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NRS and IAA's 14th Annual *Evolution/Revolution* Study Spotlights Diversity of U.S. Investment Advisory Profession

Total regulatory assets under management reported by SEC-registered investment advisers increased significantly to \$61.7 trillion from \$54.8 trillion

WASHINGTON, DC/LAKEVILLE, CT – October 14, 2014. The Investment Adviser Association (IAA) and National Regulatory Services (NRS) today issued the 14th annual *Evolution/Revolution* report, an in-depth study analyzing annual updates filed by investment advisers registered with the U.S. Securities and Exchange Commission (SEC). The 2014 report is based on information on file with the SEC as of April 7, 2014.

This year's report notes that total regulatory assets under management (RAUM) reported by all investment advisers as of April 7, 2014 was \$61.7 trillion, representing a substantial increase from the \$54.8 trillion RAUM reported in April 2013. The total number of SEC-registered investment advisers increased from 10,533 in April 2013 to 10,895 in April 2014. These advisers employ more than 700,000 persons and serve almost 28 million clients.

"The report demonstrates that the investment advisory profession is dynamic and diverse," said Karen Barr, General Counsel of the Investment Adviser Association (IAA). "The data reflects the increasing demand for investment advice on behalf of individual and institutional investors and the significant role that investment advisers play in the financial markets."

"The data shows that the investment adviser industry continues to grow across all market segments and by every measure. It is evident," noted John Gebauer, NRS's Managing Director, "that small advisers join the adviser ranks each year and constitute the largest market segment; yet, due to the growth across segments, the concentration of RAUM with the largest advisers has also increased, and this year the top 1% of advisers manage more than 52% of the total RAUM."

Other key findings of the report include that:

- Advisers with less than \$1 billion RAUM account for 71.5% of all SEC-registered advisers but manage only 3.5% of all reported RAUM.
- The number of clients that advisers serve increased by 9.3% year-over-year.

- Individuals continue to comprise the largest categories of clients of SEC-registered advisers. In 2014, 6,484 (59.5%) investment advisers reported having at least some high-net worth clients and 5,601 (51.4%) reported having at least some non-high-net worth clients.
- Most SEC-registered investment advisers are small businesses. In 2014, more than half of all advisers (57.1%) reported having ten or fewer full-time and part-time non-clerical employees and 87.9% reported having fewer than 50 such employees.
- More than one-third of all SEC-registered advisers (36.2%) reported that they manage at least one private fund. Private fund advisers reported a total of 28,429 private funds with collective RAUM of \$9.5 trillion – up 11.8% from 2013.
- Hedge funds comprise 40% of all reported private funds while private equity funds comprise approximately 33%.

Since the first report in 2001, *Evolution/Revolution* has identified significant trends and developments based on information that investment advisers are required to file with the SEC. This includes information on assets under management, employees, advisory and other business activities, clients, custody, disciplinary history and other data.

Copies of the report may be obtained by contacting IAA or NRS. A PDF version of the report is available online at www.investmentadviser.org (under “Publications” and “Reports”) and at <http://www.nrs-inc.com/EvolutionRevolution2014>.

About IAA

The Investment Adviser Association is the leading association advocating the interests of investment adviser firms registered with the Securities and Exchange Commission. The IAA’s members collectively manage assets in excess of \$14 trillion for a wide variety of individual and institutional investors, including pension plans, trusts, investment companies, private funds, endowments, foundations, and corporations. The IAA provides members with the latest industry information and compliance and educational resources. For more information, please visit our website: www.investmentadviser.org.

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 its clients to meet their regulatory requirements and minimize risk. NRS is part of Accuity, the global standard for payment efficiency and compliance solutions. For more information, visit: www.nrs-inc.com.