

STATEMENT OF PURPOSE

The Money Management Institute (MMI) commissioned Dover Financial Research to conduct proprietary research on the distribution of separately managed accounts through banks. The analytics contained in this report are largely derived from data that was collected through a web-based survey that was distributed to a cross section of banks ranging in size from \$2 billion to \$100 billion in assets. All data collected was as of yearend 2004. To complement the survey

findings, Dover Financial Research also conducted an extensive set of interviews with leading executives representing bank trust divisions, service providers, other major distributors, and asset managers. This report is a compilation of the findings that were derived through our quantitative and qualitative research efforts.

The report specifically focuses on bank trust divisions. We believe that the bank trust areas, given their ties to the high net worth individual and distribution capabilities, are best positioned, relative to other bank distribution channels, to influence the separately managed account (SMA) industry. Within this context, we examine the major challenges that bank trust divisions face as they more aggressively enter the market. Specifically, those challenges identified by our research are: the positioning of proprietary investment management, infrastructure, and pricing. We also believe that banks are capable of overcoming these challenges but that cultural attitudes may hold them back. Nonetheless, banks and their vendors have made progress and today's banking environment is far more receptive to SMA distribution than five years ago. But, until banks make significant headway in conquering the obstacles that hold them back, we believe that growth in the market will be incremental.

DOVER FINANCIAL RESEARCH

Dover Financial Research is a Boston-based research and consulting firm specializing in the financial service industry. Dover Financial Research represents more than fifteen years of industry experience and has worked extensively with a wide range of financial service firms representing all aspects of the industry. The firm's clients include leading mutual fund companies, brokerage firms, banks, and insurance companies. Dover Financial Research, in conjunction with MMI, is responsible for the publication of MMI Reports: Sponsor Series. The firm has been instrumental in the development and design of the web-based survey that supports this publication. In addition, Dover Financial Research provides the analysis, independent research, and market intelligence that forms the foundation of these reports.

Questions or comments regarding this publication can be directed to Jean Sullivan, Dover Financial Research Phone: 781-461-0922, Email: Jean@doverfr.com.