

CONTENTS

STATEMENT OF PURPOSE 2

Dover Financial Research 2

THE COMPETITIVE LANDSCAPE 3

Introduction 3 • Focus on Bank Trust Divisions 3 •

SMA Industry Forecasts — The Growth Opportunity 4 • Banks are Well-Positioned to Distribute SMAs, but Important Challenges Remain 5 • Three Challenges: Culture and the Positioning of Investment Management, Infrastructure, and Pricing 6

POSITIONING OF INVESTMENT MANAGEMENT 7

Cultural Challenge 7 • Investment Management - Strategy Options 9 • The State of the Transition — Non-Proprietary Investments 10 • Offering Non-Proprietary Investment Management — Key Motivations 11

INFRASTRUCTURE 13

The Infrastructure Puzzle: Supplement Rather Than Replace 13 • Bank Infrastructure Requirements 14 • Custody — A Non-Negotiable 14 • The Evolution of Bank Trust Infrastructure Solutions 15 • The Changing Landscape for Banks and Non-Proprietary SMAs 16 • Accessing Outside Money Managers 16 • Building Flexible SMA Platform Solutions 17 • Third-Party Providers — Different Models 19 • The Infrastructure Puzzle: Choice, Control, Cost-effective Scalability 19 • Advantages and Disadvantages of the Different Models 20 • The Infrastructure Puzzle: Choice, Control, Cost-effective Scalability 21

PRICING 22

Bank Investment Management Fees: Pricing Problem or Competitive Advantage 22
Declining Separately Managed Account Fees — The Brokerage Industry 22 • SMA Fee Bifurcation 23
Bank SMA Pricing 24 • Legacy Business — Proprietary Investment Management Fees 24
Non-Proprietary Investment Management Fees 25 • Pricing Strategies 27 • Revenue Neutral Strategy 27
Client Neutral Strategy 28 • The Outlook on Pricing 28

CONCLUSIONS 30

Strategic Considerations: Manufacturer to Distributor 31