



Investment Management Outsourcing: The State of the Art in 2012

October 2012



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Thank You

Northern Trust thanks Brinker Capital and Hanlon Investment Management Inc. for their partnership in this project. A special thanks to all advisors whose thoughtful survey participation made this report possible.





Executive Summary

In the summer of 2012, Northern Trust revisited a 2010 research initiative and again surveyed financial advisors about their use of investment management outsourcing. The survey enabled us to tap the experience and insights of two groups:

■ **Advisors whose firms are outsourcing investment management**

These advisors say that outsourcing has positively impacted the productivity and efficient growth of their practices. With the possible exception of disappointing investment performance, outsourcing advisors are categorically satisfied with their solution and what it achieves for their firms.

■ **Advisors whose firms are not outsourcing investment management**

The majority of these advisors contend that their in-house management of client assets is central to their firms' value proposition. The 2012 survey found a higher percentage of advisors maintaining this view—and across firm type, firm size and compensation model segments—than in 2010.

As a consequence, this group reports spending a significant amount of time on related activities. Manager research, portfolio construction and monitoring tasks, in particular, consume even more time of advisors from larger firms than was reported two years ago.

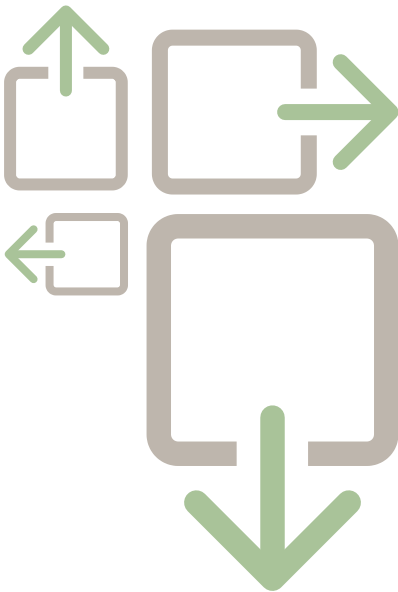
In the strongest response to any survey question, many non-outsourcing advisors acknowledge that they could use outside help in specific investment management tasks (e.g., accessing broader options, portfolio monitoring, performance reporting).

The following pages present additional detail about what's being outsourced, the impact of outsourcing on a practice, and gaps between outsourcing expectations and experience. Additionally, survey data sheds further light on the perspectives of advisors who don't outsource.

Northern Trust commissioned this research to better understand advisors' thoughts about outsourcing and where additional help may be needed. Asset Management at Northern Trust provides expertise offered through an extensive range of investment strategies and structures.

A Summary of the Findings

- One-half of the outsourcing respondents outsource all investment management activities.
- Six out of 10 respondents outsource more than half of their clients' assets—37% outsource 75%-100% of clients' assets.
- While more than half (57%) of those surveyed say outsourcing has had no effect on fees charged to clients, almost one-third (28%) say they've increased fees and 15% say fees have decreased.
- The 2012 top outsourcing drivers: Access to asset allocation models, access to managers firms could not access on their own and the potential to generate alpha through best investment ideas.
- When advisors are asked for the single factor that most positively impacted the firm's outsourcing experience, time freed up to spend on the business is valued even more highly than it was two years ago.
- Ninety-four percent of advisors say they're satisfied with their outsourcing solution. One-third says they're "very satisfied." This is nearly identical to the results reported in 2010. However, advisors in 2012 are more forthcoming about the negatives—investment performance, notably.
- As in 2010, the leading reason provided (by 54% of all advisors vs. 43% of respondents in 2010) for not outsourcing: Investment management is central to their firms' value proposition.
- While 67% of non-outsourcing advisors in 2010 said their position toward outsourcing won't change, only 34% selected that response in 2012.
- Advisors from larger firms that don't outsource are increasingly burdened with investment management-related tasks. More than six out of 10 advisors from larger firms report spending more than five hours a week—for a total of 15 hours/week or the equivalent of 1.5 workweeks a month—on three key investment management tasks.



ABOUT THE SURVEY

Over a three-week period in June and July 2012, multiple emails were sent to subscribers of AdvisorPerspectives.com with the invitation to complete an extensive survey. A total of 510 advisors responded. Answers to the survey's first question split respondents into two groups: those who outsource and those who don't.

Analysis of the research included consideration of the advisors' firm type (independent financial planning/investment advisory, RIA or regional broker-dealer), firm size (our smaller firms label applies to those with \$150 million in assets or less, larger firms have \$150 million in assets or more) and compensation model (asset-based or a combination of commissions and fees).

Financial advisors used the survey's comment fields to add additional considerations or elaborate on their responses. Their verbatim comments appear throughout the report.

Insights Into the Outsourcing Advisory Practice

SCOPE OF OUTSOURCING

The 2012 survey asked respondents to specify which investment management activities and back-office operations are being outsourced.

Exactly one-half of the outsourcing respondents outsource all investment management activities, while 15% outsource just specific asset classes. Among larger firms,

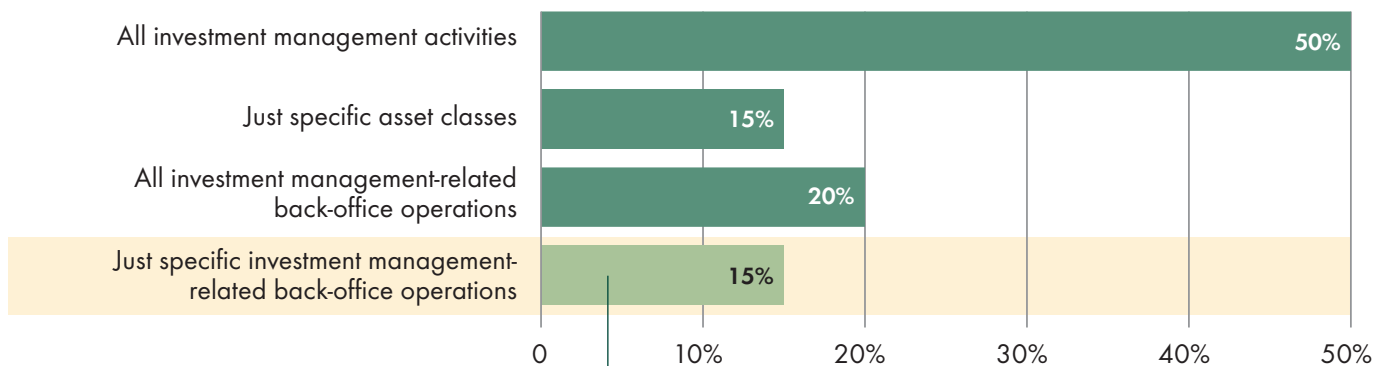
just 31% say they outsource all investment management.

Two out of 10 advisors outsource all investment management-related back-office operations.

Via their write-in comments, advisors made it clear that their firms outsource to a finer degree than captured in the choices provided.

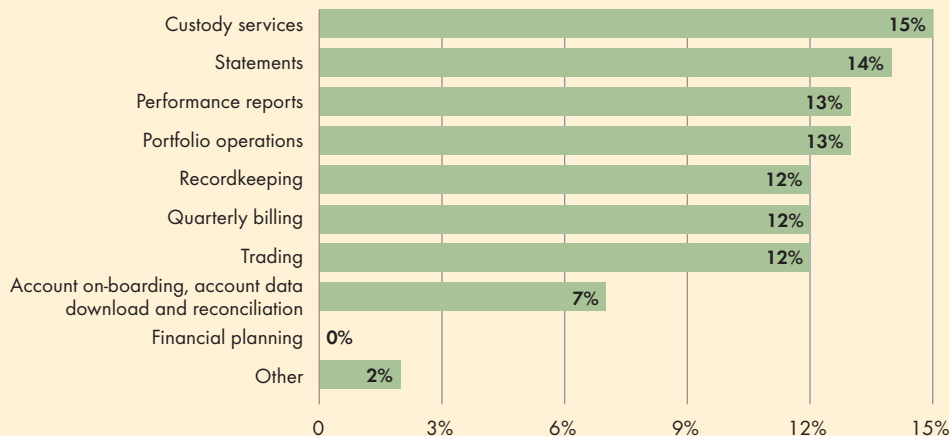
Outsourced Investment Management Activities

As a percentage of outsourcing responses



Outsourced Investment Management-Related Back-Office Operations

As a percentage of outsourcing responses



The 15% of respondents who selected the "Just specific investment management-related back-office operations" response were asked to specify from among a list of activities. Custody services, statements and performance reports were the top three selections.

Source: "Investment Management Outsourcing: The State of the Art in 2012," Northern Trust, 2012

IN THEIR OWN WORDS:
ADVISORS'
COMMENTS
ABOUT WHAT'S
OUTSOURCED



"Manager due diligence"

"Outsource some investments with some clients"

"Asset allocation and security selection"

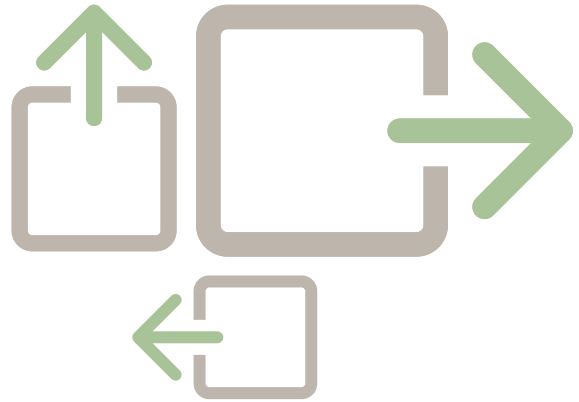
"Primarily qualified assets"

"Certain investment-related functions for certain products"

"Specific portfolio types"

"SMA sub-advisory"

"Third-party research"

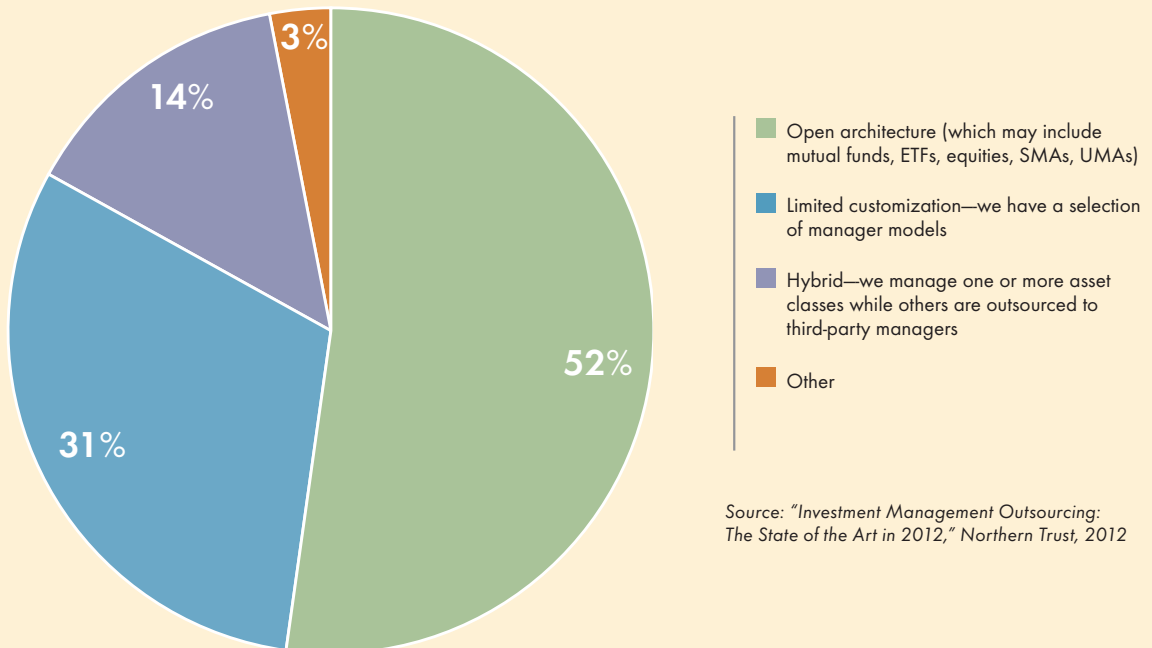


CUSTOMIZATION ENABLED

More than half of advisors surveyed (52%) work with a solution that enables open architecture, with about one-third (31%) using limited customization and the remainder (17%) using a hybrid or other arrangement. Firm size may be a factor in determining the customization approach. Just 25% of advisors from larger firms report using a limited solution.

Customization Enabled by the Primary Investment Management Outsourcing Solution

As a percentage of all outsourcing responses



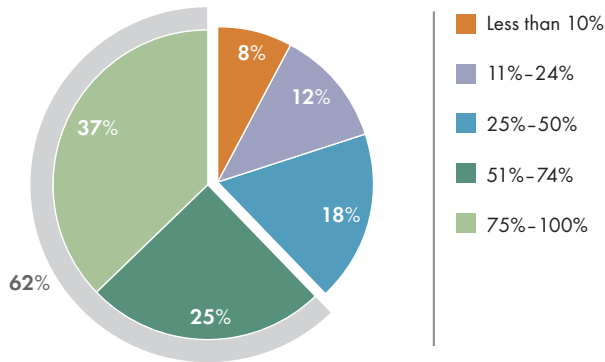
Source: "Investment Management Outsourcing: The State of the Art in 2012," Northern Trust, 2012

WHAT PERCENTAGE OF CLIENT ASSETS?

Advisors outsource a significant percentage of their clients' assets. Six out of 10 (62%) advisors say they outsource more than half of their clients' assets—37% say three-quarters to 100% of clients' assets are outsourced.

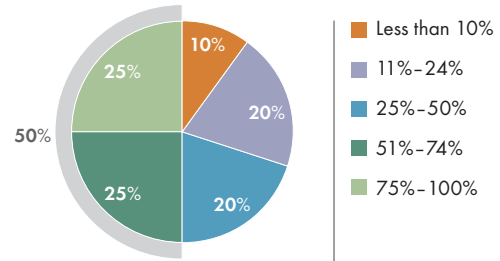
The Percentage of Clients' Assets Outsourced

Percentage of all outsourcing responses



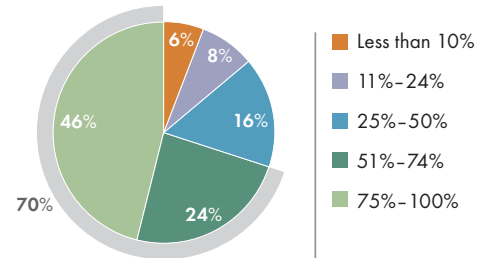
Outsourcing of Clients' Assets by Firm Size Larger Firms (AUM>\$150M)

As a percentage of outsourcing responses



Outsourcing of Clients' Assets by Firm Size Smaller Firms (AUM<\$150M)

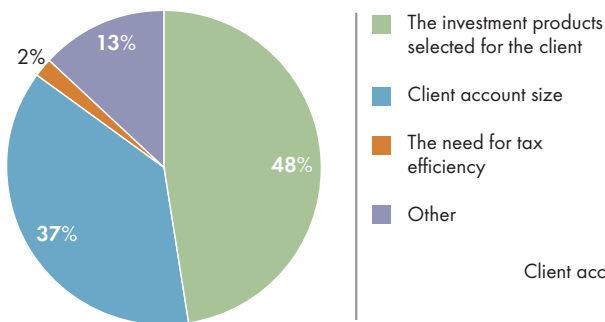
As a percentage of outsourcing responses



Source: "Investment Management Outsourcing: The State of the Art in 2012," Northern Trust, 2012

Outsourcing of Particular Assets or Accounts

As a percentage of outsourcing respondents

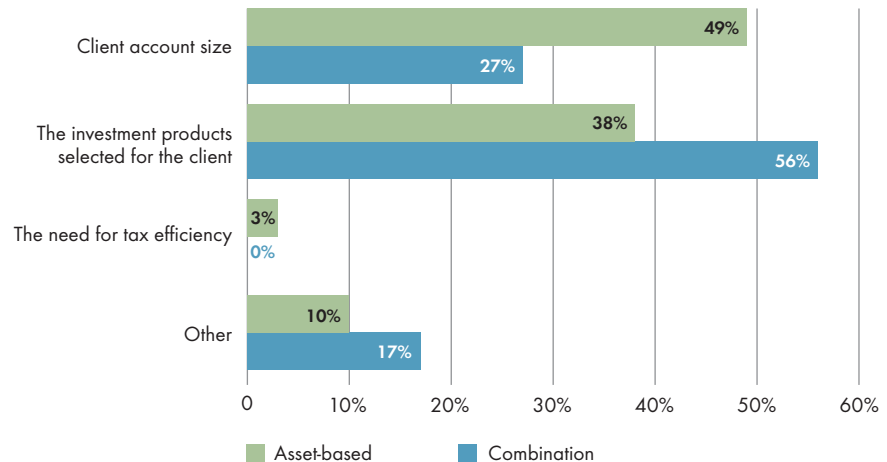


WHICH CLIENT ASSETS?

What determines which assets or accounts will be outsourced? The leading consideration, cited by 48% of all advisors, is the investment products selected; 37% say the decision is driven by client account size. There is a marked difference in advisor responses when analyzed by compensation model.

What Determines the Outsourcing of Particular Assets or Accounts by Compensation Model

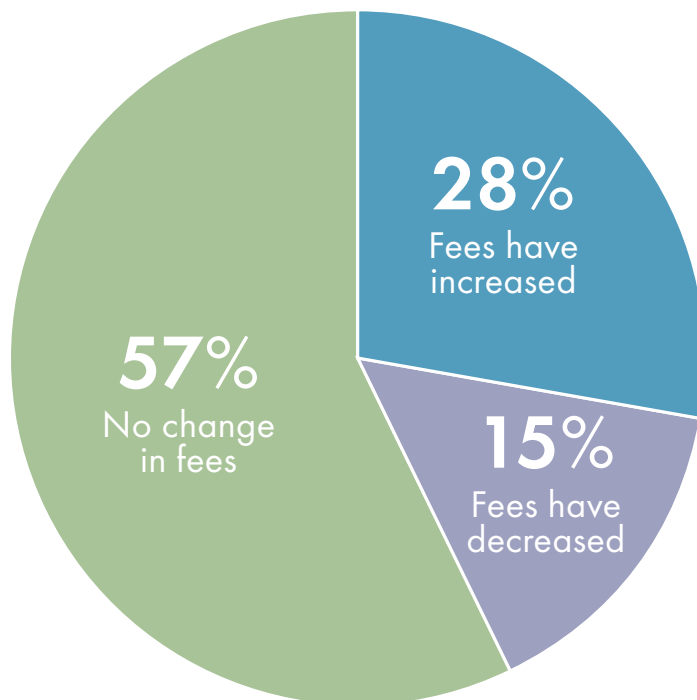
As a percentage of outsourcing respondents



Source: "Investment Management Outsourcing: The State of the Art in 2012," Northern Trust, 2012

Impact of Outsourcing on Fees Charged

As a percentage of all outsourcing responses



Source: "Investment Management Outsourcing: The State of the Art in 2012," Northern Trust, 2012

OUTSOURCING CAN IMPACT FEES CHARGED

Outsourcing has led to fee changes, four out of 10 advisors (43%) say.

Almost two-thirds of advisors from larger firms said fees were unchanged while advisors from smaller firms said fees had risen. Advisors compensated based on assets under management were the likeliest to report a decline in fees, although more than half (53%) of this segment said there had been no change.

IN THEIR OWN WORDS:

ADVISORS' COMMENTS ABOUT FEES CHARGED

"Fees have increased compared to buy and hold mutual fund accounts."

"Generally, fees have remained the same; however, we have reduced some client fees due to less work required on our part to manage the assets."

"I find that advisory accounts are much easier to manage and for that reason I charge representative fees of less than 1%."

"For those clients who chose to allow their accounts to be managed on a more active, tactical basis, we use our providers' algorithms. The provider charges us 40 bps/yr, we charge the clients 60 bps/yr. Half our assets use these programs."

"Our management fee is the same, the TAMP has fees that are unique to the strategy implemented."

"I, as the FP, make less since I charge the same and pay the third-party money manager from my comp. I can't keep up with the shenanigans around the world with investments, and CE, compliance, client meetings, networking, etc."

"The move to managed accounts from retail brokerage accounts over the last several years has made fees more visible to clients but also more cost-effective."

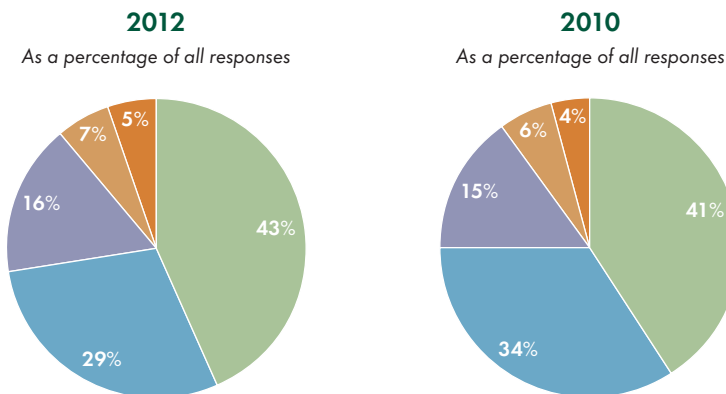
The Outsourcing Experience



The composition of the respondents to the 2012 survey was comparable to the 2010 survey, with slightly greater RIA representation in 2012 (43% vs. 41%). This enables a comparison of responses to similar questions, and leads to insights about how advisors' perspectives have evolved in the intervening two years.

Composition of Survey Respondents

- RIAs
- Independent planning, investment advisory firms
- Regional broker-dealers
- Other
- Banks



Source: "Investment Management Outsourcing: The State of the Art in 2012," Northern Trust, 2012

PRIMARY OUTSOURCING DECISION DRIVERS

This table compares the top 2012 and 2010 survey responses to related questions.

In 2010, respondents were asked, "Which of the following is driving your firm's outsourcing/partnering considerations?" The survey provided a list of six choices and asked respondents to choose the top three. A follow-up question asked, "Which additional benefits does your firm look to obtain

by outsourcing/partnering?" and respondents were asked to choose all that apply.

The 2012 survey combined all choices offered in the two 2010 questions, with four additional options, and respondents were asked to select their top three. The table below presents the top 10 decision drivers. The boldface options were not choices offered in the 2010 survey.

2012	2010
TOP RESPONSES TO QUESTION THAT COMBINED CHOICES OFFERED BY TWO QUESTIONS IN 2010	TOP RESPONSES TO DECISION DRIVER QUESTION
Access to asset allocation models	Portfolio construction
Access to managers we could not access on our own	Access to alternative investments expertise
The potential to generate alpha through best investment ideas	Portfolio monitoring
Portfolio construction	Access to separately managed account (SMA) expertise
Portfolio monitoring	Access to asset allocation models
Access to separately managed account (SMA) expertise	Access to mutual funds expertise
Access to alternative investments expertise	TOP RESPONSES TO ADDITIONAL BENEFITS QUESTION
Superior back-office technology and support	Performance reporting
Access to unified managed account (UMA) capability	Superior back-office technology and support
Overlay management	Marketing support
	Practice management support

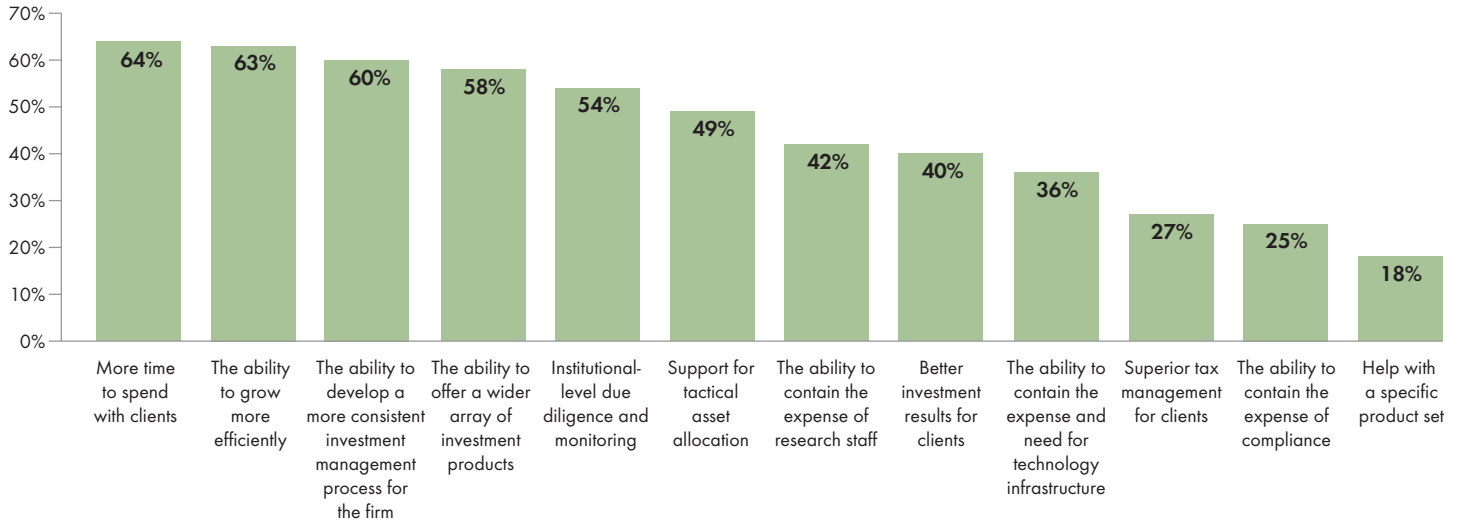
The Impact of Outsourcing



Productivity and profitability—that’s what advisors say outsourcing has helped their firms achieve, as shown in this graph which rank-orders advisors’ multiple responses.

What Outsourcing Has Achieved for the Firm

As a percentage of all outsourcing respondents



Source: “Investment Management Outsourcing: The State of the Art in 2012,” Northern Trust, 2012



IN THEIR OWN WORDS:
**ADVISORS’
 COMMENTS
 ON WHAT
 OUTSOURCING
 ACHIEVES**

“It was not really a ‘decision to outsource’ any more than our referring people to qualified counsel to draft estate planning documents is a ‘decision to outsource.’ Rather, it is merely our recognition of the fact that we are financial planners, not money managers, or lawyers, or accountants or bankers, etc...”

“It’s none of these [choices]. It’s fees for the firm and broker retention. The only reason outsourcing is allowed is greed and fear.”

“We’re financial planners, CFPs not CFAs.”

“Using our provider’s algorithm versus the modified buy and hold approach that we use for other clients has produced average annual returns that are consistently 200–300 bps better than our own portfolios for the past two years.”

“We don’t outsource unless there is a kickback to the firm.”

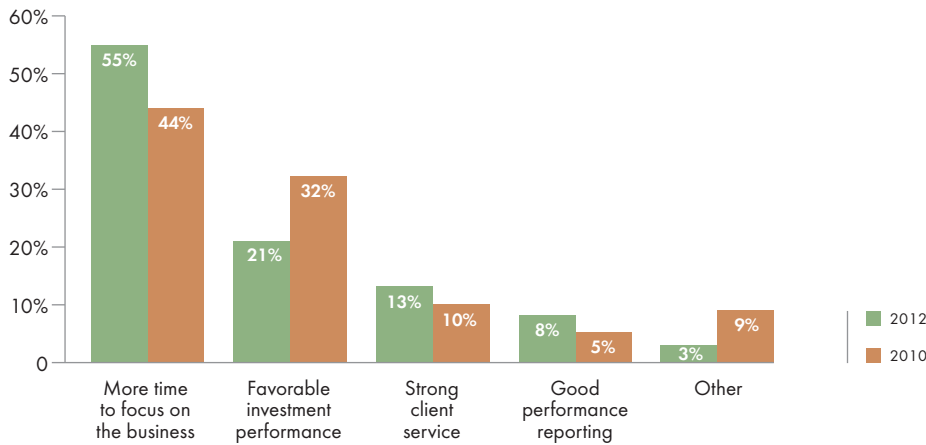
POSITIVE AND NEGATIVE IMPACTS

In 2010 and in 2012, the survey asked respondents in what ways outsourcing positively and negatively impacted their business. Advisor responses show that an increasingly high premium is placed on the time outsourcing frees up to focus on the business. Fifty-five percent of advisors selected the choice in 2012 versus 44% in 2010. Favorable investment performance, a selection of 32% of advisors in 2010, was the most positive impact for 21% of today's outsourcing advisors.

Because only 12 advisors answered the negative impact question, the 2010 summary did not include the results. In the intervening two years, investment performance of the outsourced solutions has disappointed, and poor performance ranks as outsourcing's single most negative impact in 2012, as cited by one-third of advisors.

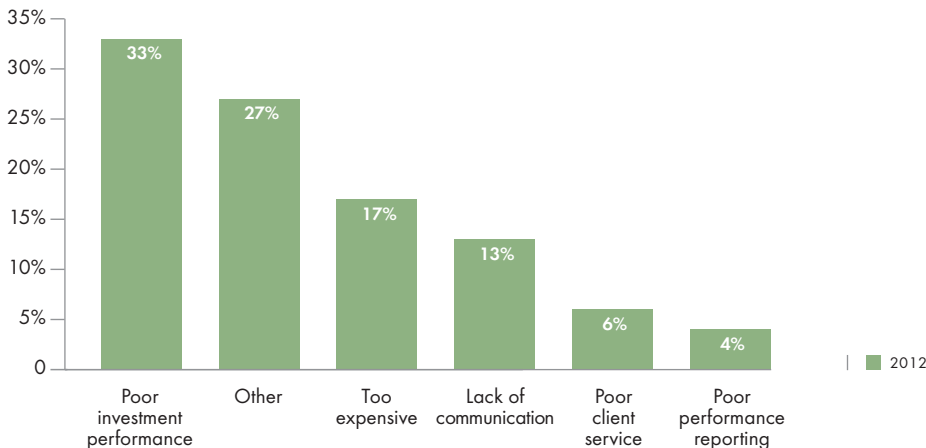
The Single Most Positive Impact of Outsourcing

As a percentage of outsourcing respondents



The Single Most Negative Impact of Outsourcing

As a percentage of outsourcing respondents



IN THEIR OWN WORDS:
ADVISORS'
COMMENTS ON
THE IMPACT OF
OUTSOURCING

POSITIVE

"Profitability"

"I can blame them for poor performance."

NEGATIVE

"Investment capabilities are not viewed as ours."

"Short records"

"Branding/positioning"

Source: "Investment Management Outsourcing: The State of the Art in 2012," Northern Trust, 2012

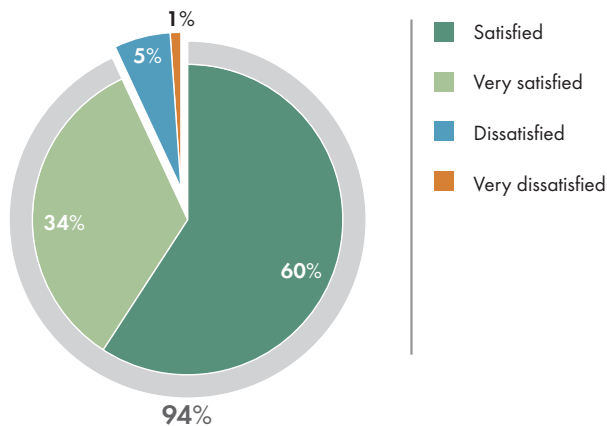
HIGH SATISFACTION ACROSS THE BOARD

Advisors are overwhelmingly pleased with outsourcing. That was the case in 2010 and continues to be true in 2012, with a total of 94% of advisors saying they're satisfied—34% very satisfied.

More advisors whose compensation is based on their assets and advisors with small firms describe themselves as very satisfied. Fewer advisors from larger firms and those compensated based on a combination of fees and commission select the superlative.

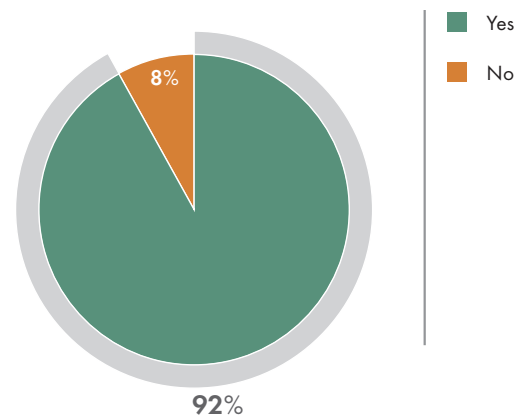
2012 Satisfaction with Outsourcing Solution

As a percentage of outsourcing respondents



2010 Pleased with Outsourcing/Partnership

As a percentage of respondents



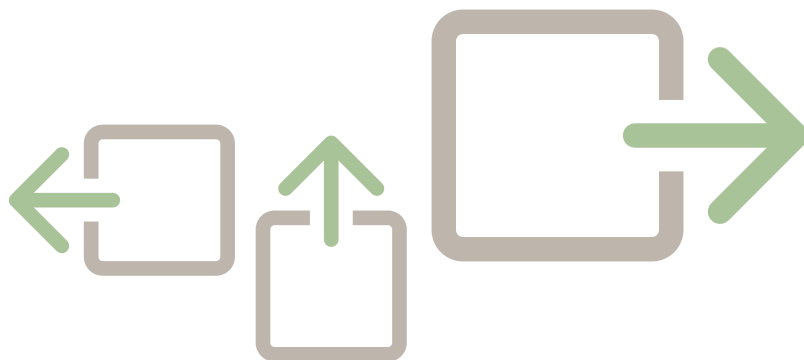
Source: "Investment Management Outsourcing: The State of the Art in 2012," Northern Trust, 2012

Such high levels of satisfaction may be a measure not just of the providers but of the concept itself. No single partner's name dominates the research results. And, as noted in 2010, advisors continue to have their choice of a wide variety of firms offering "outsourcing" solutions.

While the survey provided a list of 15 names as possible responses to the "Who is your firm's primary outsourcing provider?" question, the top selection was "Other." One-third of the respondents wrote in names not on the list. Despite the fragmented offerings, these disparate providers appear to be fully satisfying outsourcers' needs.

TOP 10 OUTSOURCING PARTNERS NAMED

■ Genworth Wealth Management
■ SEI
■ Brinker Capital
■ Morningstar, Inc.
■ Hanlon Investment Management
■ Envestnet
■ Fortigent, LLC
■ Loring Ward
■ Fidelity
■ Lockwood Advisors, Inc.



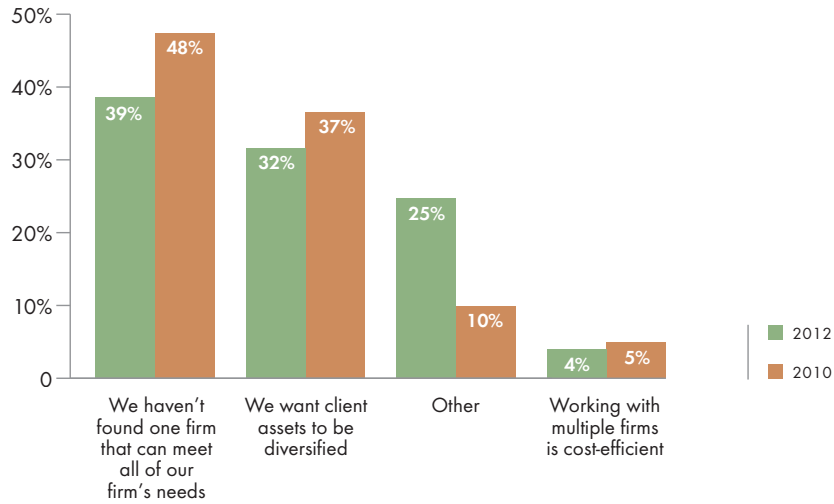
RELIANCE ON MULTIPLE PARTNERS

Further, response to a related survey question suggests that advisors are increasingly finding what they need with one partner. The percentage of advisors who say they use multiple outsourcing partners because they haven't found

one firm to meet all their needs has dropped to 39% in 2012 from 48% in 2010. The desire for client asset diversification continues to be a secondary reason to work with multiple partners, although that's declined, as well.

Why Firms Use Multiple Partners

As a percentage of all outsourcing responses



Source: "Investment Management Outsourcing: The State of the Art in 2012," Northern Trust, 2012



"There's no monopoly on good ideas."

"More selection for our FAs"

"Single-sourcing exceeds our firm's risk tolerance and constrains objectivity."

"We use one platform for clients who want more control."

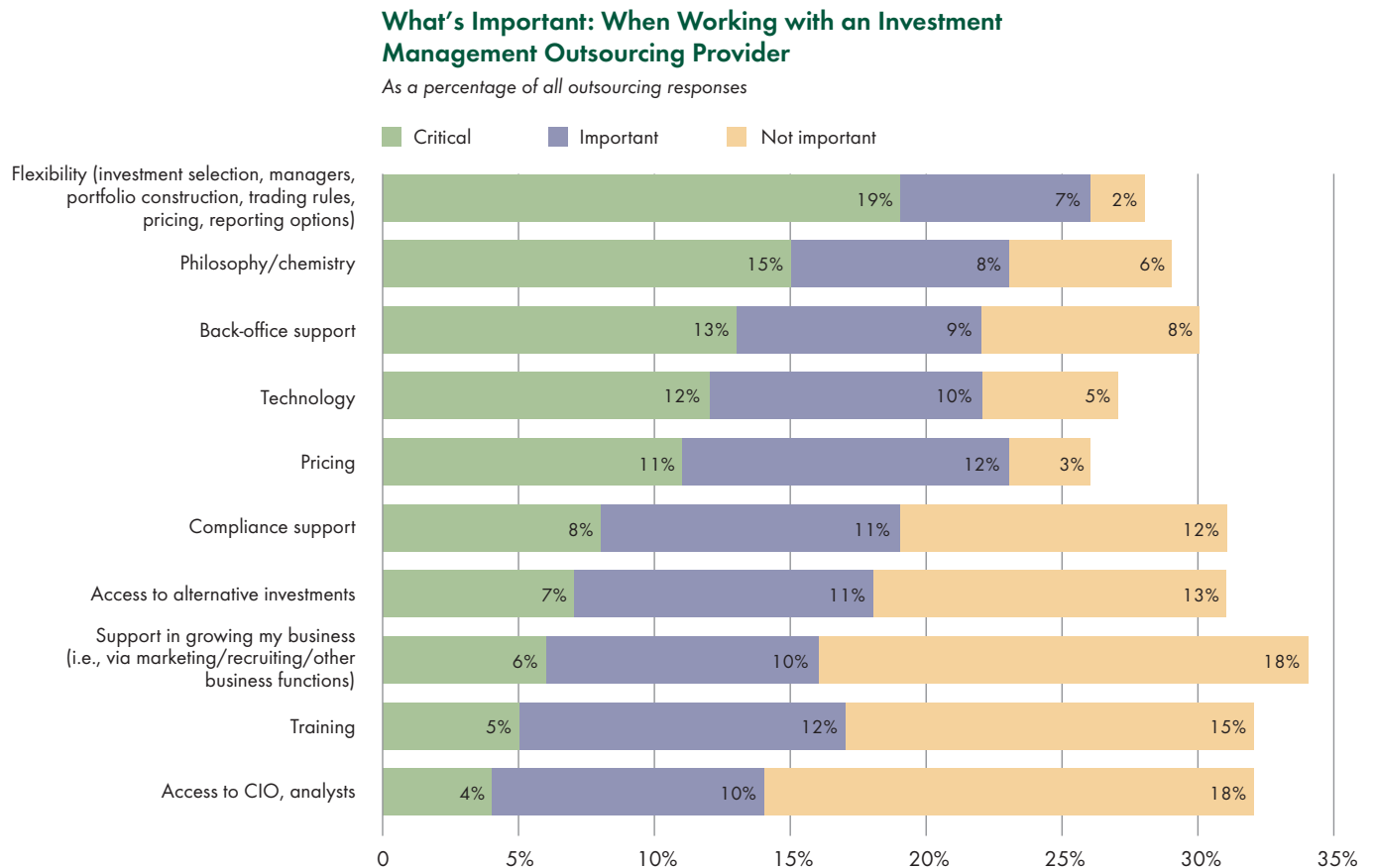
"Client needs dictate"

EXPECTATIONS VS. EXPERIENCE

The identification and vetting of an investment management outsourcing partner requires great care and deliberation on the part of an advisory firm. But, is the outsourcing experience as expected? The research sought to reveal any gaps by asking advisors to compare the relative importance (critical/important/not important) of an array of decision

drivers, both during the evaluation and selection process and once the firm began working with the outsourcing provider.

The graph below shows how advisors rank the factors, now that they are working with providers. Flexibility and philosophy—two qualitative factors—rank at the top of the list, ordered by critical considerations.



Source: "Investment Management Outsourcing: The State of the Art in 2012," Northern Trust, 2012

EXPERIENCE MOSTLY ALIGNS WITH EXPECTATIONS

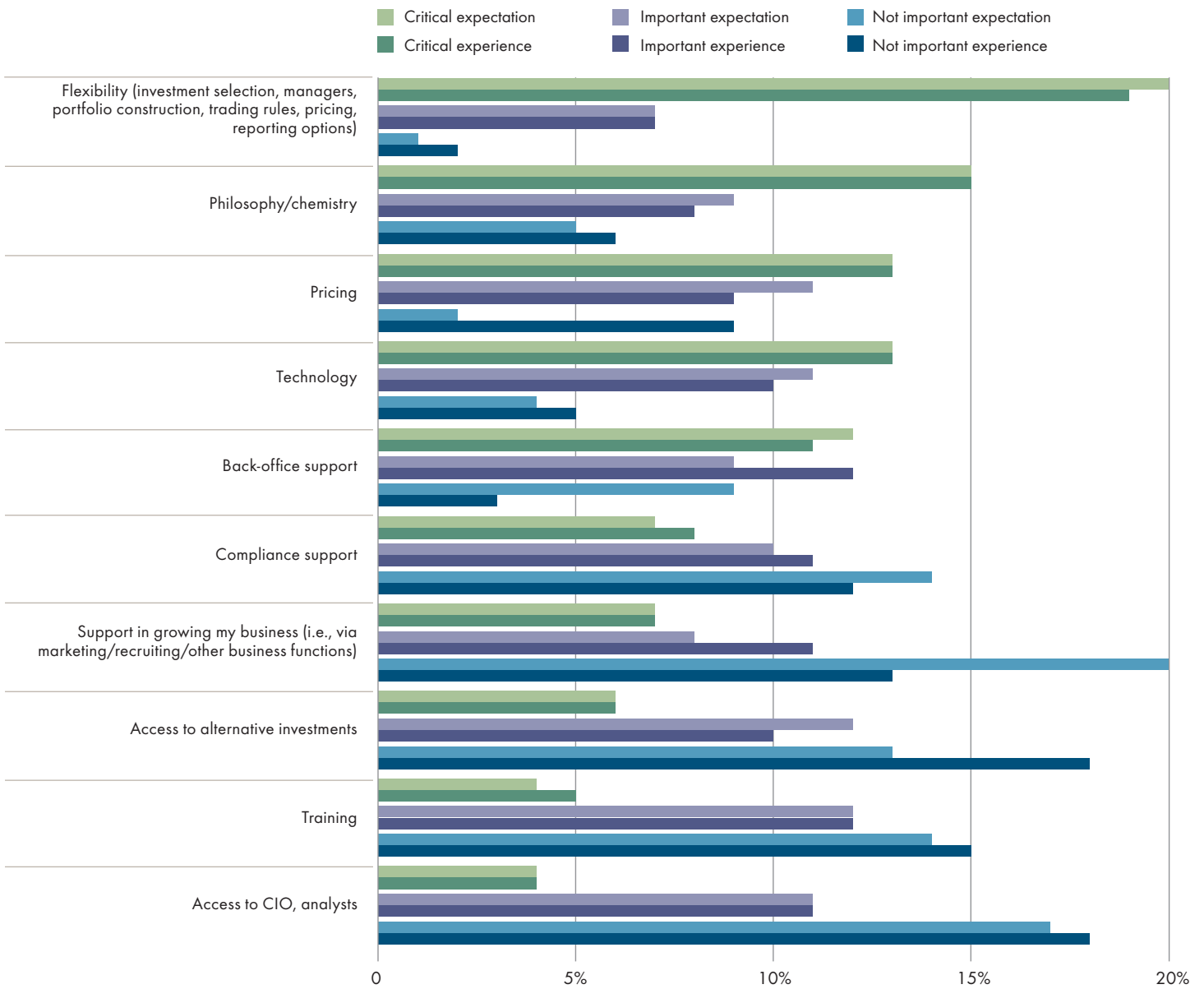
What advisors considered to be important during the buying process is largely in line with their experience working with their provider.

This graph compares expectations versus experience by dimension. It suggests that while advisors' focus on the critical items aligned with their ultimate experience, they were slightly less accurate when considering which dimensions would be important and which not important.

Support in growing the business, back-office support and compliance support are three dimensions whose importance was underestimated by advisors. Conversely, advisors overestimated the importance of pricing and access to alternative investments.

Outsourcing Expectations vs. Experience

As a percentage of all outsourcing responses



Source: "Investment Management Outsourcing: The State of the Art in 2012," Northern Trust, 2012

Advisors Who Don't Outsource



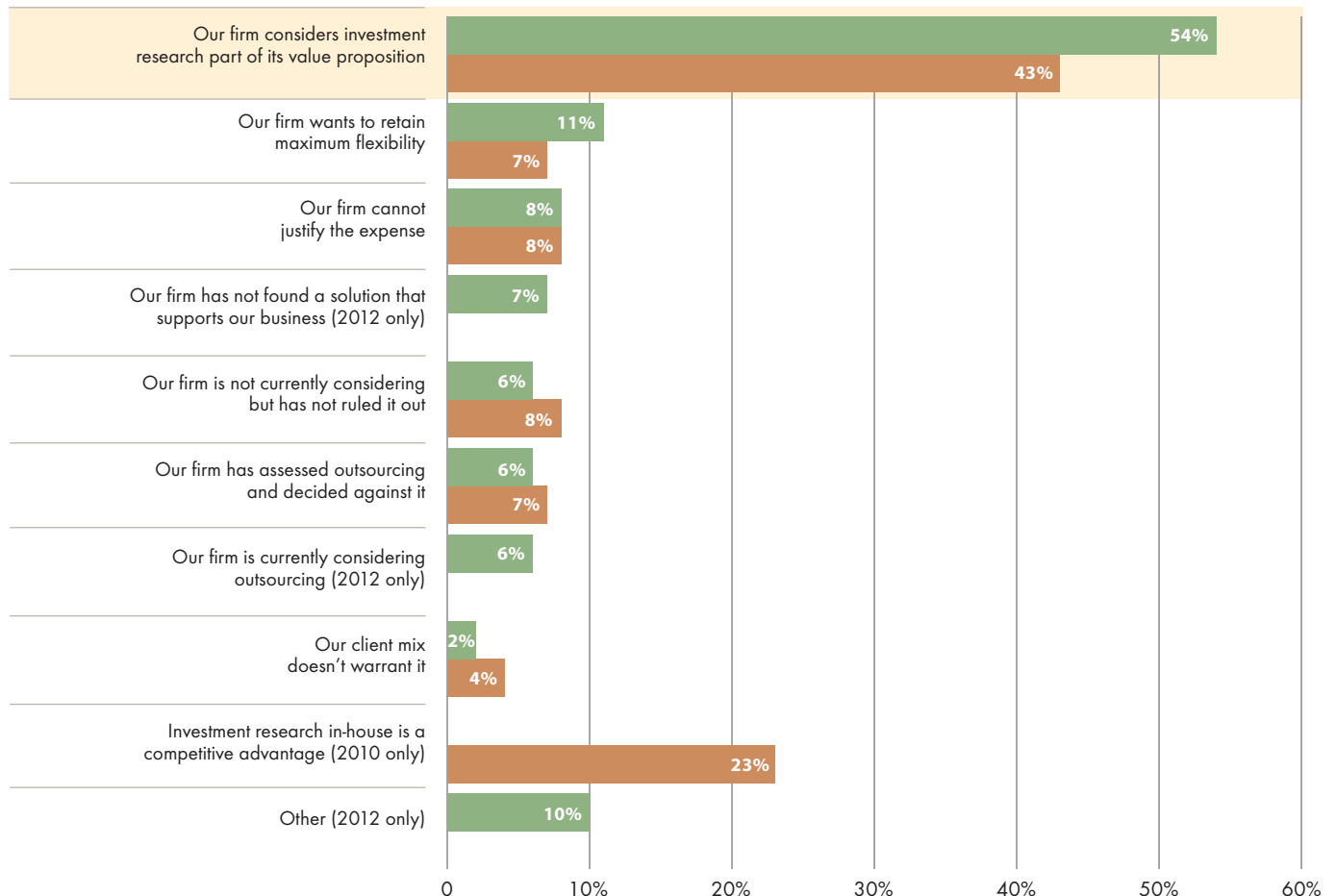
Advisors who don't outsource are certainly aware of the productivity and profitability claims made by their outsourcing colleagues. As in 2010, the research sought to understand where non-outsourcing advisors stand. Are there some for whom outsourcing is a foregone but not yet acted upon conclusion or is it their intention to keep investment management in-house indefinitely?

“Which best describes the reason that your firm does not outsource the investment management capability?” The same question was asked this year as was asked in 2010, with some variance in the possible reasons provided. This year's survey provided three new choices—“Our firm has not found a solution that supports our business,” “Our firm is currently considering outsourcing” and “Other.” The 2010 response, “Investment research in-house is a competitive advantage” was omitted.

Reason for not Outsourcing

As a percentage of non-outsourcing respondents

■ 2012 ■ 2010



Source: “Investment Management Outsourcing: The State of the Art in 2012,” Northern Trust, 2012

IN THEIR OWN WORDS:
ADVISORS' COMMENTS ON WHY THEY DON'T OUTSOURCE



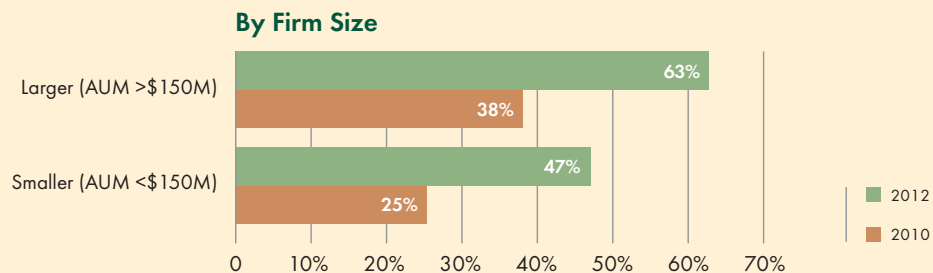
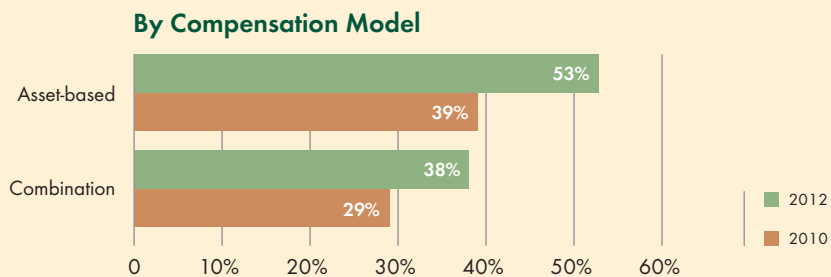
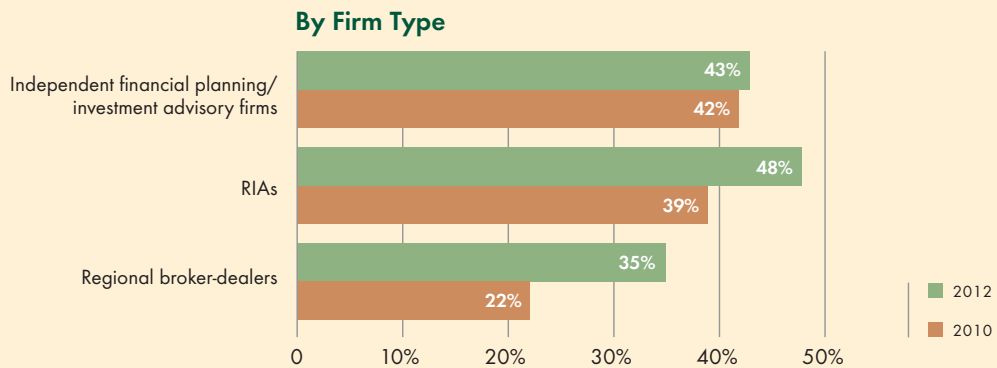
"We outsourced in the past and the advisor failed to manage risk."

"Our firm has outsourced in the past and the results weren't as good as expected."

"I demand honesty and cannot count on it from anyone other than myself."

"Our firm considers investment research part of its value proposition."

The leading reason selected by more than half of the advisors surveyed (54%) was that investment management is considered central to the firm's value proposition. And, the percentage of advisors who gave this response increased across every segment analyzed.



Source: "Investment Management Outsourcing: The State of the Art in 2012," Northern Trust, 2012

WHAT WOULD HAVE TO CHANGE

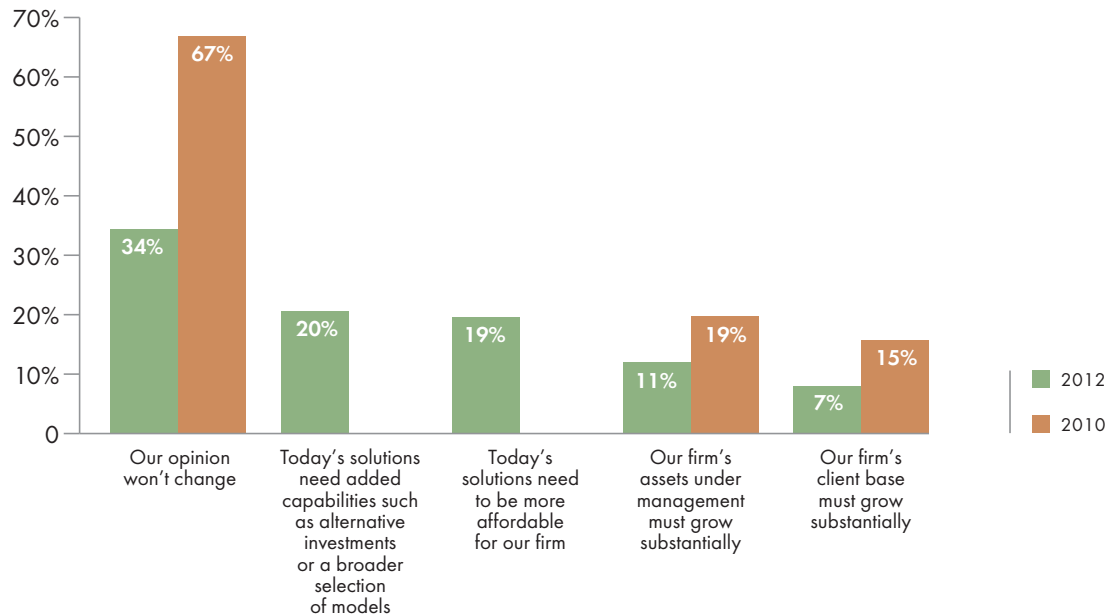
While this suggests some digging in on the advisors' part, responses to a follow-up question asked both in 2010 and 2012 raise the possibility of a weakening of advisors' resolve.

In 2010, two-thirds of non-outsourcing survey respondents said that their position on outsourcing would

not change. That was the dominant response. While the response continues to be dominant in 2012, the percentage who said their opinion would not change has been halved to 34%. Note that this year's survey provided additional choices to choose from.

What Would Need to Occur in Order for Opinions to Change

As a percentage of all non-outsourcing responses



Source: "Investment Management Outsourcing: The State of the Art in 2012," Northern Trust, 2012



WHERE OUTSIDE HELP IS RELIED UPON AND WANTED

Notwithstanding a firm's decision to keep investment management in-house, 85% of non-outsourcing advisors say they use outside help in investment management-related areas. The leading selection: investment product analysis, used by four out of 10 advisors.

Advisors' response to the question: "Apart from your firm's decision not to outsource investment management, what could you use outside help with today? Choose all that apply" produced the strongest response of the survey. The top identified areas are comparable to the 2010 list with one exception: RIAs' inclusion of compliance.



TOP THREE AREAS WHERE ADVISORS SAY THEY COULD USE HELP

By Firm Type

Independent financial planning/investment advisory firms

- Marketing support
- Access to broader investment options, including institutional-type investment management research and strategies
- Performance reporting

RIAs

- Marketing support
- Compliance
- Superior back-office technology and support

Regional broker-dealers

- Marketing support
- Portfolio monitoring
- Access to broader investment options, including institutional-type investment management research and strategies



TIME SPENT WEEKLY ON INVESTMENT MANAGEMENT-RELATED TASKS

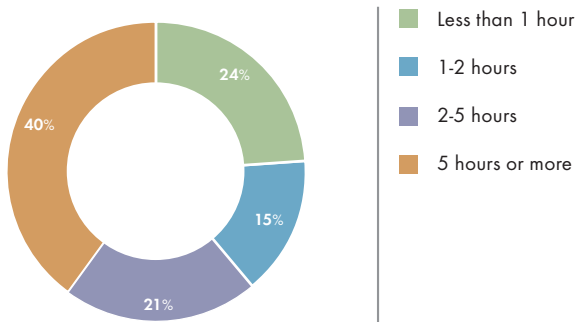
The 2010 research found that “time spent on investment management-related tasks could consume the equivalent of two workdays/week.” Advisors in 2012 report spending even more time on investment manager research, portfolio construction and portfolio monitoring.

These tasks are taking a significant bite out of the schedules of advisors from larger firms, in particular. More than six out of 10 advisors from large firms report spending more than five hours a week on investment manager research, portfolio construction and monitoring. That’s a total of 15 hours/week or the equivalent of 1.5 workweeks a month.

TIME SPENT BY ALL ADVISORS IN 2012

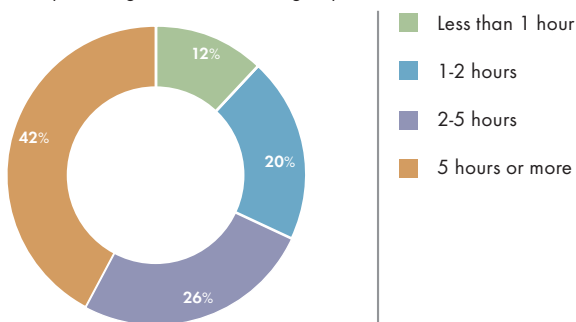
Investment Manager Research

As a percentage of non-outsourcing responses



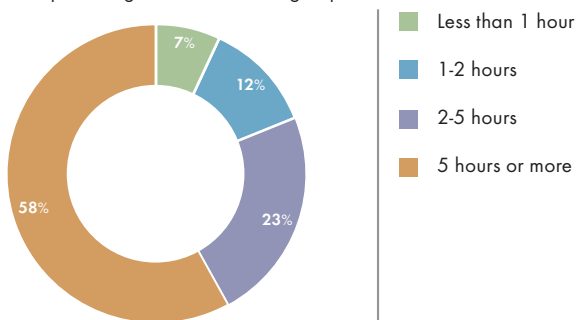
Portfolio Construction

As a percentage of non-outsourcing responses



Portfolio Monitoring

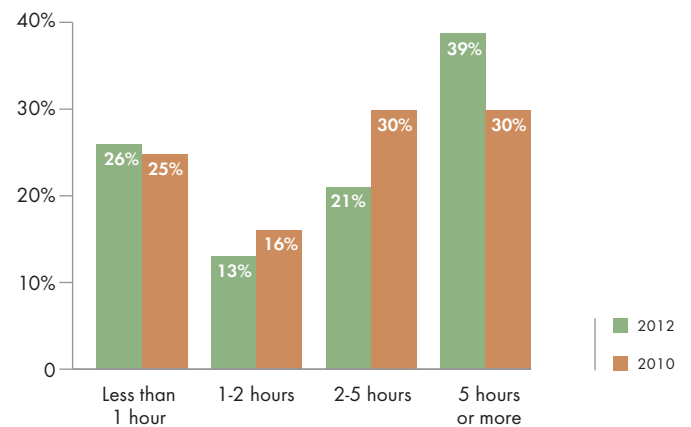
As a percentage of non-outsourcing responses



TIME SPENT BY ADVISORS FROM LARGER FIRMS 2012 VS. 2010

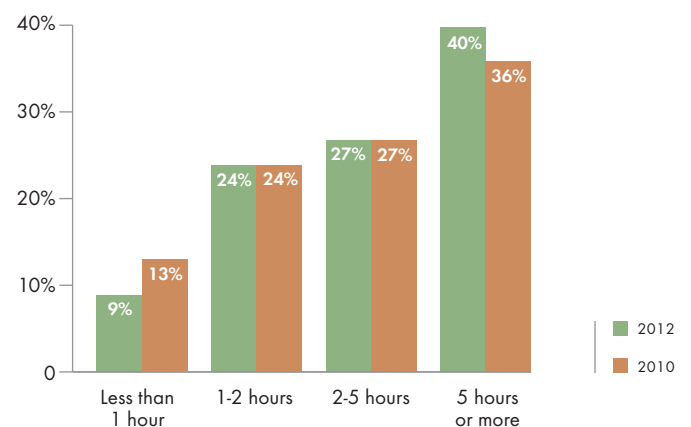
Investment Manager Research

As a percentage of non-outsourcing responses



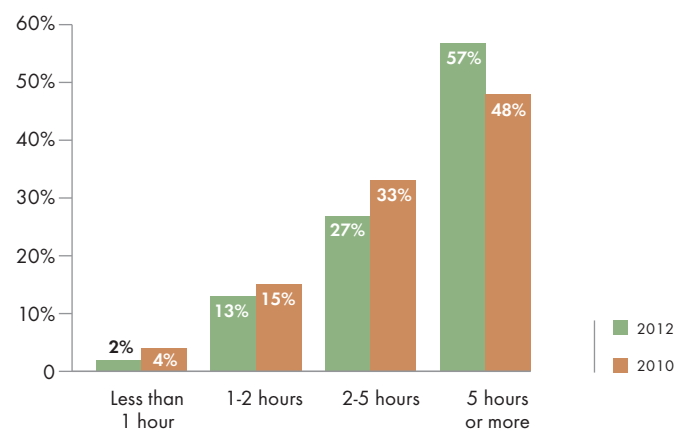
Portfolio Construction

As a percentage of non-outsourcing responses



Portfolio Monitoring

As a percentage of non-outsourcing responses



Source: “Investment Management Outsourcing: The State of the Art in 2012,” Northern Trust, 2012

Survey

1. Does your firm currently outsource its investment management capability, including one or more of the following: investment manager research, product selection, due diligence and ongoing monitoring and management?

- Yes
- No (if no, direct respondents to the 'no' track)

If the respondent answered YES to question 1 they were directed to the following questions Q2-Q16 below. If the respondent answered NO to question 1 they were directed to the set of questions Q17-Q21 beginning on page 20. All respondents were asked the profiling questions.

2. Which of the following investment management activities does your firm outsource? (Choose all that apply)

- We outsource all investment management activities
- We outsource just specific asset classes
- We outsource all investment management-related back-office operations
- We outsource just specific investment management-related back-office operations (if you selected this please answer the following question)

3. Which specific investment management-related back-office operations do you outsource? Please only answer if you outsource just specific back-office operations. (Choose all that apply)

- Portfolio operations
- Performance reports
- Statements
- Recordkeeping
- Custody Services
- Other _____
- Financial Planning
- Quarterly Billing
- Trading
- Account on-boarding, account data download and reconciliation

4. Who is your firm's primary outsourcing provider? (Choose one)

- Adhesion Wealth Advisor Solutions
- Brinker Capital
- Curian Capital
- Dorsey Wright
- Investnet | PMC
- Fidelity
- Fortigent
- FTJFund Choice
- Genworth
- Hanlon Investment Management
- Lockwood Advisors
- Loring Ward
- Morningstar Managed Portfolios
- Placemark Investments
- SEI Advisor Network
- Other _____

5. If your firm outsources to multiple partners, please select the answer that best explains your rationale. (Choose one)

- We want client assets to be diversified
- We haven't found one firm that can meet all of our firm's needs
- Working with multiple firms is cost-efficient
- Other _____

6. What level of customization does your primary investment management outsourcing solution enable? (Choose one)

- Limited customization—we have a selection of manager models
- Hybrid—we manage one or more asset classes while others are outsourced to third-party managers
- Open architecture, which may include mutual funds, ETFs, equities, SMAs, UMAs

7. What percentage of clients' assets does your firm outsource? (Choose one)

- Less than 10%
- 11%-24%
- 25%-50%
- 51%-74%
- 75%-100%

8. Has outsourcing all or some of your investment activities resulted in a change in fees charged to clients? (Choose one)

- Fees have increased
- Fees have decreased
- There has been no change
- Comment _____

9. Which of the following primarily drove the decision to outsource your firm's investment management? (Choose the top three that apply)

- Access to separately managed account (SMA) expertise
- Access to unified managed account (UMA) capability
- Access to alternative investments expertise
- Access to mutual funds expertise
- Access to asset allocation models
- The potential to generate alpha through best investment ideas
- Portfolio construction
- Portfolio monitoring
- Overlay management
- Access to managers we could not access on our own
- Superior back-office technology and support
- Performance reporting
- Client profiling
- Production of client proposals
- Education and training
- Marketing support
- Practice management support
- Other _____

10. Please indicate the importance of each to your firm when evaluating and selecting an investment management outsourcing provider.

	Critical	Important	Not a factor
Flexibility (investment selection, managers, portfolio construction, trading rules, pricing, reporting options)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pricing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Access to alternative investments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Access to CIO, analysts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Back-office support	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Technology	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Training	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Support in growing my business (i.e., via marketing/recruiting/other business functions)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Compliance support	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Philosophy/chemistry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comment _____			

11. Please indicate the importance of each to your firm when now that you are working with your investment management outsourcing provider.

	Critical	Important	Not a factor
Flexibility (investment selection, managers, portfolio construction, trading rules, pricing, reporting options)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pricing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Access to alternative investments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Access to CIO, analysts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Back-office support	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Technology	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Training	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Support in growing my business (i.e., via marketing/recruiting/other business functions)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Compliance support	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Philosophy/chemistry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comment _____			

12. What has your decision to outsource investment management achieved for your firm? (Choose all that apply)

- Better investment results for clients
- The ability to grow more efficiently
- The ability to offer a wider array of investment products
- The ability to develop a more consistent investment management process for the firm
- More time to spend with clients
- Help with a specific product set
- Support for tactical asset allocation
- The ability to contain the expense and need for technology infrastructure
- The ability to contain the expense of research staff
- The ability to contain the expense of compliance
- Institutional-level due diligence and monitoring
- Superior tax management for clients
- Other _____

13. What's your level of satisfaction with your outsourcing solution? (Choose one)

- Very satisfied
- Satisfied
- Dissatisfied
- Very dissatisfied

14. Which of the following has most negatively impacted your firm's outsourcing experience? (Choose one)

- Poor investment performance
- Poor performance reporting
- Lack of communication
- Poor client service
- Too expensive
- Other _____

15. Which of the following has most positively impacted your firm's outsourcing experience? (Choose one)

- Favorable investment performance
- Good performance reporting
- Strong client service
- More time to focus on the business
- Other _____

16. Which of the following factors determines whether your firm will outsource the investment management of particular assets or accounts? (Choose one)

- Client account size
- The investment products selected for the client
- The need for tax efficiency
- Other _____

If the respondent answered NO to question 1, they were asked to answer this set of questions.

17. Which best describes the reason that your firm does not outsource the investment management capability?

- Our firm has assessed outsourcing and decided against it
- Our firm considers investment research part of its value proposition
- Our firm cannot justify the expense
- Our firm wants to retain maximum flexibility
- Our client mix doesn't warrant it
- Our firm has not found a solution that supports our business
- Our firm is itself an advisory solutions provider
- Our firm is currently considering outsourcing
- Our firm is not currently considering outsourcing but has not ruled it out
- Other _____

18. Which of the following needs to occur for your opinion on investment management outsourcing to change? (Choose all that apply)

- Our firm's client base must grow substantially
- Our firm's assets under management must grow substantially
- Today's solutions need added capabilities such as alternative investments or a broader selection of models
- Today's solutions need to be more affordable for our firm
- Our opinion won't change
- Other _____

19. Apart from your firm's decision not to outsource investment management, what could you use outside help with today? (Choose all that apply)

- Access to broader investment options, including institutional-type investment management research and strategies
- Access to asset allocation models
- Portfolio construction
- Portfolio monitoring
- Portfolio operations
- Compliance
- Superior back-office technology and support
- Performance reporting
- Client profiling
- Production of client proposals
- Education and training
- Marketing support
- Practice management support
- Recruiting support
- Other _____

20. Do you use outside help for any of the following? (Choose all that apply)

- Multi-manager mutual funds
- Asset allocation models
- Investment product analysis (e.g., Morningstar)
- Web-based practice management sites
- Marketing agencies
- I don't use any outside help for these
- Other _____

21. How much time per week do you estimate that your firm spends on?:

	1 hour	1-2 hours	2-5 hours	5 or more hours
Investment manager research	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Portfolio construction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Portfolio monitoring	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

These questions answered by all respondents.

Are you associated with any of the following?

- Independent financial planning firm or investment advisory firm
- Registered investment advisory firm
- Regional broker-dealer
- Bank
- Other _____

Please indicate your firm's current AUM. This information is strictly confidential.

- \$50 million and under
- \$50 million-\$150 million
- \$150 million-\$500 million
- \$500 million-\$1 billion
- \$1 billion and more

Which best represents the bulk of your firm's revenues?

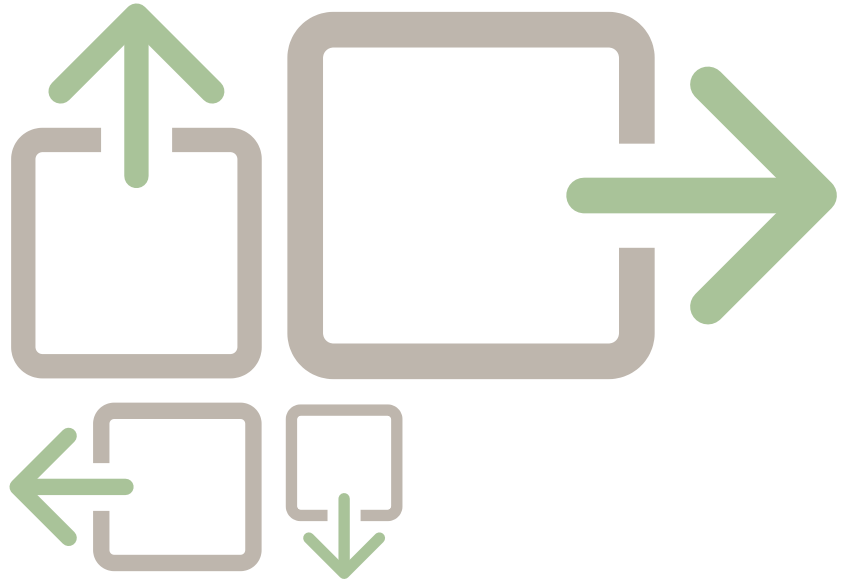
- Asset-based fee
- Commission
- Combination of commission and asset-based fee
- Hourly or planning fees

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AT NORTHERN TRUST**

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