



THE MONEY MANAGEMENT INSTITUTE

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July 21, 2006

Dear MMI Member:

Our mid year report finds the MMI in excellent shape, attracting new members every month and addressing key issues to improve the managed account solutions industry. We will review our work on your behalf in this report and ask that you take a moment to consider our progress.

One year ago, immediate past chair Mark Pennington identified four issues at the core of MMI's mission as the "SLED":

- Standardized communications systems
- Legal and regulatory oversight
- Expand MMI's mandate
- Data reflecting industry trends

Standardized Communications Systems

MMI commissioned Accenture to report on how the SMA industry should improve and standardize communications among managers and sponsors. In April MMI's Board approved Accenture's report as a roadmap for efficient and scalable growth and Gary Jones, MMI's VP for Industry Operations, is working with key firms on an implementation strategy.

Legal and Regulatory

Protecting the regulatory environment in which we work is a critically important task for MMI and our semi annual Legal Affairs Conferences have been successful in addressing key issues as they develop as well as bringing SEC and NASD regulators together with MMI representatives for ongoing discussions. Another important initiative in this area is our new International Registry that sets forth the registration requirements for managers working for foreign nationals and sponsor firms offering SMAs in foreign countries. Legal research on an initial group of eleven foreign countries is nearly complete and will soon be available to MMI members on our website. The registry was an idea initially brought forward by Jim Patrick at MMI's Money Manager Roundtable and we believe it will yield considerable benefit and savings to our members.

Expanding MMI's Mandate

We want to be sure MMI is representative of an industry that is evolving from SMAs to MDPs to UMAs and beyond. To that end, we have expanded our data project to follow AUM trends at our members and provide better insight and information to our members and the media. MMI's publication, *Central*, tracks industry developments and reports trends from quarter to quarter. The next issue of *Central* is due out by the end of this month

and will report on asset flows at sponsor firms and on the Accenture report/standards for communications project.

Data and Industry Trends

MMI's data on both manager and sponsor asset flows have become the industry's gold standard and we are working with our consultants at FRC and Dover to develop new and better analyses each quarter. We have two goals in mind for our work with industry data: first, to provide valuable benchmarking information to our members and, second, be a trusted advisor to regulators and the media.

Accurate industry data is critically important to the appropriate deployment of our members' resources and to the Institute's focus on industry operations. MMI and FRC believe, for example, that MDPs will capture a significant portion of new sales in the next five years as more advisors begin to work with them as a business transition step to providing clients with consultant driven managed account solutions.

We also believe that MDP sales growth will be driven by retirement funds, principally IRA rollovers. MMI plans to carefully monitor retirement income management issues, products, and opportunities and develop data reports thereon for our members.

Other important initiatives undertaken this year include:

- Launch of the International Money Management Institute at a conference in London on September 13-14. IMMI is organized for foreign companies interested in pursuing the managed account business in foreign countries and is drawing on executives from France, UK, Netherlands, Australia, Japan, and Canada to lead the conference. www.intlmmi.org
- Offer two special one-day conferences to our members: Alternative Investment Platforms and Strategies, and Technology Spotlight Workshop Series: Outsourcing SMAs.
- Develop two SMA programs for broker/dealer use in firm element education/training; more information will soon be sent to our members.
- Offer monthly speakers to members via WebEx or Brainshark facilitated presentations.
- So far this year we have recruited 16 new members to MMI: 9 managers, 2 sponsors and 5 associate firms.

The state of MMI is strong and with your continued support, we will remain equal to the many tasks before us as we lead the managed account solutions industry in the months and years ahead.

We hope to see you at our annual fall meeting in New York on October 18-19.

Our best regards to you.

Len Reinhart
Chair, MMI Board of Governors

Christopher Davis
President