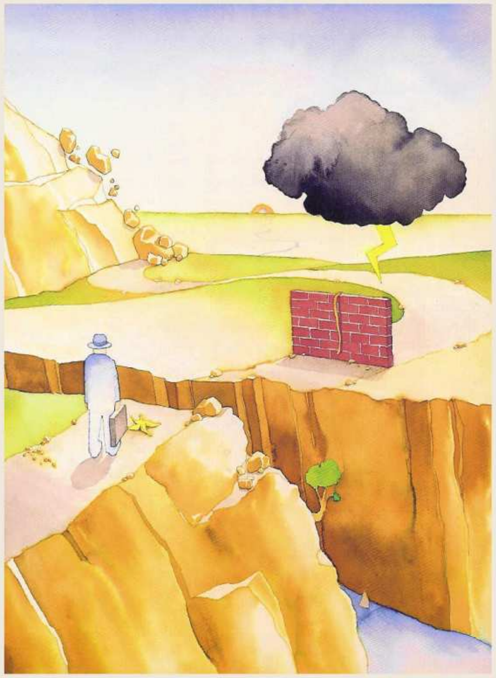
Eager, Davis & Holmes LLC

9900 Corporate Campus Drive
Suite 3000
Louisville, KY 40223
www.eagerdavisholmes.com



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.

Consultant Flash Survey
-Insights on the Changing Needs of Institutional Investors

January 2009

Eager, Davis & Holmes LLC

Three senior Partners with over 70 combined years of consulting know-how. Experience helping hundreds of investment managers address their strategic and tactical issues. Observers of over 1,600 investment manager presentations. Completion of over 120 client service-oriented projects for investment managers.

Applying Our Perspective

Presentation Improvement

Seeking a First Place Finish?

In finals presentations, a second place finish is the same as not running at all. We'll help you present your firm and product in a highly compelling manner. Your competition will finish out of the running.

Consultant Feedback

Want to Stand Out With Consultants?

Many managers spend significant time and money marketing to consultants, only to come across as alike as heads in a cabbage patch. We'll get you the feedback from consultants you need to build more productive relationships.

Client Feedback

Are You Really Hearing Your Clients?

Hearing clients through all the noise is tough. And, properly listened to, they have so much to tell you about your business, your strengths, and your opportunities to improve client retention.

Stronger Client Service

Avoiding the Termination Trap Door

Retaining and expanding client relationships depends on the day-to-day client service practices employed by your firm and staff. We'll show you industry best practices for avoiding the termination trap door.

Insurance Market Success

Up with Gushers, Down with Dry Wells

Our groundbreaking insurance market research and consulting services tell you where and how to drill for insurance market share. You can leave the dry wells for someone else.

Study Purpose and Method

Study Purpose

Crisis causes change. Investment products, manager selection and client service – institutional investor needs in these areas may be different as we navigate through the market crisis.

Investment consultants offer a unique perspective on the changing needs of institutional investors. Eager, Davis & Holmes surveyed the investment consultant community to gain insights that will help investment managers respond.

Study Method

Using a proprietary list of consultants, Eager, Davis & Holmes invited their participation in a brief web survey.

Seventy-four (74) consultants from 46 consulting firms completed the survey in December 2008 and January 2009. The 46 firms report over US$10 trillion of assets under advisement. The 46 firms' assets under advisement are distributed as follows:

Assets Under Advisement (US$Billion)	Number of Consultant Firms
Over $100 B	8
$25B to $100B	13
Under $25B	25
Total	46

Executive Summary

Investment Strategy and Hiring Activity

In the aftermath of the 2008 market crisis, consultants expect investment activity to be very high as fund sponsors follow the *Four "R" Strategies* reviewed below:

1. *Rebalancers*: 77% of participating consultants indicate that *Rebalancing* activity will be high...while only 7% indicate that *Rebalancing* activity will be low
2. *Replacers*: 42% of participating consultants indicate that manager *Replacement* activity will be high (e.g. replacing managers who have not met expectations)
3. *Rethinkers*: 42% of participating consultants indicate that *Rethinking* activity will be high (defined as making longer-term strategic adjustments to investment portfolios)
4. *Responders*: Additionally, 37% of participating consultants indicate that there will be high activity in terms of fund sponsors *Responding* to take advantage of investment opportunities created by the market crisis (e.g. undervalued or distressed assets)

Executive Summary (Continued)

Looking more deeply at the **Rethinker** theme:

- Liability-Driven Investing, Global Mandates, Absolute Return Products, and TAA/Multi-Asset Products appear to be the main beneficiaries of fund sponsors' longer-term strategic adjustments
- Single Manager Hedge Funds, 130/30 Equity, Quantitative Equity, Hedge Fund of Funds, and Private Equity appear to be the main victims of fund sponsors' longer-term strategic adjustments

PRODUCT	*DECREASED DEMAND EXPECTATION 2009*	*INCREASED DEMAND EXPECTATION 2009*
	Share Gainers	
LDI	27%	53%
Global Mandates	24%	45%
Absolute Return	20%	41%
TAA/Multi-Asset	30%	39%
	Share Neutral	
Core/Core Plus Fixed	31%	37%
U.S. Equity	32%	35%
	Share Losers	
Single Mgr. Hedge Funds	78%	8%
130/30 Equity	70%	12%
Quantitative Equity	62%	15%
Hedge Fund of Funds	52%	24%
Private Equity	31%	19%

Executive Summary (Continued)

Consultants offer perspective regarding whether or not a variety of strategic trends will emerge in 2009:

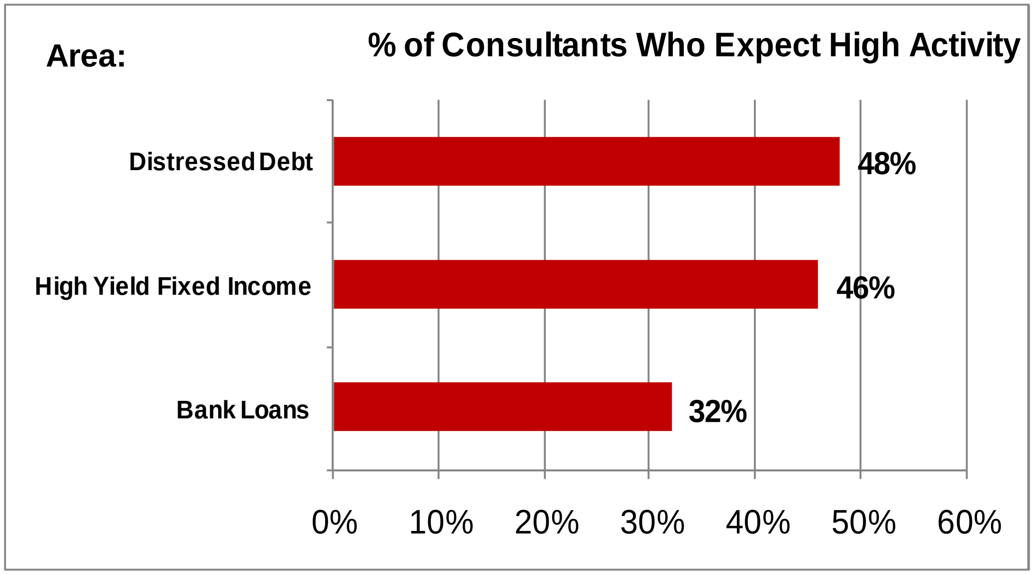
Potential 2009 Trends

	PERCENT WHO DISAGREE	*PERCENT WHO AGREE*
Potential Trends with Strong Support		
Fund sponsors will adapt portfolios to limit the impact of shorter-term market gyrations on balance sheets/funded status	14%	67%
Client service and communication will be more important to fund sponsors' manager selection and retention decisions	11%	60%
US Equity products that do not have rigid style box constraints will gain market share (versus those that do)	28%	51%
Potential Trends with Mixed Support		
Demand will increase for products engineered around target return/volatility combinations (versus a benchmark)	30%	36%
Use of US Equity products with top down, macro-economic analysis as part of the process will increase	34%	28%
Potential Trends with Weak Support		
Fund sponsors will increase the risk profile of their portfolios to address under-funded positions	55%	15%
Fund sponsors will move to have deeper relationships with fewer investment managers	41%	26%

Executive Summary (Continued)

Looking more deeply at the ***Responder*** theme:

- Consultants expect particularly high opportunistic fund sponsor investment activity in the following areas:

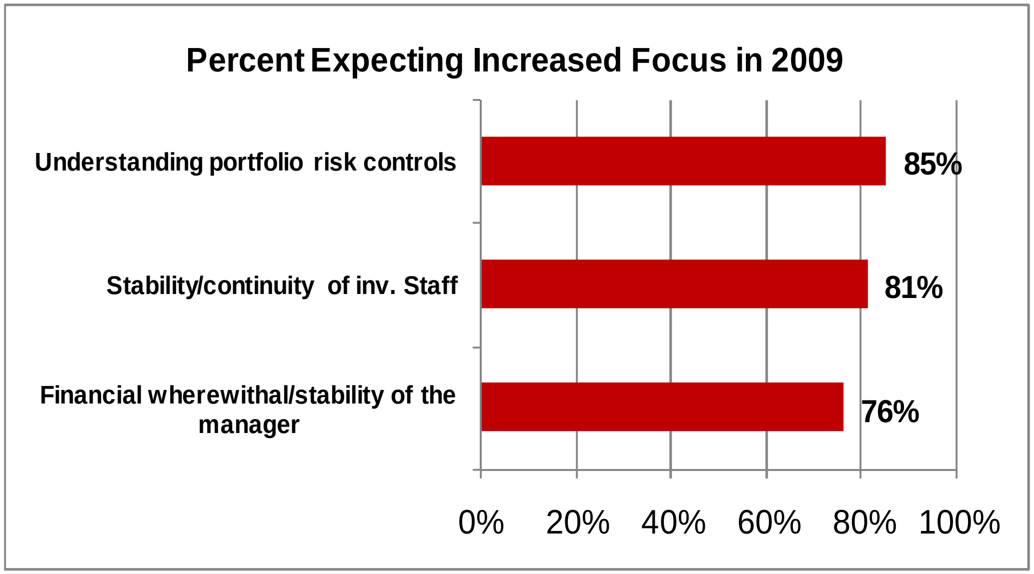


- In addition, approximately one in five consultants expect high opportunistic fund sponsor investment activity in Emerging Market Equity, Real Estate/REITS, and International Equity

Executive Summary (Continued)

Investment Manager Selection Criteria

Investment managers should prepare for increased scrutiny from institutional investors primarily in three areas:



A thoughtful review of marketing and servicing materials would be prudent in light of this apparent shift in emphasis. Investment managers who can demonstrate strength in the above criteria can gain advantage. Others who may have a real or perceived weakness in these areas should prepare messaging and positioning strategies that help them pass muster on these criteria.

Executive Summary (Continued)

Client Service in the Market Crisis

Investment managers who provide exemplary client service in tough market conditions can gain competitive advantage. Consultants estimate, on average, that 40% of investment managers are meeting that goal.

What are these investment managers doing? We asked consultants for examples of exceptional client service. Their responses fall in four categories.

Category	Examples
Immediate, ongoing, constant and proactive communication	First to call us when there is an issue; Continuous heads-up; Immediate notification; Constant communication throughout the crisis; Continually explain what was happening
Increased product-specific insights, attribution, transparency	Increased portfolio transparency; Related product performance to market conditions; Gave access to senior investment staff thinking and investment decisions; No surprises by end of quarter
Providing market insights through white papers, webinars, etc.	Proactive commentary when market moved strongly; Continually explained what they thought was happening; Gave position papers on what was happening; Gave history of events leading to crisis and pros/cons of alternative remedies
More in-person meetings, email and phone contact	Email alerts with product performance insights; Increased communication via in-person meetings and email

Eager, Davis & Holmes' January 2009 *Ideas* thought piece presents ways investment managers can gain competitive advantage in the aftermath of the 2008 market crisis by providing exceptional client service.

Ideas is available on our website at http://www.eagerdavisholmes.com/.

Detailed Survey Results

1. In the aftermath of the 2008 market crisis, please rate the level of activity you anticipate US institutional investors will undertake in each of the following areas. [CHOOSE ONE NUMBER FOR EACH ACTIVITY.]

	Low Activity (1)	2	3	4	High Activity (5)	Don't Know	Response:
Rebalancing (to strategic asset allocation targets)	3% (2)	4% (3)	16% (12)	28% (21)	49% (36)	0% (0)	74
Making opportunistic investments to take advantage of compelling investment opportunities created by the market crisis	7% (5)	19% (14)	38% (28)	22% (16)	15% (11)	0% (0)	74
Making longer-term strategic adjustments to investment portfolios (such as changing investment and allocation strategies)	11% (8)	22% (16)	26% (19)	30% (22)	12% (9)	0% (0)	74
Replacing investment managers that have not met expectations	9% (7)	22% (16)	27% (20)	27% (20)	15% (11)	0% (0)	74
						Total Responders:	74
						Skipped the Question:	0

2. Focusing on opportunistic investments created by the market crisis, rate the level of anticipated opportunistic investment activity in 2009 for each specific area listed below. [CHOOSE ONE NUMBER FOR EACH AREA]

	Low Activity (1)	2	3	4	High Activity (5)	Don't Know	Response:
High yield fixed income	14% (10)	21% (15)	19% (14)	31% (22)	15% (11)	0% (0)	72
Distressed debt	15% (11)	18% (13)	16% (12)	22% (16)	26% (19)	3% (2)	73
Bank loans	26% (19)	14% (10)	26% (19)	18% (13)	14% (10)	3% (2)	73
Emerging market equity	21% (15)	22% (16)	36% (26)	16% (12)	4% (3)	1% (1)	73
Emerging market debt	38% (27)	25% (18)	21% (15)	11% (8)	1% (1)	3% (2)	71
Real estate/REITs	25% (18)	27% (20)	26% (19)	15% (11)	4% (3)	3% (2)	73
International equity	16% (12)	30% (22)	33% (24)	18% (13)	3% (2)	0% (0)	73
Commodities	22% (16)	36% (26)	26% (19)	16% (12)	0% (0)	0% (0)	73
						Total Responders:	73
						Skipped the Question:	1

Other opportunistic investment areas where you anticipate high activity in 2009:	20.27%	15
	Total Responders:	15
	Skipped the Question:	59

Detailed Survey Results

3. Please indicate whether you agree or disagree that each of the following statements will become a meaningful trend in 2009. [CHOOSE ONE NUMBER FOR EACH STATEMENT]

	Completely Disagree 1	2	3	4	Completely Agree 5	Don't Know	Response:
U.S. equity products that do not have rigid style box constraints will gain market share (versus those that do)	3% (2)	25% (18)	21% (15)	33% (24)	18% (13)	1% (1)	73
Use of U.S. equity products with top down, macro-economic analysis as part of the process will increase	8% (6)	26% (19)	32% (23)	21% (15)	7% (5)	7% (5)	73
Demand will increase for products engineered around target return/volatility combinations versus products engineered around a benchmark	7% (5)	23% (17)	30% (22)	29% (21)	7% (5)	4% (3)	73
Fund sponsors will move to have a deeper relationship with fewer investment managers	11% (8)	30%(22)	26%(19)	19% (14)	7% (5)	7% (5)	73
Fund sponsors will adapt their portfolios to limit the impact of shorter term market gyrations on corporate balance sheets/funded status	4% (3)	10% (7)	15% (11)	44% (32)	23% (17)	4% (3)	73
Fund sponsors will increase the risk profile of their portfolios to address underfunded positions	14% (10)	41% (30)	29% (21)	12% (9)	3% (2)	1% (1)	73
Client service and communication will become more important to fund sponsors' manager selection and retention decisions	3% (2)	8% (6)	23% (17)	34% (25)	26% (19)	5% (4)	73

Total Responders: 73
Skipped the Question: 1

Detailed Survey Results

4. In 2009, do you feel demand for each of the following types of products/strategies will increase or decrease relative to the past several years? [CHOOSE ONE NUMBER FOR EACH PRODUCT TYPE]

	Decreased Demand	2	3	4	Increased Demand 5	Don't Know	Response:
U.S. Equity	6% (4)	26% (19)	33% (24)	21% (15)	14% (10)	0% (0)	72
Core/Core Plus Fixed Income	12% (9)	19% (14)	31% (22)	29% (21)	8% (6)	0% (0)	72
Global Mandates	4% (3)	20% (15)	31% (23)	38% (28)	7% (5)	0% (0)	74
TAA/Multi-Asset Products	8% (6)	22% (16)	29% (21)	36% (26)	3% (2)	1% (1)	72
130/30 Equity	28% (21)	42% (31)	16% (12)	12% (9)	0% (0)	1% (1)	74
Quantitative Equity	11% (8)	51% (37)	23% (17)	12% (9)	3% (2)	0% (0)	73
Single Manager Hedge Funds	46% (34)	32% (24)	14% (10)	8% (6)	0% (0)	0% (0)	74
Hedge Funds of Funds	28% (21)	24% (18)	23% (17)	23% (17)	1% (1)	0% (0)	74
Liability-Driven Investing	7% (5)	20% (15)	16% (12)	35% (26)	18% (13)	4% (3)	74
Private Equity	5% (4)	26% (19)	50% (37)	16% (12)	3% (2)	0% (0)	74
Absolute Return Products	4% (3)	16% (12)	38% (28)	34% (25)	7% (5)	1% (1)	74

Total Responders:	74
Skipped the Question:	0

Detailed Survey Results

5. As a result of the 2008 market crisis, which of the following manager selection criteria, if any, will receive INCREASED FOCUS going forward? [CHOOSE ALL THAT APPLY]

Financial wherewithal/stability of the manager	76.39%	55
Stability/continuity of investment staff (in light of so many staff cuts)	80.56%	58
Ownership of manager (e.g. bank/insurance vs. independent)	54.17%	39
"Size" of manager (e.g. boutique specialist vs. large diversified)	31.94%	23
Understanding the manager's business plan	52.78%	38
Client service and communication skills/resources	37.50%	27
Style conformation and compliance	27.78%	20
Understanding portfolio risk controls	84.72%	61
Performance history in down/bear markets	62.50%	45
Controlling tracking error	27.78%	20
None of the above	0.00%	0
	Total Responders:	72
	Skipped the Question:	2

6 What portion (%) of institutional investment managers do you feel have provided exemplary client service and communications to your and your clients during the 2008 market crisis?

Percent of Investment Managers Providing Exemplary Service - Distribution of Consultants' Answers

10th Percentile	75%
25th	50%
Median	33%
75th	25%
90th	10%
Average	40%
Total Responders:	71

7. Thinking about managers who have provided exceptional client service during the 2008 market crisis, please share an example of what they did that stands out.

	% Response
Immediate/ongoing/constant/proactive communication	44%
Increased product-specific insight/performance attribution/transparency	26%
Provided market insights through white papers, webinars, etc.	24%
More in-person meetings, email, phone contact	16%
Acknowledged and responded to mistakes	12%
Increased access to investment staff	6%
Total Responders:	50