

ANNUAL RYDEX|SGI ADVISORBENCHMARKING SURVEY REVEALS: ADVISORY FIRMS MANAGING RECORD LEVEL OF ASSETS

Despite market conditions over past year, on average, advisory firm assets were up 20% in 2010

New York, NY —October 3, 2011—Advisory firms are managing the highest asset levels in history, with assets under management (AUM) up 20% in 2010 from 2009 levels, according to the annual Rydex|SGI AdvisorBenchmarking survey. While the average percentage increase does not match the rapid recovery growth of 28% seen in 2009, it did outpace the S&P 500, which was up 15% in 2010. In parallel with assets, overall firm revenues also increased in 2010—up 17% from 2009 levels, exceeding the industry’s best year in 2007.

“Advisors are now managing more client assets than ever before and it’s our responsibility to ensure they have the proper tools to build effective portfolios.” said Marc Zeitoun, head of intermediary distribution at Rydex|SGI. “We remain committed to linking market insights with timely, relevant, and intelligent investment strategies.”

Advisors’ most important goal remains increasing assets under management, with 56% of advisors stating this is their main priority. This emphasis has decreased other priorities such as growing profitability and revenue.

Investment Management

While mutual funds continue to make up the largest percent of clients’ portfolios, other products, such as exchange traded funds (ETFs) and stocks are gaining portfolio share. More than half of advisors stated they have plans to increase their use of ETFs over the next three years, however, that number is down from 71% in 2010.

Almost half, 46% of advisors stated they expect their use of alternative investments to increase over the next three years, compared with 61% who responded that way in 2010—demonstrating that there is still room for growth in use of this investment type.

Asked for the first time in this survey about clients’ comfort level in using alternatives over the past two years, 38% reported that clients are more comfortable using alternatives, while 33% report that their clients’ comfort level remains the same. Only 10% said clients are less comfortable and 13% said they don’t use alternatives.

Operations

The survey revealed that advisors are spending more time this year on portfolio management—17% this year compared to 10% in 2010. This is due to challenging markets that have advisors focusing on how to develop investment strategies focused on meeting clients' goals, despite volatile market conditions.

Nearly half of advisors work with more than one custodian (44%), and nearly a quarter work with three or more custodians. Advisors cite “client preference” as the number one reason for using multiple custodians.

Client Relations

After the downturn of 2008-2009, advisors are becoming increasingly dependent on more personal methods of communication, such as phone calls (96%) and in-person meetings (93%) and less reliant on email (80%).

Advisors are also striving to determine how to use social media. Fifty-three percent of advisors say they do not use social media and don't plan to, primarily because 47% percent of advisors state they are unsure on how to navigate compliance issues and 27% said they don't have a staff member to monitor and maintain a presence.

“Given the unprecedented markets we experienced over the last few years, consistent communication with clients remains a crucial part of our business,” said Rob Siegmann, chief operating officer of advisory firm Financial Management Group. “It's a two way street. Advisors are in constant communication with clients, either by phone or hosting events, and clients feel comfortable knowing that they can reach out to their advisor at any point to discuss financials.”

Additional Highlights

- Expenses increased in 2010 and were only slightly lower than the previous high in 2007
- The median number of clients increased for the second consecutive year, with new clients significantly outnumbering lost clients
- Referrals from existing clients continue to be the most sought after source of AUM growth over the next five years, according to 49% of advisors.

About the Survey

The 2011 Annual AdvisorBenchmarking study was conducted through online surveys of 300+ RIA firms from April through June 2011. The analysis on Rydex|SGI AdvisorBenchmarking is based on the number of completed surveys and reflects only information from these surveys. This information is intended to be general and these overviews are no substitute for professional, legal or consulting advice. This information should not be construed as advice from Rydex|SGI AdvisorBenchmarking, Inc., AdvisorBenchmarking.com, its strategic partners or their affiliates. Rydex|SGI AdvisorBenchmarking.com is a service of Rydex|SGI AdvisorBenchmarking, Inc., an affiliate of Rydex|SGI.

AdvisorBenchmarking, Inc. is a research and analysis center focused on the RIA marketplace. Through its survey web site, www.AdvisorBenchmarking.com, the firm conducts multiple surveys every year of advisors covering a host of business and investment management practices. The findings and analysis of the data are then released to the marketplace in the form of annual studies, quarterly research notes and monthly newsletters. The service is aimed at

helping advisors grow and enhance their firms by comparing their businesses to others, highlighting the best practices of the most successful advisors in the business. AdvisorBenchmarking is an affiliate of Rydex|SGI.

###