment managers.
Please provide answers specific to activities in North America.

Definitions

Institutional Clients. May include retirement plans, charitable organizations, endowments, foundations, corporate balance sheet assets, insurance company assets, bank assets, separately managed accounts, subadvisory assets, defined contribution/defined benefit plan assets, and certain other assets. This study specifically excludes high net worth (wealthy individuals) and retail assets.

Institutional Clients. May include retirement plans, charitable organizations, endowments, foundations, corporate balance sheet assets, insurance company assets, the institutional fund sponsor or client. Excludes all direct communication, reporting and service for institutional accounts and assets.

Support Staff. Positions performing clerical, administrative or secretarial duties.

Sales Personnel. Individuals primarily responsible for direct selling to prospects.

Portfolio Managers. Individuals primarily responsible for client account management and performance.

Primary Contacts. Includes relationship managers who have primary first line responsibility for understanding and meeting the needs of clients specifically assigned to them. Depending on your servicing model, the primary contact may be a relationship manager, portfolio manager or sales person.

Product Specialists. Individuals who serve as a liaison between the investment group and prospects/clients/consultants for a specific product or product group.

Professional Staff. Includes all direct communication, reporting and service for the institutional fund sponsor or client: Excludes all direct communication, reporting and service for institutional accounts and assets.

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Support Staff. Positions performing clerical, administrative or secretarial duties.
1. Please provide the following information pertaining to North American client servicing business activities as of September 30, 2009, or using the most recently available data (indicate date below). Note: Please ensure the time frame in which you answer the questions is consistent throughout the survey. (including both cash flow and cross sales?)

2. Approximately what percentage of your institutional client assets fall in each of the following categories?

% Retirement assets: defined benefit
% Retirement assets: defined contribution
% Endowment/Foundation
% Subadvisory
% Insurance company (general account) assets
% Indexed or enhanced index products
% Active indexed income
% Active equity
% Hedge funds
% Active equity
% Multi-asset mandates (target date funds, broad mandates)
% Private equity
% Other
%

3. Approximately what percentage of your institutional client assets fall in the following categories?

100%

% Retirement assets: defined contribution
% Endowment/Foundation
% Retirement assets: defined contribution
% Retirement assets: defined benefit
% Retirement assets: defined benefit
% Follow up categories?

4. Approximately what percentage of your institutionally managed assets gained for the year ending 9/30/2009 (or other date indicated in Question 1) came from existing clients (including both cash flow and cross sales)?

% Other
% Multi-asset mandates (target date funds, broad mandates)
% Private equity
% Hedge funds
% Indexed or enhanced index products
% Active indexed income
% Active equity
% Other
% 100%
5. Approximately what percentage of your institutional clients use only one of your firm's products? Two products? Three? Four or more?

<table>
<thead>
<tr>
<th></th>
<th>One</th>
<th>Two</th>
<th>Three</th>
<th>Four or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage</td>
<td>10%</td>
<td>20%</td>
<td>50%</td>
<td>100%</td>
</tr>
</tbody>
</table>

6. Do you have client service goals (e.g., asset retention, cross sales) that are primarily dedicated to institutional clients, including both professional and support staff?

7. How many employees have job responsibilities that are primarily dedicated to institutional client service?

<table>
<thead>
<tr>
<th></th>
<th>Professional Staff</th>
<th>Support Staff</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

8. How many employees have job responsibilities that are primarily dedicated to institutional client service, including both professional and support staff?

9. To what degree has your client service staff count changed over the past two years?

<table>
<thead>
<tr>
<th>Change</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 5% of two years ago</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Up 10 to 20%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Up 20% or more</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Down 20% or more</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Down 5% to 20%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Servicing Structure/Resources

6. Do you have a client service strategy or plan that is stated in writing and widely understood throughout your organization?

7. Do you have a client service strategy or plan that is stated in writing and widely understood throughout your organization?
10. Which individual most often serves as your clients’ primary contact, that is, the person responsible for understanding and meeting each client’s needs? [CHOOSE ONE]

- Relationship Manager
- Sales person
- Portfolio Manager
- Other
- Product Specialist
- More than 10 years □
- 6 to 10 years □
- 3 to 5 years □
- 2 years or less □

11. Your firm uses relationship managers as the primary contact. What percentage of your relationship managers hold a CFA? [CHOOSE ONE]

- 76% to 100% □
- 61% to 75% □
- 51% to 75% □
- 26% to 50% □
- Below 25% □

12. Specific to your relationship managers, what is their average years of experience in the institutional investment industry? [CHOOSE ONE]

- 2 years or less □
- 3 to 5 years □
- 6 to 10 years □
- More than 10 years □
13. If your firm uses relationship managers as the primary contact in client servicing, which of the following factors are used to evaluate your relationship managers’ job performance and influence their compensation and/or incentive bonuses? (Choose all that apply)

- Firm profitability
- Cross sales
- Client or asset retention
- Client satisfaction measures
- Client-based revenue
- Cross sales
- Firm profitability

14. To whom does your head client service officer report? (Choose one)

- Head of Sales and Service
- Head of Marketing and Service
- Head of Marketing, Sales, and Service
- Chief Operating Officer
- Chief Investment Officer
- Chief Executive Officer
- Other

15. Does your firm use product specialists that play a role in client servicing? (Yes or No)
Please answer the following questions regarding the individuals who serve as primary contacts to your clients:

16. a) What is the approximate average number of clients assigned to each individual (his or her account load)?
   b) What is the approximate average number of face-to-face servicing calls made by [this or her account load]?

17. Please list the client relationship management (CRM) system(s) you use. [LIST ONE IN EACH ANSWER FIELD AS NEEDED]

18. Rate your satisfaction with each software/system listed above using a scale where “5” is “very satisfied” and “1” is “very dissatisfied.” [ASSIGN RATING TO EACH ONE USED; ANSWER “18a)” CORRESPONDS TO THE SYSTEM NAMED IN “17a), ETC.

Client Information Management/Communication

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Satisfaction Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
<tr>
<td>Hosting visits to your firm</td>
<td></td>
</tr>
<tr>
<td>Entertaining/social</td>
<td></td>
</tr>
<tr>
<td>Informal meetings</td>
<td></td>
</tr>
<tr>
<td>Formal review meetings</td>
<td></td>
</tr>
</tbody>
</table>

Listed below are (a) primary contacts to your clients. Please answer the following questions regarding the individuals who serve as primary contacts:

16. Please answer the following questions regarding the individuals who serve as primary contacts:
19. Do you "tier" or "segment" your client service, i.e., intentionally define and provide higher or lower levels of service, contact, or communication to certain segments?

- No
- Yes

(If yes) How many tiers/different service levels do you have?

(If yes) On which characteristic(s) do you tier? [CHOOSE ALL THAT APPLY]
- Account size/revenue
- Fund size (client's total assets)
- Total revenue potential
- Fund size (client's total assets)
- Client satisfaction level/clients at risk
- Client needs, expectations, or levels of sophistication
- Total revenue potential
- Other

20. For each applicable asset class, please tell us how quickly (in number of working days after the "close day") you provide your monthly and quarterly reporting package to your typical clients.

<table>
<thead>
<tr>
<th>Number of Working Days after Closing Date</th>
<th>Monthly Reporting</th>
<th>Quarterly Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equity</td>
<td></td>
<td></td>
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<tr>
<td>Fixed Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Int/Global Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alternative Investments</td>
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<td></td>
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<tr>
<td>Other</td>
<td></td>
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</tbody>
</table>

21. Approximate what percentage of your institutional client base, if any, receives customized (non-standard) reporting?

%-__%
22. Which of the following are you currently providing to institutional clients via “hard-copy” delivery? Via Email? Via your Web site? [CHOOSE ALL THAT APPLY]

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hard Copy</td>
<td></td>
</tr>
<tr>
<td>Email</td>
<td></td>
</tr>
<tr>
<td>Website</td>
<td></td>
</tr>
</tbody>
</table>

Performance reports
Performance attribution
Asset/transaction statements
Investment/economic outlook
Asset allocation advice
Organizational developments
RFPs
Investment education/white papers
Audio presentations
Video presentations
Audio conferences
Video conferences
Hosting visits to your offices
Client educational group meetings
Client round tables or issue-focused discussions
Web casts/Webinars
Client conferences

If you answered “other,” what?

23. Which of the following other methods of client communication does your organization use on a regular basis? [CHOOSE ALL THAT APPLY]

- Client conferences
- Web casts/Webinars
- Client round tables or issue-focused discussions
- Client educational group meetings
- Hosting visits to your offices
- Audio conferences
- Video conferences
- Investment education/white papers
- RFPs
- Organizational developments
- Asset allocation advice
- Investment/economic outlook
- Asset/transaction statements
- Performance attribution
- Performance reports

24. Approximately what percentage of your institutional clients have seen the following individuals in a formal or informal meeting over the past year?

<table>
<thead>
<tr>
<th>Individual</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio Manager</td>
<td></td>
</tr>
<tr>
<td>Chief Investment Officer</td>
<td></td>
</tr>
<tr>
<td>Chief Executive Officer</td>
<td></td>
</tr>
</tbody>
</table>

If you answered “other,” what?

[Hard Copy delivered via Email? Via your Web site? [CHOOSE ALL THAT APPLY]
25. Does your firm require the primary contact for each account to develop a specific written account strategy or plan for each client?  
No  
Yes

25a. If yes, is each account strategy/plan periodically reviewed by a higher level staff member, such as the head of client service or head of sales and servicing?  
No, none is periodically reviewed  
Selected account strategies/plans are reviewed  
Yes, all are periodically reviewed

25b. If yes, how often are they reviewed?  
Monthly  
Quarterly  
Annually  
More than 1 year

26. Please estimate the percent of your institutional clients having appropriate performance expectations for your products that they invest in.  
Below 25%  
26% to 50%  
51% to 75%  
76% to 100%

27. Focusing only on accounts your firm has lost due to performance reasons:  

Asset Retention Activities

25. If yes, do they have an account strategy or plan for each client?  
No  
Yes

25a. If yes, is each account strategy/plan periodically reviewed by a higher level staff member, such as the head of client service or head of sales and servicing?  
No, none is periodically reviewed  
Selected account strategies/plans are reviewed  
Yes, all are periodically reviewed

25b. If yes, how often are they reviewed?  
Monthly  
Quarterly  
Annually  
More than 1 year  
Less than 6 months

27. Focusing only on accounts your firm has lost due to performance reasons:
28. Which of the following asset retention activities:

a. Does your firm currently engage in?

b. Do you find effective in asset retention? [CHOOSE ALL THAT APPLY IN EACH COLUMN]

<table>
<thead>
<tr>
<th>Activity</th>
<th>Use</th>
<th>Effective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Providing higher service levels to clients „at risk“ (dissatisfied clients)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hosting non-work related events</td>
<td></td>
<td></td>
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<tr>
<td>Developing and implementing account-specific service plans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conducting a client satisfaction survey administered by an objective third party</td>
<td></td>
<td></td>
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<tr>
<td>Conducting a client satisfaction survey administered by your internal number of investment managers in one survey</td>
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<tr>
<td>Accessing client satisfaction survey data that is gathered for a large periodic training for client servicing personnel</td>
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<td></td>
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<tr>
<td>Third party client servicing audits/assessments of best practice</td>
<td></td>
<td></td>
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<tr>
<td>Ensuring clear and repeated communication of your investment approach and performance expectations</td>
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<tr>
<td>Developing relationships with other contacts at the client organization</td>
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<td></td>
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<tr>
<td>Promoting client contact with others at your firm beyond the relationship manager</td>
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<td></td>
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<tr>
<td>Visits to clients at risk by CEO</td>
<td></td>
<td></td>
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<tr>
<td>Increasing visits to clients at risk by senior investment personnel</td>
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<td></td>
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<tr>
<td>Cross selling toward clients at risk</td>
<td></td>
<td></td>
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<tr>
<td>Lost client interviews</td>
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</tbody>
</table>

(4) [Use: b) Effective]
29. Compared to two years ago, please indicate whether the following aspects of institutional client service have decreased, increased or not changed significantly.

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Decreased</th>
<th>No</th>
<th>Opinion</th>
<th>Increased</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Account loads</td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Reliance on technology</td>
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<tr>
<td>Consultant’s involvement in service to your clients</td>
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<tr>
<td>Your investment staff’s involvement in service</td>
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<tr>
<td>Your senior management’s involvement in service</td>
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<tr>
<td>Clients’ openness to cross selling</td>
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<td></td>
<td></td>
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<tr>
<td>Your firm’s focus on cross selling</td>
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<tr>
<td>Importance of developing relationships with clients</td>
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<td></td>
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<tr>
<td>Importance of providing solutions for clients</td>
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</tbody>
</table>

30. Who at your firm takes the lead in communicating with field consultants who are serving your clients?

- Our consultant relations team
- Our client service/relationship management team
- Our consultant relations team

31. May we include your firm’s name within the report as a study participant?

- Yes
- No