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IAA/NRS 2008 REPORT ON INVESTMENT ADVISORY PROFESSION HIGHLIGHTS GROWTH IN ASSETS UNDER MANAGEMENT

WASHINGTON, D.C./LAKEVILLE, CT – September 11, 2008: The Investment Adviser Association (IAA) and National Regulatory Services (NRS) today issued their eighth annual report, *Evolution/Revolution*, profiling the investment advisory profession. The report is based on information registered investment advisers must file electronically with the Securities and Exchange Commission annually.

The 2008 report highlights the continuing growth in the number of SEC-registered investment advisers. As of April 2008, there were a total of 11,030 investment advisers registered with the SEC, representing 5.6% growth from the 10,446 firms registered last year. Total assets under management (AUM) reported by all firms reached an all-time high of \$42.3 trillion, representing a significant 12.3% increase above the \$37.6 trillion reported in 2007.

As reported in prior years, small firms, those with 50 or fewer employees, represent 90.1% of all firms and 49.2% represent firms with 5 or fewer employees. In contrast, less than one percent (.7%) of all SEC registered advisers manage over \$100 billion in AUM and collectively report AUM of \$20.3 trillion or almost half of total AUM.

The number of investment advisers that manage hedge funds has been volatile in recent years due to the SEC's adoption of a rule in 2004 requiring certain hedge fund advisers to register and a subsequent 2006 court decision that invalidated the rule. Nonetheless, a significant number of firms that specialize in managing hedge funds have voluntarily remained registered with the SEC. In 2008, the report finds 1,868 firms that manage at least one hedge fund continue to be registered with the SEC.

“Overall, the investment advisory profession remains strong, healthy, and dynamic,” said David Tittsworth, Executive Director of the IAA. “The profession continues to grow, both in terms of the total number of SEC-registered firms and assets under management. We have seen steady growth in adviser registrations since we began issuing these reports. Since 2002, total investment adviser registrations have increased from 7,581 to 11,030, representing an annual average growth of 575 firms. Similarly, the growth in total assets under management reported by all SEC-registered investment advisers has grown impressively, from \$20.2 trillion 2002 to more than \$42 trillion in 2008.”

“Investment advisers provide services to a wide variety of individual and institutional clients representing pillars of the financial markets,” said Mederic Daigneault, Senior Consultant, Investment Adviser Services at NRS. “Advisory clients include both high net worth and retail individuals, as well as pension funds, corporations, mutual funds, state and local governments, charitable organizations, and hedge funds. When one considers the volatility experienced in the markets over the past year 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.”

Evolution/Revolution is an in-depth study on the trends of the investment adviser profession that analyzes annual updates filed by SEC-registered investment advisers, including information on assets under management, employees, advisory and other business activities, clients, custody, disciplinary history, and other information the SEC requires investment advisers to file electronically. Copies of the report may be obtained by contacting IAA or NRS. A PDF version of the report is available on-line at www.investmentadviser.org and www.nrs-inc.com.

NRS, a division of SourceMedia, is a leading national compliance consulting firm that provides compliance, registration services, software solutions and training for investment advisers, broker-dealers, investment companies, and insurance institutions. www.nrs-inc.com.

The Investment Adviser Association (formerly the Investment Counsel Association of America) is a non-profit association 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 \$9 trillion for a variety of institutional and individual clients. www.investmentadviser.org.

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