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NRS and IAA Release 11th Edition of Evolution Revolution

ANNUAL STUDY SHOWS ASSETS UNDER MANAGEMENT GREW 13.7% WHILE NUMBER OF INVESTMENT ADVISERS DECREASED

WASHINGTON, D.C./LAKEVILLE, CT – August 30, 2011: The Investment Adviser Association (IAA) and National Regulatory Services (NRS) today issued their eleventh annual report, *Evolution/Revolution*, an in-depth study on the trends of the investment advisory profession that analyzes annual updates filed by investment advisers registered with the Securities and Exchange Commission. The 2011 report is based on information on file with the SEC as of May 1, 2011.

This year's report notes that the total number of SEC-registered investment advisers declined from 11,643 in 2010 to 11,539 in 2011. While relatively small, this is the first annual decrease ever in the number of investment advisers since publication of the report began in 2001. On the other hand, total assets under management (AUM) reported by all investment advisers on May 1, 2011, were \$43.8 trillion, representing a 13.7% increase from the \$38.6 trillion in AUM reported in 2010. This is the highest level of total AUM ever reported.

Consistent with previous years, the 2011 report confirms that a relatively small number of large investment advisory firms manage a high percentage of total AUM. The 78 largest advisers (*i.e.*, those that manage \$100 billion AUM or more) managed over half (50.9%) of total AUM. Similarly, the 565 advisers with \$10 billion AUM or more reported managing 84.4% of all assets.

The report emphasizes that the vast majority of SEC-registered investment advisers are small businesses. In 2011, 81.2% of advisers reported managing less than \$1 billion AUM, and 41.3% reported managing less than \$100 million AUM. Almost half of all advisers (49.8%) reported fewer than 5 full and part-time, non-clerical employees. More than two-thirds of all advisers (68.8%) employed fewer than 10 full and part-time, non-clerical staff, and more than 9 in 10 (90.6%) employed fewer than 50.

The number of investment advisers that specialize in hedge funds has declined in recent years. In 2011, a total of 1,200 investment advisers (10.4%) reported that more than 75% of their clients are hedge funds or other pooled investment vehicles, compared with 1,661 (16.1%) in 2006. With the registration of private fund advisers required pursuant to the

Dodd-Frank Act, the number of hedge fund advisers will increase; indeed, the SEC staff estimate that an additional 700 private fund advisers will register with the SEC under the Investment Advisers Act when the requirements are implemented in 2012.

“Investment advisers represent an increasingly important and prominent segment of the financial services industry,” said John Gebauer, Managing Director of NRS. “Investment advisers, big and small, offer their clients the relative security that professional advice provides compared to self-directed financial management. When one considers the volatility experienced in the markets over the past few years in combination with the impressive growth in assets managed by investment advisers, it seems that investors are increasingly relying on the services offered by investment advisers and that advisers play a critically important role in the financial health of nearly 20 million clients.”

“There will be dramatic shifts in the profile of the investment advisory profession when certain provisions of the Dodd-Frank Act are implemented next year,” said David Tittsworth, Executive Director of the IAA. “It is estimated that about 3,200 smaller investment advisers will switch from SEC to state registration. With the addition of about 700 private fund advisers, we expect that the universe of SEC-registered advisers will shrink to about 9,000, representing a 17% decrease.”

Evolution/Revolution examines information the SEC requires investment advisers to file annually. This includes information on assets under management, employees, advisory and other business activities, clients, custody, disciplinary history, and other data. The 2011 report is available [online](#), and copies of the report may be obtained by contacting IAA or NRS.

About NRS

National Regulatory Services (NRS) is the nation’s leader in compliance and registration products and services for investment advisers, broker-dealers, hedge funds, investment companies and insurance institutions. NRS has the practical expertise, proven capability and unparalleled reach to deliver integrated and effective compliance solutions to a wide range of users within the financial services industry. NRS delivers these solutions through three interrelated offerings – comprehensive education, best-in-class technology and expert consulting services – enabling our clients to meet their regulatory requirements and minimize risk. For more information, visit: www.nrs-inc.com.

About the IAA

The Investment Adviser Association is a non-profit association based in Washington, DC that represents the interests of SEC-registered investment advisory firms. The IAA’s membership consists of more than 500 SEC-registered investment adviser firms that collectively manage in excess of \$10 trillion for a variety of institutional and individual clients. For more information, please visit: www.investmentadviser.org.

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