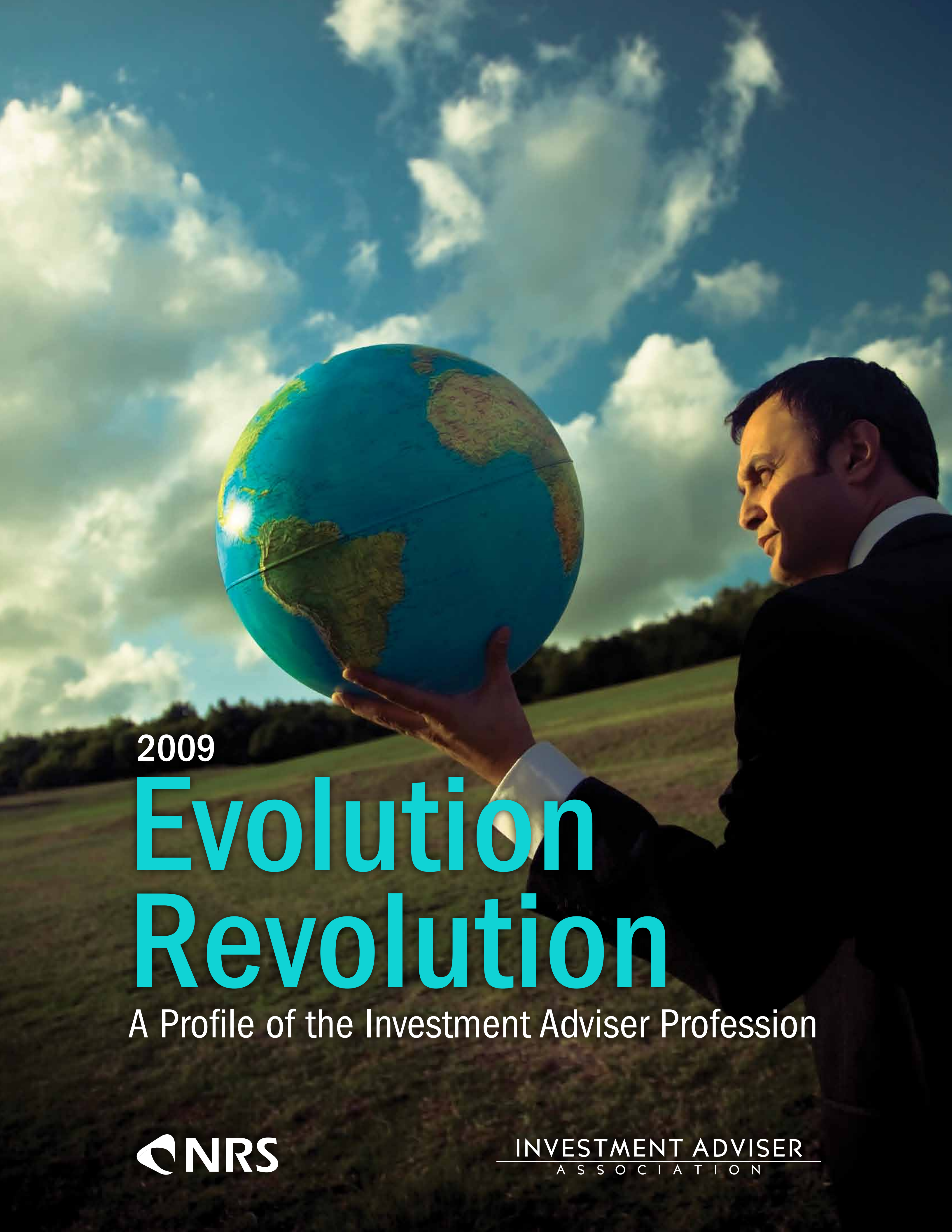

2009

Evolution Revolution

A Profile of the Investment Adviser Profession

NRS

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Introduction

The Investment Adviser Association and National Regulatory Services are pleased to present our ninth annual Evolution Revolution report. This report identifies significant trends and developments based on information that investment advisers are required to file with the U.S. Securities and Exchange Commission.

As we release this report, we are well aware of two major developments that have profound implications for the investment advisory profession.

First, the data presented in our report reflect some of the effects of the most dramatic economic and financial crisis since the Great Depression. For example, it comes as no surprise that total assets under management (AUM) reported by investment advisers have declined significantly from last year. Similarly, the number of advisory firms in each AUM category has declined (other than advisers under $100 million AUM, which experienced a significant increase). In a business where revenue is based primarily on AUM, it is clear that the financial crisis has had severe consequences for many advisory firms.

Second, we are very mindful of the current debate on financial services regulatory reform that has arisen in the wake of the financial crisis. The regulatory reform debate has been fueled further by high-profile cases such as the Bernard Madoff scandal. The legislative and regulatory changes that are being considered could have dramatic and far-reaching consequences for all investment advisers. These include the so-called "harmonization" of broker-dealer and investment adviser laws and regulations (including whether an investment adviser's fiduciary duty should be extended to brokers who provide investment advice) and whether a self-regulatory organization, such as FINRA, should be established for investment advisers. Additional proposed changes include establishing a systemic risk regulator, creating extensive regulatory protocols for large diversified holding companies, and requiring managers of hedge funds and venture capital and private equity firms to register as investment advisers. In addition to these legislative proposals, the SEC is considering various regulatory actions, including a recent proposal to dramatically expand requirements under the investment adviser custody rule. The extent of these regulatory reform efforts will have consequences for all investment advisory firms and could transform the ground rules that have governed the profession for decades.

As we reflect on changes that have occurred since our first report, it is clear that the investment advisory profession is dynamic and resilient. In publishing these reports, we hope to contribute to a better understanding of the diverse investment advisory profession. We welcome your feedback and comments.

Executive Summary

Following are key findings of our 2009 report:

- *AUM Fell.* Total assets under management (AUM) reported by all SEC-registered investment advisers fell $8.3 trillion (19.6%) between 2008 and 2009, from $42.3 trillion in 2008 to $34 trillion in 2009. The decline in assets was broad and deep—all but the lowest asset categories experienced significant decreases. For example, the category for advisers managing $100 billion or more reported a 22% decline in AUM, from $20.3 trillion in 2008 to $15.8 trillion in 2009. The category for advisers managing $50–$100 billion reported a 29% decline in AUM, from $6.3 trillion to $4.5 trillion. The $25–$100 million AUM category experienced growth, from $205.8 billion in 2008 to $218.9 billion in 2009 (the number of firms in this lowest AUM category, however, increased from 3,720 in 2008 to 4,259 in 2009).
- *Number of Advisers Steady.* The total number of SEC investment adviser registrations remained relatively flat between 2008 and 2009. 11,257 entities were registered with the SEC as investment advisers in 2009, compared to 11,030 in 2008. The number of SEC-registered advisers that manage at least $25 million in assets fell slightly—from 9,959 in 2008 to 9,908 in 2009. Our previous reports, however, have chronicled the growth in the number of investment adviser registrations since 2001. A key question in the current regulatory reform debate is whether the SEC's resources are adequate to provide effective oversight of the advisory profession.
- *Concentration of Managed Assets Remains.* A few large investment advisory firms manage a disproportionate share of total assets. Fewer than 500 advisory firms (about 4% of all SEC-registered investment advisers) reported managing more than $10 billion in assets, yet collectively accounted for more than 80% of all assets ($27.9 trillion). Of these, only 61 reported AUM of $100 billion or more, but these mega-firms accounted for almost $16 trillion total AUM (46%). However, the number of firms with $100 billion AUM or more fell by 26%—from 82 in 2008 to 61 in 2009. Similarly, firms with $50–100 billion AUM fell from 90 in 2008 to 65 in 2009.
- *Most Advisers are Small Businesses.* The vast majority of SEC-registered investment advisers are small businesses. In 2009, more than 8,000 investment advisers reported managing between $25 million and $1 billion in assets (71% of all SEC-registered investment advisers). Of these, more than 4,200 (38% of all advisers) reported managing between $25 million and $100 million in assets. More than 10,000 advisers (90%) reported 50 or fewer employees (not including clerical workers). Of these, more than 7,700 advisers (almost 70% of all advisers) reported 10 or fewer employees. In considering various regulatory reform proposals, policy makers will have to be mindful of the broad diversity of investment advisory firms and the predominance of small businesses. Laws and regulations that impose additional costs and burdens may disproportionately affect smaller firms and may create unnecessary barriers to entry.

- *Hedge Fund Advisers Shrank.* The number of advisers that manage at least one hedge fund shrank from 1,868 in 2008 to 1,747 in 2009—a decline of almost 6.5%. These advisers accounted for 15.5% of all SEC-registered investment advisers in 2009, well below the 23.5% level reported in 2006. In 2009, advisers that manage at least one hedge fund aggregately managed $14.3 trillion AUM. The number of advisers that specialized in hedge funds (*i.e.*, those that reported more than 75% of their clientele as hedge funds or other pooled investment vehicles) declined for the fourth straight year to 1,319 or 11.7% of all advisers. In contrast, these advisers accounted for 16.1% of all advisers in 2006 when they numbered 1,661.
- *Custody of Client Assets.* Fewer than one-third of advisers (32%) reported that they or a related person had custody of client assets. As discussed below, these statistics, however, do not capture all advisers deemed to have custody. The SEC has estimated that more than 9,500 advisers (84%) have custody of client assets as defined by its custody rule.

2009 "Typical" SEC-Registered Investment Adviser

- U.S.-based corporation
- Exercised discretionary authority over most accounts
- $100 million assets under management (median)
- 1-5 employees (median)
- 26-100 clients (median)
- 113 Accounts (median)
- Clients included individuals, high net worth individuals, and pension and profit sharing plans

Explanation of Report Data

This report is based on Form ADV, Part 1, data filed by SEC-registered investment advisers with the SEC as of April 10, 2009. Advisers are required to file information electronically using the Investment Adviser Registration Depository (IARD) system. SEC regulations require investment advisers to update Form ADV, Part 1, no later than 90 days after the end of the adviser's fiscal year. Because the overwhelming majority of investment advisers (91%) operate on a calendar-year basis, the data we are using represents the most current information available for 2009.

SEC-registered advisers generally manage $25 million or more in assets. Advisers with less than $25 million AUM generally are required to register with the state in which their principal office is located.[1] The $25 million AUM threshold was established when Congress enacted the National Securities Markets Improvement Act of 1996 (NSMIA). While that legislation specifically authorizes the SEC to increase the $25 million threshold as appropriate, the SEC has never formally considered such action, and the threshold has not been revised since NSMIA's enactment 13 years ago.

Form ADV, Part 1, certainly is not a perfect data collection tool. Our report attempts to describe significant limitations and anomalies in the data that investment advisers must submit to the SEC. For a more thorough understanding of the underlying data of this report, the complete text of Form ADV is available on the SEC's web site.

All data in this report have been independently tabulated by both IAA and NRS. Whenever a number is rounded, it is rounded from the original data source.[2]

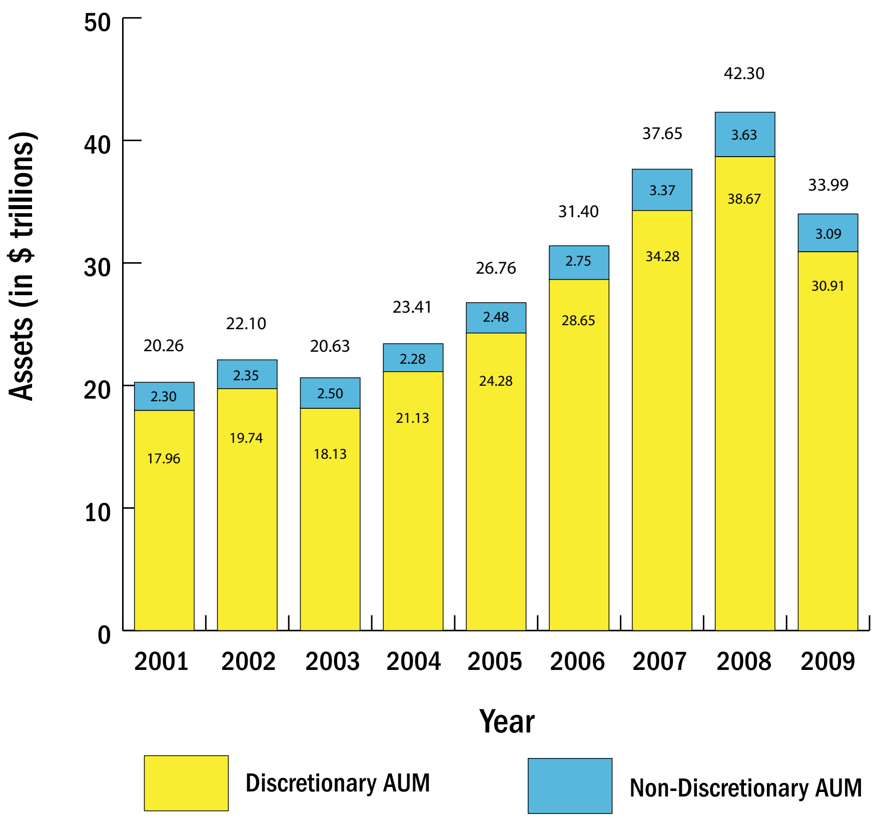
1 More than 14,500 investment advisers are registered with the states: NRS database of investment advisers, April 2009. This report focuses solely on SEC-registered investment advisers. State-registered investment advisers are not discussed in this report.

2 The practice of tabulating all facts directly from the source data may create situations where complimentary percents do not sum to a complete 100%.

Assets Under Management

During the past year, total AUM reported by investment advisers plummeted. Advisers reported a collective total AUM decline of $8.3 trillion—from $42.3 trillion in 2008 to $34.0 trillion this year. This 19.6% loss is the largest loss reported since the IARD data was first collected. To put the loss in perspective, the amount of this decline is larger than the publicly held United States federal debt ($6.9 trillion).[3]

Chart 1: Assets Under Management Comparison 2001–2009



Of the advisers registered with the SEC in both 2008 and 2009, 73.2% (7,596) reported a decline in AUM. These advisers reported a median loss of $19.2 million and an average loss of $770 million in AUM. Remarkably, 16.8% (1,746) of advisers reported AUM growth despite the significant market declines. 9.9% (1,030) of advisers reported no change in AUM.

3 On April 10, 2009, the publicly held U.S. federal debt was $6,892,886,957,946.75, available at http://www.treasurydirect.gov/NP/NPGateway.

Despite these declines investment advisers, in 2009, collectively reported that they manage $30.9 trillion discretionary AUM, and $3.1 trillion non-discretionary AUM, for a total of $34 trillion AUM. This is more than twice the U.S. GDP for 2008.[4] In 2009, the total number of accounts reported by investment advisers (representing a broad array of individual and institutional clients) grew 4.0%—from 17.9 million in 2008 to 18.6 million in 2009. The median number of accounts for all advisers was 113 and the average account size was $1.8 million.

Chart 2: Accounts Held by Investment Advisers

Category of IA by AUM	Total Accounts	Median # of Accounts	Average AUM per Account
< $25m	39,082	1	$210,710
$25 < 100m	922,589	140	$237,249
$100m < 1b	2,061,902	225	$600,001
$1b < 5b	4,562,965	48	$544,109
$5b < 10b	1,799,894	63	$1,190,339
$10b < 50b	3,146,832	112	$2,435,739
$50b < 100b	1,269,968	262	$3,531,837
≥ $100b	4,832,493	622	$3,260,078
All Advisers	18,635,725	113	$1,824,130

The investment adviser industry continues to have a highly uneven concentration of managed assets.[5] In 2009, advisers with more than $10 billion AUM constituted 4.2% of all advisers (472), but they managed 82.1% of all AUM ($27.9 trillion). Similarly, advisers with less than $1 billion AUM constituted 83.4% of all advisers (9,388), but they managed only 4.3% of all AUM ($1.5 trillion).

4 2008 U.S. Gross Domestic Product available at http://www.bea.gov/newsreleases/national/gdp/2009/pdf/gdp109a.pdf.

5 In 2009, the investment adviser industry's AUM had a standard deviation of $24.9 billion with an average AUM of $3.0 billion. 2009's standard deviation is a decline of $3.0 billion or 10.7% from 2008's $27.8 billion.

Chart 3: Relative Size of AUM Categories

Category of IA by AUM	2007		2008		2009	
	Percentage of Firms	Percentage of AUM	Percentage of Firms	Percentage of AUM	Percentage of Firms	Percentage of AUM
< $25m	10.31%	0.01%	9.71%	0.01%	11.98%	0.02%
$25m < 100m	33.40%	0.51%	33.73%	0.49%	37.83%	0.64%
$100m < 1b	37.37%	3.46%	37.14%	3.24%	33.58%	3.64%
$1b < 5b	11.23%	6.94%	11.20%	6.70%	9.74%	7.30%
$5b < 10b	2.72%	5.25%	2.96%	5.49%	2.67%	6.30%
$10b < 50b	3.51%	21.67%	3.71%	21.09%	3.07%	22.55%
$50b < 100b	0.74%	14.32%	0.82%	14.95%	0.58%	13.19%
≥ $100b	0.72%	47.83%	0.74%	48.03%	0.54%	46.34%

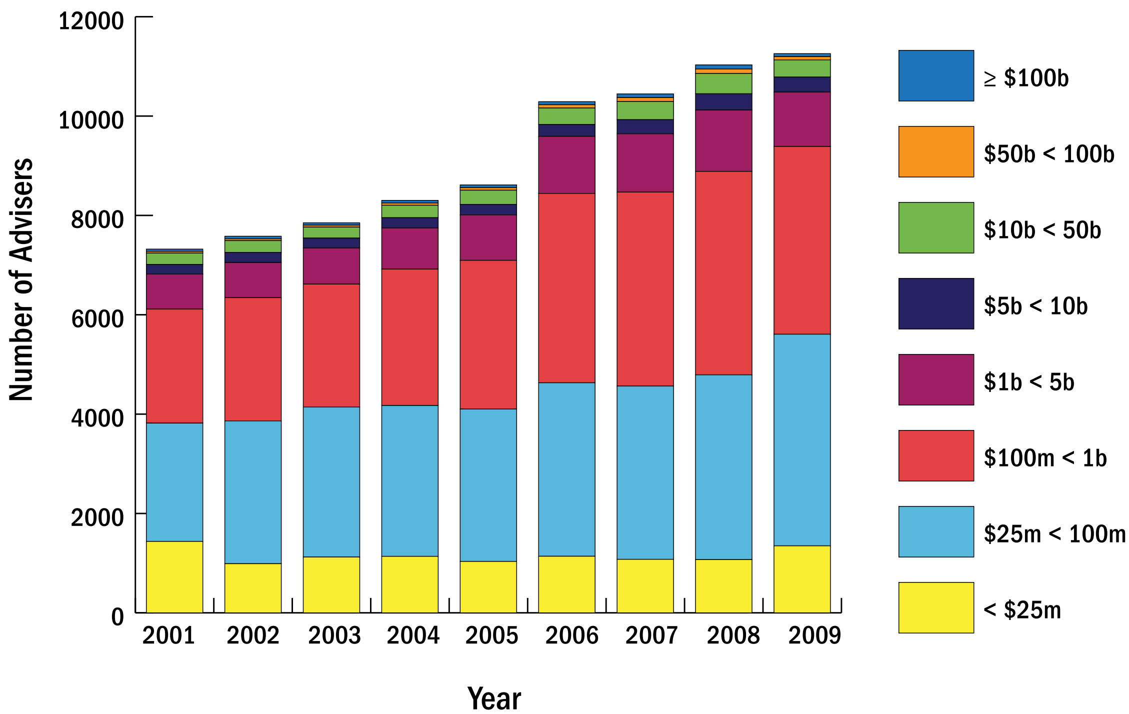
We are aware that the collective AUM and account data reported by investment advisers is overstated to some degree—primarily due to the fact that more than one adviser may provide advisory services to the same pool of assets and accounts.[6] Nonetheless, the AUM and account data clearly confirm that investment advisers continue to manage an enormous amount of assets for a large number of clients.

6 The SEC provides more than three pages of instructions for an adviser to calculate its AUM (see http://www.sec.gov/about/forms/formadv-instructions.pdf). These instructions permit more than one adviser to report the same assets and accounts under certain circumstances (*e.g.* sub-advisory relationships). Therefore, aggregate figures may be overstated.

Number of SEC-Registered Investment Advisers

Despite the negative economic climate, the number of SEC-registered investment advisers continued to increase, albeit slightly, in 2009 to reach a high of 11,257. However, this growth in advisers occurred with a significant redistribution of advisers from higher-AUM categories to lower-AUM categories. While the number of advisers with $100 million or more in AUM declined by 590 (9.5%) from 2008, the number of advisers with under $100 million in AUM increased by 817 (17.1%) from 2008.

Chart 4: Number of SEC-Registered Investment Advisers by AUM Category



	2001	2002	2003	2004	2005	2006	2007	2008	2009
All Advisers	7,322	7,581	7,852	8,302	8,614	10,290	10,446	11,030	11,257
≥ $100b	45	52	48	52	56	62	75	82	61
$50b < 100b	35	37	39	46	51	65	77	90	65
$10b < 50b	231	237	221	250	285	334	367	409	346
$5b < 10b	190	203	199	206	211	237	284	327	301
$1b < 5b	705	708	727	828	915	1,149	1,173	1,235	1,096
$100m < 1b	2,297	2,480	2,474	2,747	2,993	3,812	3,904	4,096	3,780
$25m < 100m	2,381	2,875	3,020	3,036	3,068	3,492	3,489	3,720	4,259
< $25m	1,438	989	1,124	1,137	1,035	1,139	1,077	1,071	1,349

Chart 5 reveals this strong growth in the number of advisers under $100 million AUM—the first time in this report that the number of these advisers has grown faster than the number of advisers at or over $100 million AUM. Indeed, 2009 marked the largest percentage decline reported for each AUM category of advisers at or above $100 million.

Chart 5: Change in the Number of Advisers by AUM Category

Category of IA by AUM	2008-2009		2007-2008		2001-2009	
	Net Change	Percent Change	Net Change	Percent Change	Average Annual Percent Change	Total Percent Change
< $25m	278	25.96%	-6	-0.56%	0.58%	-25.52%
$25m < 100m	539	14.49%	231	6.62%	7.78%	56.24%
$100m < 1b	-316	-7.71%	192	4.92%	6.84%	78.32%
$1b < 5b	-139	-11.26%	62	5.29%	6.15%	75.18%
$5b < 10b	-26	-7.95%	43	15.14%	6.27%	72.11%
$10b < 50b	-63	-15.40%	42	11.44%	5.76%	77.06%
$50b < 100b	-25	-27.78%	13	16.88%	9.37%	157.14%
≥ $100b	-21	-25.61%	7	9.33%	4.91%	82.22%
All Advisers	227	2.06%	584	5.59%	5.65%	50.64%

Notably, in 2009 12.0% of advisers reported AUM under $25 million, the highest percentage since 2005 and a 2.3% net increase from 2008. Inclusion of these advisers, almost half of which manage no assets and have no accounts, while accurate, leads to an overstatement in the number of firms that are traditionally thought of as investment advisers. Investment advisers that do not manage client assets may include certain nationally recognized statistical rating organizations, pension consultants, advisers expecting to be eligible to register within 120 days, and others.[7] If advisers that do not manage $25 million or more in assets are excluded, the actual number of "traditional" investment advisers that provide advisory services is approximately 9,900.

Although 658 advisers withdrew their registrations from 2008 to 2009, 885 advisers completed their registration process with the SEC for the first time. The number of new advisers was down significantly from 2008's 1,235 new advisers. 2009's net increase of 227 advisers or 2.1% from 2008 is less than half of 2008's growth (584 advisers or 5.6% from 2007). Difficult financial times appear to have contributed to fewer firms starting this past year.

On the other hand, the number of deregistered advisers has remained relatively stable (651 in 2008). Registrations are effective almost immediately, while advisers have 120 days after the end of the fiscal year when their AUM falls below the required minimum of $25 million to deregister, perhaps creating some additional stability in the number of deregistered advisers from 2008 to 2009. Perhaps a better indicator is the 328 (2.9%) advisers in 2009 that reported that they are no longer eligible to be SEC registered. This number, both in real and relative terms, is the highest ever reported. Changes in the number of advisers reporting ineligibility have tended to correlate to a similar change in the number of deregistrations during the next year. Depending on other factors as well, this correlation would predict more adviser deregistrations next year.

7 These others include, for example, the 323 advisers (23.9%) no longer eligible for SEC registration; the 321 advisers (23.8%) that are "controlled by, controls, or under common control with," an SEC-registered adviser at their principal office and place of business; the 23 advisers engaging in security rating services; and the 26 advisers located in Wyoming.

Custody

The SEC has made custody a high priority in inspections and rulemaking (see sidebar on custody) given recent enforcement actions implicating certain custody issues.

Chart 6: Investment Adviser Custody Information

Custody Responses	Number of Advisers	Percent of All Advisers
Adviser has custody of client cash/bank accounts	2,506	22.26%
Adviser has custody of client securities	2,355	20.92%
Related person has custody of client cash/bank accounts	2,254	20.02%
Related person has custody of client securities	2,132	18.94%
Adviser and/or related person has custody of cash, bank accounts, and/or securities (answered yes to at least one of the above questions)	3,633	32.27%

As reflected in Chart 6, fewer than one-third (32%) of investment advisers reported that they or a related person have custody of advisory client assets. 2,593 (23.0%) of advisers reported having either cash or bank account(s) *or* security(ies) of an advisory client or both. 2,285 or 20.3% of advisers reported that a related person has custody of such client assets. Of those who reported that a related person has custody, only 320 (2.8% of all advisers) indicate that the related person is a broker-dealer.[8]

These statistics, however, can be misleading. The "custody" questions posed on Form ADV identify advisers that are deemed to have custody of client assets directly—physically holding the assets as a bank, broker-dealer, or other qualified custodian—or indirectly—because they have the authority to obtain client assets or by acting in a capacity that gives them authority to withdraw funds or securities. Advisers that are deemed to have custody because they have authority to deduct advisory fees from client accounts are not required to report that they have custody on Form ADV; however, other advisers with authority to withdraw funds or securities, including advisers that serve as trustees to a client account, act as a general partner to a limited partnership, or have a general power of attorney over client accounts, are required to report that they have custody on Form ADV. Thus, the Form ADV questions are both under-inclusive and over-inclusive; they capture firms that do not have physical custody of client assets, but do not capture all firms with indirect or "deemed" custody. The SEC estimates that 9,575 advisers are deemed to have "custody" of client assets, but only 372 advisers physically hold such assets.[9]

8 322 advisers responded yes to Item 9C—that the related person with custody is a broker-dealer. However, two of these advisers responded negatively in Items 9B1 and 9B2. Because responding yes to either 9B1 or 9B2 is a requirement to answer 9C, these two responses were removed from the 9C affirmative answer data.

9 Proposed Rule: Custody of Funds or Securities of Clients by Investment Advisers, Rel. No. IA-2876 (May 20, 2009), n.2 at 40-41.

The SEC's definition of custody makes for some interesting statistics. For example, because "custody" includes acting in a capacity, such as general partner of a limited partnership, that gives that adviser or its employee authority to withdraw funds or securities from the limited partnership's account, advisers with custody were more than four times as likely as the aggregate adviser universe to have hedge funds or other pooled investment vehicles as clients, nearly twice as likely to have reported no natural persons as clients, and more than five times as likely to be organized as a partnership.

Similarly, because advisers deemed to have custody solely because they deduct advisory fees are not included in Form ADV data, advisers reporting custody appeared larger than those that do not report that they have custody of client assets. For example, advisers responding positively to the custody questions reported a median AUM of $307.7 million, more than four times larger than the $70.0 million reported by advisers responding negatively.

SEC Examines Adviser Custody Rule

On May 20, 2009, the SEC published for comment amendments to its custody rule under the Advisers Act. The amendments would require registered investment advisers having custody of client funds or securities to undergo an annual surprise examination by an independent public accountant to verify client funds and securities. In addition, unless client accounts are maintained by an independent qualified custodian *i.e.*, a custodian other than the adviser or a related person, the adviser or related person must obtain a written report from an independent public accountant that includes an opinion regarding the qualified custodian's controls relating to custody of client assets. The proposal would significantly amend the Form ADV custody questions to provide more specific data about advisers with custody of client assets. Thus, this proposed rule change, if adopted, would likely affect future data relating to custody and the results appearing in these *Evolution Revolution* reports.

Clients of Investment Advisers

SEC-registered advisers provide services to a wide variety of individual and institutional clients, including pension plans, trusts, corporations, endowments, foundations, mutual funds, and other pooled vehicles. Form ADV requires advisers to report various client types within the stated percentage ranges of the categories listed in Chart 7.

Chart 7: Types of Advisory Clients by Percentage of Total Clientele

Type of Client	Percent of Business						Total Reporting > 0	Percent of All Advisers
	None	Up to 10%	11-25%	26-50%	51-75%	> 75%		
Individuals (other than high net worth individuals)	4,069	1,463	1,193	1,584	1,434	1,514	7,188	63.85%
High net worth individuals	3,063	1,737	1,454	1,926	1,556	1,521	8,194	72.79%
Banking or thrift institutions	10,287	778	78	58	14	42	970	8.61%
Investment Companies (including mutual funds)	9,615	795	220	151	71	405	1,642	14.59%
Pension and profit sharing plans (other than plan participants)	4,892	4,452	959	495	176	283	6,365	56.54%
Other pooled investment vehicles (*e.g.* hedge funds)	8,142	1,110	274	238	174	1,319	3,115	27.67%
Charitable organizations	6,561	4,082	438	120	36	20	4,696	41.72%
Corporations or other businesses not listed above	5,739	4,565	539	242	67	105	5,518	49.02%
State or municipal government entities	9,946	932	197	95	30	57	1,311	11.65%
Other	10,193	605	171	102	45	141	1,064	9.45%

As discussed below, the vast majority of advisers, 8,398 (74.6%), provide services to individuals. A high percentage of advisers also serve institutional clients. For example, 6,365 advisers (56.5%) reported serving pension and profit-sharing plans. 5,518 advisers (49.0%) reported that they have corporations as clients. 4,696 (41.7%) reported serving charitable organizations.

The IARD information also highlights client types that are served by relatively few advisers. For example, only 970 advisers (8.6%) provided advisory services to banking or thrift institutions, 1,311 advisers (11.65%) provided advisory services to state or municipal governments entities, and 1,642 (14.6%) provided advisory services to investment companies.

Hedge Funds/Other Pooled Investment Vehicles

Regulators and investors continue to focus on hedge fund data as Congress is considering legislation to require hedge fund advisers to register with the SEC.

In 2009, 3,115 advisers (27.7%) reported that they provide advisory services to "pooled investment vehicles" other than investment companies and pension plans. These other pooled investment vehicles may include hedge funds, private equity funds, and venture capital funds. This number represents a slight decrease from 3,186 in 2008; pooled investment vehicles is the only category of client that declined in absolute numbers from 2008.

This year, 1,319 advisory firms reported that other pooled investment vehicles constituted more than 75% of their clients (we refer to these advisers as "hedge fund specialists"), compared to 1,408 in 2008 and 1,421 in 2007. While it is possible that some of this decline may be attributed to gradual deregistration of hedge fund specialists after a 2006 court ruling struck down the rules requiring such registration, the size of the decrease (6.3%) in the number of such advisers from 2008 to 2009 suggests that this decline is more likely caused by the 2008 economic downturn. These hedge fund specialists reported an aggregate AUM of $2.4 trillion, down from $3.0 trillion in 2008 (a 20% decrease) and nearly equal to 2007's $2.3 trillion.

Interestingly, 42.3% of the advisers serving other pooled investment vehicles specialized in this client type, the highest percentage of advisers specializing in any client type.

Hedge Fund Advisers

There are no legal definitions of "hedge fund" or "hedge fund adviser." This report uses the SEC's past method for determining if an adviser is a hedge fund adviser.[10] This use of the term hedge fund results in a much narrower universe than the number of firms that merely report serving "other pooled investment vehicles."[11] In 2009, 1,747 firms that manage at least one hedge fund were registered with the SEC, comprising 15.5% of the SEC-registered universe. This compares to 1,868 firms, or 16.9% of all advisers, in 2008.

10 A hedge fund adviser has reported the following items: (1) that its clients include "other pooled investment vehicles (e.g., hedge funds);" (2) that it, or a related person, is a general partner in an investment-related limited partnership, or a manager of an investment-related limited liability company; and (3) lists at least one entity in Schedule D, Item 7. Because the Form ADV filing system has not been configured to reflect the invalidation of the hedge fund registration rule, the SEC staff issued guidance for hedge advisers answering the form. See guidance at http://www.sec.gov/divisions/investment/iard.shtml#staffguidance. This guidance is optional; therefore the hedge fund adviser data may not be entirely consistent year-to-year.

11 Of the 3,115 advisers that report having at least one client that is an "other pooled investment vehicle," only 56.1% are hedge fund advisers, as we define them.

Natural Persons

The vast majority of advisers, 8,398 (74.6%) provide services to natural persons (*i.e.*, individuals), continuing an upward trend from 2006. In 2006, 69.8% of advisers provided services to natural persons, rising to 71.7% in 2007 and 73.5% in 2008.

The category of natural persons is subdivided into those individuals denoted as "high net worth (HNW) individuals"[12] and all other individuals, who might be considered "retail" clients. In 2009, 7,188 advisers (63.9%) reported that they serve at least some retail clients, and 8,194 (72.8%) advisers reported serving HNW individuals. The percentage of advisers that provide services to retail individuals increased from 62.6% in 2008, 60.2% in 2007, and 57.0% in 2006. Similarly, the percentage of advisers that provide services to HNW individuals increased from 71.7% in 2008, 69.8% in 2007, and 66.9% in 2006.

Mutual Funds

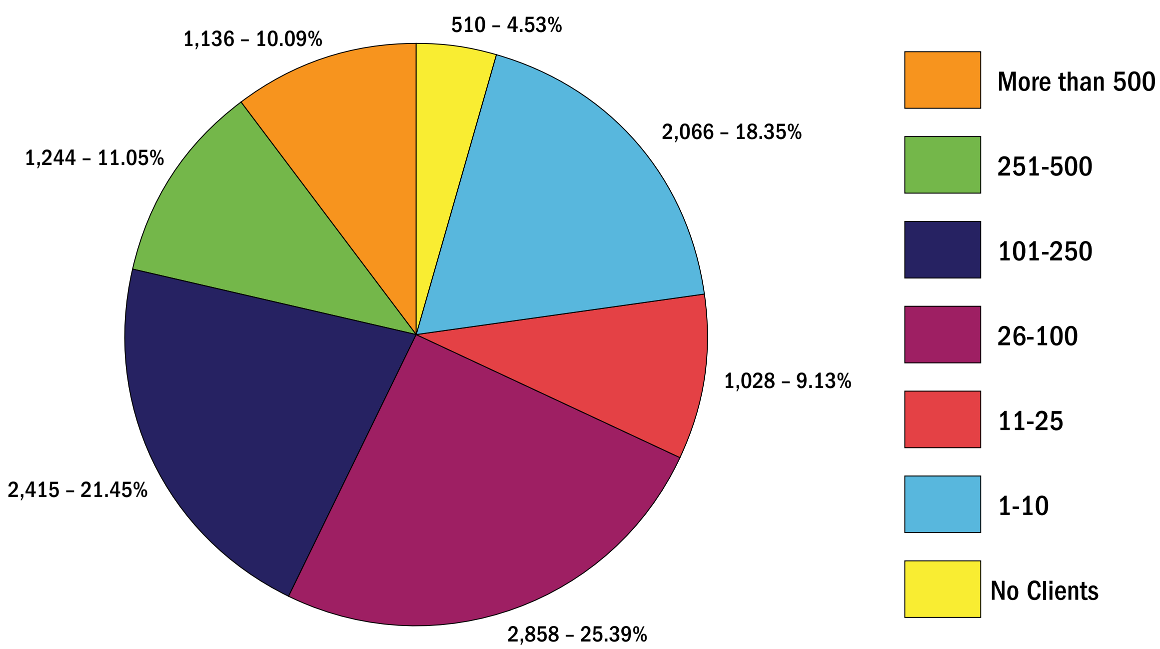
Contrary to the image often seen in the media—portraying large mutual fund advisers as the "typical" adviser—the vast majority of investment advisers are small businesses that do not advise mutual funds. In 2009, only 1,642 advisers (14.6%) reported that they provide advice to investment companies, including mutual funds. While the absolute number of mutual fund advisers has increased since 2008, the percentage of all registered advisers rendering such advice remains significantly lower than in 2002, when 20% of all advisers reported investment companies as clients. In 2009, 405 advisers (3.6% of all advisers) reported that 75% or more of their clients are investment companies, but these advisers in aggregate reported AUM of $6.5 trillion (accounting for 19.3% of all AUM).

12 High net worth individuals have at least $750,000 managed by the adviser or have net worth (including assets held jointly with his or her spouse) exceeding $1,500,000.

Number of Clients

2,858 advisers (25.4%) reported providing services to a range of 26-100 clients. 2009 again saw a decline in the percentage of advisers with 1-10 clients, continuing a trend that began in 2007. The number of advisers with 1-10 clients decreased from 2,426 in 2006, to 2,205 in 2007, to 2,105 in 2008, and to 2,066 in 2009—a loss of 1.9% in 2009 and a cumulative loss of nearly 15% since 2006.

Chart 8: Number and Percentage of Advisers by Number of Clients



Only 1,136 advisers (10.1%) provided investment advisory services to 500 or more clients.

As in previous years, an anomaly exists in that 510 advisers reported that they do not provide services to any clients, yet 191 of these advisers reported having assets under management.

Compensation

Chart 9: Investment Adviser Compensation

Category of IA Compensation	2006		2007		2008		2009	
	Number of Advisers	Percent of All Advisers	Number of Advisers	Percent of All Advisers	Number of Advisers	Percent of All Advisers	Number of Advisers	Percent of All Advisers
Percent of Client's AUM	9,808	95.32%	9,964	95.39%	10,541	95.57%	10,760	95.58%
Hourly Charges	3,192	31.02%	3,474	33.26%	3,855	34.95%	4,087	36.31%
Subscription Fees	175	1.70%	174	1.67%	168	1.52%	170	1.51%
Fixed Fees	3,999	38.86%	4,326	41.41%	4,717	42.77%	4,963	44.09%
Commissions	966	9.39%	975	9.33%	1,025	9.29%	1,048	9.31%
Performance-Based Fees	3,541	34.41%	3,319	31.77%	3,362	30.48%	3,238	28.76%
Other	948	9.21%	1,052	10.07%	1,155	10.47%	1,240	11.02%

Asset-based fees continue to be the predominant form of compensation in the investment advisory profession. As noted in Chart 9, 10,760 advisers (95.6%) reported charging asset-based fees in 2009, nearly the same as 2008, 2007, and 2006 (95.6%, 95.3%, and 95.4%, respectively). Many advisers, however, reported that they are receiving other forms of compensation. More than one-third of all advisers (4,087 or 36%) reported hourly charges—up 1% from 2008—while 4,963 advisers (44.1%) reported receipt of fixed fees, also an increase from 2007.

The percentage of advisers charging performance-based fees continues to trend downward. In 2009, 3,238 advisers (28.8%) reported charging performance-based fees, compared to 30.5% in 2008, 31.8% in 2007, and 34.4% in 2006. This trend reflects the decrease in actual number of hedge fund advisers as reported earlier. Of the total number of advisers reporting performance-based fees in 2009, 44.7% were hedge fund advisers, compared to 47.0% in 2008, 51.3% in 2007 and 59.9% in 2006.

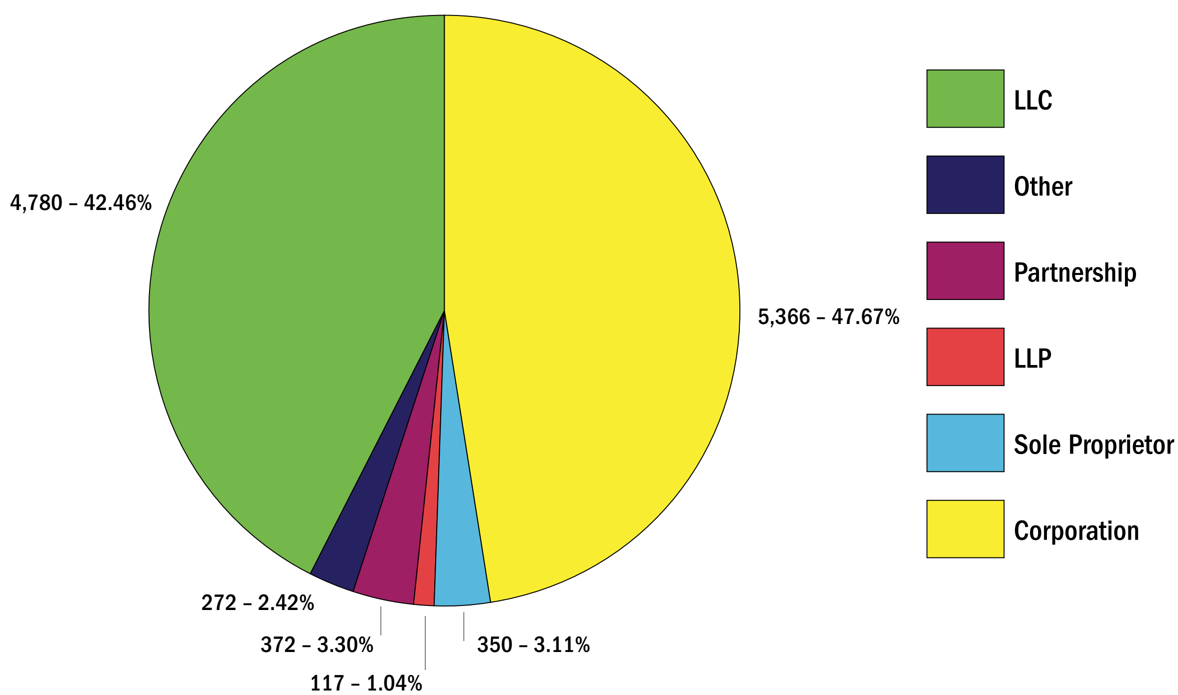
Only 1,048 advisers (9.3%) reported receiving commissions as compensation.

Characteristics of Investment Advisory Firms

Form of Organization

Advisers organized as corporations, despite eight years of relative decline, constitute the most common form of organization with 5,366 or 47.7% of advisers in 2009 (5,401 or 49.0% in 2008). Advisers organized as an LLC (limited liability company), on the other hand, have achieved eight years of uninterrupted relative and absolute growth, reaching 4,780 or 42.5% of advisers in 2009 (4,476 or 40.6% in 2008). LLC is the only form of organization to grow, in absolute or relative terms, every year since the launch of IARD. The other four forms of organization—sole proprietor, partnership, LLP (limited liability partnership), and other—in aggregate have remained around 10% of advisers. In 2009, 350 advisers were organized as sole proprietorships (3.1%), 117 as LLPs (1.0%), 372 as partnerships (3.3%), and 272 as other forms of organization (2.4%).

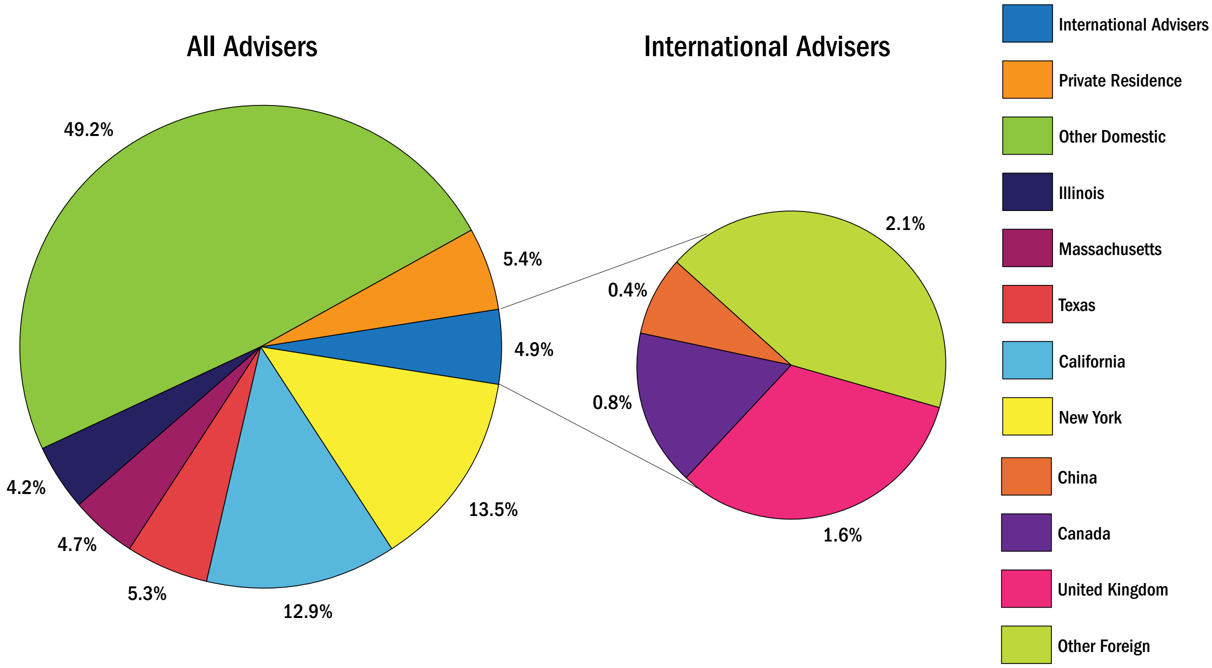
Chart 10: 2009 Adviser Forms of Organization



Geographic Analysis

Domestic-Based Advisers. Of the advisers reporting a principal place of business, 10,094 (94.8%) were domestic advisers, *i.e.*, United States addresses.[13] Reflecting the general concentration of the financial services industry, these domestic advisers were broadly concentrated in a small number of states. The ten states with the most advisers collectively accounted for 6,439 (63.8%) of all domestic advisers, $25 trillion total AUM representing 83.4% of all domestic AUM, and 10,984,502 domestic accounts representing 70.6% of all domestic accounts.[14] As Chart 11 confirms, New York and California, by a wide margin, had more advisers than any other state with 15.0% and 14.4% respectively. Jointly, they account for 44.3% of domestic AUM and 37.4% of domestic accounts. The only other state to have advisers reporting in aggregate more than 10% of domestic AUM or accounts is Massachusetts with 13.5% of domestic AUM (5.2% of domestic advisers and 7.4% of domestic accounts). For a complete listing of all domestic advisers, AUM, and accounts aggregated by state, see *Appendix 1* on page 28 of this report.

Chart 11: Number of Investment Advisers by Location



13 The United States includes all 50 states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands. Advisers listing home addresses as their place of business do not have those addresses publicly disclosed.

14 Distortions result from multistate and multinational adviser numbers, AUM, and accounts being assigned solely to their principal place of business. We credit states and countries with a principal place of business of a multistate and/or multinational adviser(s) with all of that adviser's AUM and accounts, regardless of where the AUM and accounts are actually managed. Additionally, our charts credit/count only that state or country with that adviser in its total number of advisers, despite that adviser's presence in other territories.

Foreign-Based Advisers. The number of foreign advisers—those who reported their principal office and place of business as outside of the United States—remained nearly flat in real numbers, decreasing by 3 to 553 or 5.0% of all advisers. Conversely, the AUM held by foreign advisers declined significantly from $5.7 trillion in 2008 to $4.0 trillion in 2009 (a 29.9% loss). The relative size of AUM managed by foreign advisers out of all adviser assets declined to 11.7% (compared to 13.5% in 2008). Even more concentrated than domestic advisers, the top 8 countries/territories by number of advisers aggregately managed $3.6 trillion (89.8%) of foreign AUM and accounted for 435 (78.7%) of advisers. Excluding two outlier filings[15] from foreign countries, the top 8 countries account for 91.3% of all foreign accounts, with the largest being the United Kingdom, Canada, and Japan. SEC-registered foreign advisers have a significantly higher median AUM per adviser than domestic advisers—$620 million vs. $106 million (those with no stated address are the smallest with $34 million median AUM). For a complete listing of all foreign advisers, AUM, and accounts aggregated by country/territory, see *Appendix 2* on page 30 of this report.

International Advisers

Form ADV also provides information about which SEC-registered advisers (both domestic and foreign) are also registered with a foreign regulatory authority (referred to here as *international advisers*). Continuing a recent trend of absolute increases, the number of international advisers rose to 846 or 7.5% of advisers (from 835 or 7.6% in 2008).

International advisers were generally larger than the typical adviser. This year they had a median AUM more than 25 times larger than the median AUM for all advisers ($2.5 billion compared to $100 million). These advisers' total AUM declined by 18.5% to slightly over $16.0 trillion ($19.7 trillion in 2008). This percentage decline was slightly less than the decline in assets by all advisers (19.6%). The aggregate AUM held by advisers registered with a foreign regulatory authority (as a percent of all assets held by advisers) increased from 46.5% in 2008 to 47.2% in 2009. Because most "international" advisers registered with foreign regulatory authorities are basically large U.S. firms that operate internationally, it is reasonable to expect that their percentage reduction in assets would track so closely the change in AUM of all other U.S. advisory firms.

15 Two advisers reported an unusually high number of clients relative to their AUM. While the dollars of AUM per account for all foreign advisers was $1,321,731, their dollars of AUM per account were $28,067 and $1,169. In aggregate, these two advisers accounted for 94.7% of all foreign accounts.

Adviser Employees

Most SEC-registered investment advisers are small businesses. More than half (50.2%) of advisers had fewer than five non-clerical employees, and more than 9 in 10 advisers had fewer than 50 such employees.

Chart 12: Employees of Investment Advisers

Number of Employees (X)	# of Advisers with "X" non-clerical employees	# of advisers with "X" employees who perform investment advisory functions	# of advisers with "X" employees who are registered representatives of a broker-dealer
Zero	N/A	183	7,322
1 to 5	5,653	7,335	2,425
6 to 10	2,058	1,621	526
11 to 50	2,456	1,592	643
51 to 250	782	392	199
251 to 500	132	57	43
501 to 1,000	77	41	49
More than 1,000	99	36	50

Advisory Personnel. Nearly all investment advisers (11,074 or 98.4%) employed personnel who perform investment advisory functions. More than half of advisers (65.2%) employed 1-5 advisory personnel, while just 134 (1.2%) employed more than 250 such personnel. The 1.6% of advisers that reported "0" advisory employees were three times more likely (45.4% compared to 13.8% of all advisers) to register with the SEC on a basis other than AUM of $25 million or more.

Registered Representatives. A sizable minority of advisers had employees who are registered representatives of a broker-dealer. 3,935 advisers (35.0%) reported employing one or more registered representatives. The percentage of advisers with one or more registered representatives has steadily shrunk since 2001, from a high that year of 44.0% to 35.0% this year. 341 advisers, slightly more than 3.0%, reported more than 50 registered representatives. Of these firms with over 50 registered representatives, most firms (300 or 88.0%) reported being actively engaged in business as a broker-dealer.

Web Sites

The number of investment advisers reporting a web site address has climbed steadily since 2001. This year, 8,340 (74.1%) advisers reported a web site address—a 4.4% growth over last year. This growth rate has slowed significantly, probably due to a decrease in the rate of growth of all advisers, the economy, and the likelihood that most advisers planning a web site already have a web address.

Third-Party Solicitors

4,082 (36.3%) advisers reported that they use third-party firms or persons to solicit advisory clients on their behalf. Throughout the growth in the adviser industry, the relative size of investment advisers reporting use of third-party solicitors has remained remarkably consistent. A somewhat higher percentage of advisers (43.7% or 4,917 advisers) report that they directly or indirectly compensate some persons for client referrals. This comparison indicates that 835 (7.4%) advisers do not use third-party solicitors but compensate at least some of their employees based on clients referred to the firm.

Advisory Activities

Chart 13 aggregates all investment advisers by the various advisory services they reported performing in 2009. The largest numbers of advisers continue to provide portfolio management services to clients—75% to individuals or small businesses, 63% for businesses or institutional clients, and 13% for mutual funds. Advisers provided on average 3 advisory services, an increase from 2 advisory services in 2001. During this eight-year period, the percentage of advisers that provided financial planning, selection of other advisers, and "other" advisory services increased by a net amount of 7.6%, 10.6%, and 11.7%, respectively. The only other significant change is a drop in the percent of advisers providing portfolio management for investment companies—declining over a eight-year period from 20.5% to 13.2% for a loss of 7.3%. All other advisory services remained relatively constant on a percentage basis from 2001–2009 with no change of more than 3%.

Chart 13: Advisory Services of Investment Advisers

Type of Advisory Activity	Percentage of Advisers	Number of Advisers
Portfolio management for individuals and/or small businesses	74.66%	8,405
Portfolio management for businesses or institutional clients (other than ICs)	63.11%	7,104
Financial Planning Services	40.24%	4,530
Selection of other advisers	30.47%	3,430
Other	24.52%	2,760
Pension consulting services	16.88%	1,900
Portfolio management for investment companies	13.19%	1,485
Publications of periodicals or newsletters	6.44%	725
Market timing services	1.40%	158
Security ratings or pricing services	0.40%	45

Wrap Fee Programs

In 2009, 568 (5.0%) advisers reported sponsoring at least one wrap fee program.[16] This represents both a real and relative increase from 2008 when 516 (4.7%) advisers reported sponsoring one or more wrap fee programs. Advisers acting as a portfolio manager for one or more wrap fee programs also slightly rose, from 1,170 (10.6%) in 2008 to 1,212 (10.8%) in 2009. Lastly, the number of advisers reporting that they were both a sponsor of, and a portfolio manager to, one or more wrap fee programs was 384 (3.4%), a negligible increase from 352 (3.2%) in 2008.

Other Business Activities

Only 3,739 (33.2%) advisers reported that they are actively engaged in one or more non-advisory businesses. The most common specific other business reported was insurance broker or agent (38% of advisers actively engaged in non-advisory business). Contrary to the implications of press and other reports, only 5.5% (623) of advisers are also actively engaged in business as a broker-dealer (*i.e.* dual registrants).

2,881 (25.6%) advisers reported selling products or providing services other than investment advice to advisory clients. Interestingly, 662 advisers reported providing non-advisory services while not being "actively engaged" in a non-advisory business. The SEC does not provide guidance on what constitutes being "actively engaged" in a business, so it is probable that different thresholds have been applied by advisers.

6,856 (60.9%) advisers reported that they do not sell products or provide services other than investment advice to advisory clients and are not actively engaged in any non-advisory business.

Chart 14: Non-Advisory Business of Investment Advisers

Non-Advisory Business	Number of Advisers	Percentage of Advisers
Broker-dealer	623	5.53%
Reg. rep. of a broker-dealer	955	8.48%
Futures commission merchant or commodity pool operator/trading advisor	383	3.40%
Real estate broker, dealer, or agent	92	0.82%
Insurance broker or agent	1,422	12.63%
Bank (including a separately identifiable department or division of a bank)	40	0.36%
Other financial product salesperson	262	2.33%
Other Non-Advisory Business	1,721	15.29%

16 If an adviser's involvement in a wrap fee program is limited to recommending program(s) to clients or to advising a mutual fund that is offered through a wrap fee program, then the adviser is instructed on Form ADV not to list either sponsorship or management of a wrap fee program.

Financial Industry Affiliations

Form ADV requires that advisers provide information on certain financial industry affiliations of theirs or of a related person (defined as all of an adviser's advisory affiliates and any person that is under common control with the adviser). 4,969 (44.1%) advisers reported no financial industry affiliations,[17] compared to 4,820 (43.7%) in 2008. In 2009, 2,745 (24.4%) advisers reported one financial industry affiliation, 1,824 (16.2%) reported two affiliations, 962 (8.5%) reported three affiliations, and 1,845 (16.4%) reported 4-12 affiliations. The most common, specific financial industry affiliation was with another investment adviser (30.83%).

Chart 15: Financial Industry Affiliations

Adviser or related person is:	Number of Advisers	Percentage of Advisers
Broker-dealer, municipal securities dealer, or government securities broker or dealer	2,688	23.88%
Investment company (including mutual funds)	1,597	14.19%
Other investment adviser	3,470	30.83%
Futures commission merchant, commodity pool operator/trading adviser	903	8.02%
Banking or thrift institution	1,184	10.52%
Accountant or accounting firm	1,106	9.82%
Lawyer or law firm	643	5.71%
Insurance company or agency	1,980	17.59%
Pension consultant	739	6.56%
Real estate broker or dealer	612	5.44%
Sponsor or syndicator of limited partnerships	1,600	14.21%
General partner of investment-related limited partnership, manager of investment-related LLC, or adviser of any other "private fund," as defined under SEC rule 203(b)(3)-1	4,302	38.22%

The 2009 number of advisers reporting any one financial industry affiliation did not change in relative size in any category by more than 1% of registered advisers.

17 This report defines no financial industry affiliations as those advisers reporting no responses to Items 7A1-7A11 on Form ADV (all but the last financial industry affiliation listed in Chart 15). 3,881 (34.5%) advisers reported no response to Items 7A1-7A11 and 7B, compared to 3,694 (34.5%) in 2008.

Participation or Interest in Client Transactions

Chart 16: Investment Advisers Participation ot Interest in Client Transactions

Adviser or any related person:	Percentage of Advisers	Number of Advisers
Engages in principal transactions	7.71%	868
Buys/sells for itself securities (other than mutual fund shares) that the firm also recommends to advisory clients	77.64%	8,740
Recommends an investment product in which the firm has a proprietary interest	24.78%	2,790
Engages in agency cross transactions	5.65%	636
Recommends to clients securities in which it or a related person is an underwriter, general/managing partner, or purchaser representative	22.34%	2,515
Has a sales interest (other than broker-dealer/registered representative commissions) in securities recommended to advisory clients	11.81%	1,329
Has discretionary authority to determine the securities to be bought or sold for a client's account	88.94%	10,012
Has discretionary authority to determine the amount of securities to be bought or sold for a client's account	88.89%	10,006
Has discretionary authority to determine the broker or dealer to be used to trade securities for a client's account	63.87%	7,190
Has discretionary authority to determine the commission rates to be paid to a broker or dealer for a client's securities transactions	55.48%	6,245
Recommends brokers or dealers to clients	72.07%	8,113
Receives soft dollars	60.03%	6,758
Compensates any person for client referrals	43.68%	4,917

Like the financial industry affiliations question, the participation or interest section requires information on both an adviser and its related persons in each question. Thus, it is difficult to determine whether the responses apply to the specific adviser filing the form or to the adviser's related persons. This data, reflected in Chart 16, is consistent with 2008 data with the largest change in relative size coming from a -1.7% change in the number of advisers reporting that it or any related person have discretionary authority to determine commission rates to be paid to a broker or dealer for a client's securities transactions (55.5% of adviser reported this, an all-time low).

Disciplinary Information

It is difficult to draw meaningful conclusions from the disciplinary disclosure information provided in Form ADV, Part 1A, for several reasons. The details contained in the disciplinary disclosure reporting pages for Form ADV, Item 11, are not available in aggregate form. Also, the information is provided for the advisory firm and its employees, officers, directors, and advisory affiliates for the past ten years, whether or not these persons or entities were affiliated with the reporting firm during that time. In addition, the same disciplinary event at one firm may be reported by multiple separate affiliates, and the same disciplinary event may generate affirmative answers to several different questions.

Subject to these limitations, we make the following observations:

- 9,689 (86.1%) of registered investment advisers reported no disciplinary history at all, an increase of more than 2% over last year, when 9,431 advisers reported no disciplinary history. This year, 93 of the 885 newly registered advisers reported a disciplinary event(s). While the new advisers make up 7.9% of the total universe of registered advisers, the number of newly registered advisers reporting disciplinary history makes up only 5.9% of the 1,568 advisers now reporting such history.
- 1,475 of the previously registered advisers reported at least one disciplinary event, an increase of 9 advisers. Of the 173 newly registered hedge fund advisers in 2009, 16 (9.2%) provided a "yes" response to a disciplinary question, down from 17.6% in 2008 and 15.7% in 2007.
- Of the 1,568 (13.9%) advisers reporting at least one answer in the affirmative to the disciplinary questions, 78 advisers reported only pending charges. This represents a 23% decline from 2008 and continues a downward trend since 2004, which has seen advisers with only pending charges go from 150 to 139 to 133 to 112 and down to 101 in 2008. Also, the trend towards firms reporting fewer pending civil proceedings continued; while 215 firms reported pending civil proceedings in 2007, that number decreased to 185 in 2008 and to 177 in 2009, a two-year decrease of almost 18%.

The percentage of firms responding affirmatively to individual disciplinary questions has remained relatively steady from year to year.

- Has any federal, state or foreign regulatory agency (other than the SEC or CFTC) found you or an advisory affiliate to have been involved in a violation of investment-related regulations or statutes? 724 "yes" responses (6.4% vs. 6.6% in 2008, 7% in 2007, 6.6% in 2006, 7.5% in 2005 and 2004, 7.9% in 2003, and 8.2% in 2002).
- Has any federal, state or foreign regulatory agency (other than the SEC or CFTC) entered an order against you or an advisory affiliate in connection with an investment-related activity within the last 10 years? 636 "yes" responses (5.6% vs. 5.8% in 2008, 6% in 2007, 5.7% in 2006, 6.6% in 2005 and 2004, 7.5% in 2003, and 8.2% in 2002).
- Has any self-regulatory organization or commodities exchange found you or any advisory affiliate to have been involved in a violation of its rules? 705 "yes" responses (6.3%, vs. 6.5% in 2008, 6.6% in 2007, 6.2% in 2006, 6.5% in 2005 and 2004, 7% in 2003, and 7.3% in 2002).
- Has the SEC or CFTC found you or any advisory affiliate to have been involved in a violation of SEC or CTFC regulations or statutes? 453 "yes" responses (4.0%, vs. 4% in 2008, 3.6% in 2007, 3.5% in 2006, 4% in 2005 and 2004, 4.4% in 2003, and 4.9% in 2002).

Basis for SEC Registration

As Chart 17 demonstrates, the vast majority of advisers (86%) qualified for SEC registration because they manage $25 million or more in AUM in 2009, an increase of 2.2% from 2008. Only the percentage of advisers reporting that they are no longer eligible for SEC registration grew significantly, from 118 (1.1%) of advisers in 2008 to 328 (2.9%) in 2009. The other reported bases for SEC registration remained relatively unchanged.

1,312 (11.7%) advisers reported either 2 or 3 bases for registration. The most common additional bases, when AUM of $25 million or more was one of the bases for registration, were that the registering adviser was an adviser to a registered investment company (880 or 67.1% of firms with more than one basis) and that the adviser's principal office and place of business was outside of the U.S. (356 or 27.1% of firms with more than one basis).

Chart 17: Investment Advisers' Basis for Registration

Basis for SEC Registration	Number of Advisers	Percentage of Advisers
AUM of $25 million or more	9,704	86.20%
Principal office and place of business in Wyoming	33	0.29%
Principal office and place of business outside of U.S.	525	4.66%
IA to registered investment company	1,084	9.63%
Designated nationally recognized statistical rating organization	2	0.02%
Pension consultant that qualifies for exemption in rule 203A-2(b)	340	3.02%
Rule 203A-2(c) – affiliated with an IA[18]	421	3.74%
Rule 203A-2(d) – newly formed IA[19]	165	1.47%
Rule 203A-2(e) – multi-state adviser	36	0.32%
Rule 203A-2(f) – Internet IA	40	0.36%
SEC exemptive order	3	0.03%
No longer eligible for SEC registration	328	2.91%

18 Advisers who "are relying on rule 203A-2(c) because [they] are an investment adviser that controls, is controlled by, or is under common control with, an investment adviser that is registered with the SEC, and your principal office and place of business is the same as the registered adviser." Quotation from Form ADV, Part1: Item 2A7, available at http://www.sec.gov/about/forms/formadv-part1a.pdf.

19 Advisers who "are a newly formed investment adviser relying on rule 203 A-2(d) because [the firm] expect[s] to be eligible for SEC registration within 120 days." Quotation from Form ADV, Part1: Item 2A8, available at http://www.sec.gov/about/forms/formadv-part1a.pdf

Appendix 1: U.S. Based SEC-Registered Investment Advisers & Private Residences

State/Territory	Number of Advisers	Discretionary AUM	Non-Discretionary AUM	Total AUM	Total Accounts
ALABAMA	75	$37,511,928,286	$52,731,249,435	$90,243,177,721	42,272
ALASKA	7	$12,524,913,892	$158,663,691	$12,683,577,583	1,819
ARIZONA	129	$99,286,512,921	$3,832,445,422	$103,118,958,343	76,733
ARKANSAS	35	$7,119,239,307	$1,119,365,048	$8,238,604,355	20,162
CALIFORNIA	1,455	$5,267,256,965,400	$267,044,919,837	$5,534,301,885,237	1,920,089
COLORADO	272	$239,745,197,473	$20,569,530,655	$260,314,728,128	514,252
CONNECTICUT	410	$962,132,826,477	$339,274,421,596	$1,301,407,248,073	94,338
DELAWARE	39	$593,669,252,308	$10,718,599,616	$604,387,851,924	7,119
DISTRICT OF COLUMBIA	46	$125,652,859,295	$2,159,391,616	$127,812,250,911	6,070
FLORIDA	436	$275,573,746,115	$60,631,556,391	$336,205,302,506	492,867
GEORGIA	235	$331,544,397,953	$33,878,742,830	$365,423,140,783	192,291
GUAM	1	$ –	$167,000,000	$167,000,000	200
HAWAII	24	$8,766,893,052	$722,692,421	$9,489,585,473	7,031
IDAHO	26	$6,653,318,776	$229,684,716	$6,883,003,492	8,326
ILLINOIS	473	$1,314,988,316,418	$181,711,910,279	$1,496,700,226,697	696,473
INDIANA	117	$59,119,226,830	$16,913,041,765	$76,032,268,595	98,679
IOWA	57	$257,125,552,917	$55,327,846,627	$312,453,399,544	147,142
KANSAS	102	$73,634,329,899	$3,841,110,073	$77,475,439,972	65,741
KENTUCKY	39	$16,631,290,315	$9,874,667,578	$26,505,957,893	26,481
LOUISIANA	48	$15,656,747,224	$2,196,168,783	$17,852,916,007	21,894
MAINE	24	$4,571,163,534	$296,177,398	$4,867,340,932	11,210
MARYLAND	214	$555,327,849,885	$27,731,605,148	$583,059,455,033	309,236
MASSACHUSETTS	523	$3,914,113,422,859	$114,208,511,452	$4,028,321,934,311	1,151,932
MICHIGAN	224	$93,682,591,667	$18,479,896,588	$112,162,488,255	135,983
MINNESOTA	195	$477,085,966,042	$84,484,271,584	$561,570,237,626	852,813
MISSISSIPPI	22	$6,644,998,938	$1,267,366,006	$7,912,364,944	5,468
MISSOURI	144	$233,623,715,701	$133,722,737,060	$367,346,452,761	930,531
MONTANA	17	$4,931,956,555	$1,990,142,231	$6,922,098,786	22,875
NEBRASKA	61	$23,642,316,002	$4,182,377,875	$27,824,693,877	112,142
NEVADA	36	$10,733,345,133	$878,170,515	$11,611,515,648	12,580
NEW HAMPSHIRE	62	$9,660,153,229	$6,655,058,548	$16,315,211,777	24,462
NEW JERSEY	301	$1,219,797,506,649	$136,618,054,405	$1,356,415,561,054	1,242,537
NEW MEXICO	29	$35,491,626,053	$389,677,146	$35,881,303,199	20,014

State/Territory	Number of Advisers	Discretionary AUM	Non-Discretionary AUM	Total AUM	Total Accounts
NEW YORK	1,514	$7,073,588,903,921	$650,489,836,263	$7,724,078,740,184	3,890,717
NORTH CAROLINA	167	$94,489,880,055	$32,365,607,989	$126,855,488,044	83,490
NORTH DAKOTA	7	$442,146,588	$57,652,364	$499,798,952	13,974
OHIO	308	$421,400,318,740	$62,031,424,598	$483,431,743,338	365,551
OKLAHOMA	60	$11,745,507,966	$7,712,753,862	$19,458,261,828	17,795
OREGON	119	$42,815,631,138	$36,197,694,979	$79,013,326,117	57,612
PENNSYLVANIA	424	$1,877,718,697,298	$98,105,094,042	$1,975,823,791,340	478,311
PUERTO RICO	8	$4,321,815,720	$2,095,749,769	$6,417,565,489	2,474
RHODE ISLAND	43	$11,244,624,892	$586,365,996	$11,830,990,888	20,022
SOUTH CAROLINA	64	$10,602,034,136	$1,505,240,665	$12,107,274,801	20,154
SOUTH DAKOTA	4	$179,797,252	$145,608,307	$325,405,559	1,026
TENNESSEE	137	$87,290,097,490	$8,260,918,468	$95,551,015,958	102,278
TEXAS	595	$625,563,197,821	$118,068,862,183	$743,632,060,004	651,687
UTAH	62	$8,809,304,261	$1,260,559,980	$10,069,864,241	17,724
VERMONT	25	$85,126,245,361	$13,734,121,363	$98,860,366,724	16,360
VIRGIN ISLANDS	4	$520,673,616	$9,000,000	$529,673,616	137
VIRGINIA	251	$158,807,224,447	$21,765,567,143	$180,572,791,590	165,134
WASHINGTON	223	$217,217,596,789	$15,538,849,327	$232,756,446,116	115,592
WEST VIRGINIA	13	$1,972,065,664	$579,875,351	$2,551,941,015	6,383
WISCONSIN	160	$238,154,497,498	$18,269,170,972	$256,423,668,470	250,656
WYOMING	28	$11,054,065,589	$263,821,535	$11,317,887,124	3,809
U.S. DOMESTIC TOTAL	**10,094**	**$27,276,964,453,347**	**$2,683,050,829,491**	**$29,960,015,282,838**	**15,552,648**
Private Residences	610	$36,317,834,871	$10,254,419,970	$46,572,254,841	66,243

Appendix 2: Foreign Based SEC-Registered Investment Advisers

Country/Territory	Number of Advisers	Discretionary AUM	Non-Discretionary AUM	Total AUM	Total Accounts
ARGENTINA	1	$62,000,000	$155,000,000	$217,000,000	1,087
AUSTRALIA	20	$85,873,527,905	$2,237,017,968	$88,110,545,873	839
AUSTRIA	2	$1,343,396,000	$39,327,310,000	$40,670,706,000	2,730
BAHAMAS	8	$67,925,545,693	$2,099,000	$67,927,644,693	57
BAHRAIN	1	$7,921,752,166	$54,248,539	$7,976,000,705	50
BARBADOS	1	$515,000,000	$ –	$515,000,000	3
BELGIUM	1	$1,777,968,000	$ –	$1,777,968,000	53
BRAZIL	3	$5,284,616,684	$ –	$5,284,616,684	129
CANADA	88	$418,759,829,194	$45,749,411,119	$464,509,240,313	83,331
CHILE	1	$ –	$120,579,331	$120,579,331	2
CHINA	43	$107,798,439,874	$6,004,938,158	$113,803,378,032	1,354
CYPRUS	3	$1,782,800,852	$7,358,836	$1,790,159,688	69
DENMARK	2	$2,160,333,518	$18,613,335,957	$20,773,669,475	553
FRANCE	8	$7,838,827,399	$633,031,975	$8,471,859,374	79
GERMANY	4	$76,177,437,556	$6,550,679,503	$82,728,117,059	1,465
GREECE	1	$22,000,000	$ –	$22,000,000	2
HUNGARY	1	$ –	$ –	$ –	0
INDIA	4	$8,768,166,444	$876,814,843	$9,644,981,287	2,541,933
INDONESIA	1	$ –	$ –	$ –	0
IRELAND	8	$13,278,463,675	$500,000	$13,278,963,675	110
ISRAEL	3	$527,191,385	$382,574	$527,573,959	20
ITALY	1	$ –	$ –	$ –	0
JAMAICA	2	$ –	$ –	$ –	0
JAPAN	19	$646,786,076,587	$61,770,291,228	$708,556,367,815	4,082
MAURITIUS	1	$6,000,000	$ –	$6,000,000	1
MEXICO	2	$336,165,873	$ –	$336,165,873	16
MONACO	1	$32,000,000	$ –	$32,000,000	1
NETHERLANDS	5	$20,033,220,257	$ –	$20,033,220,257	250
NEW ZEALAND	2	$34,050,326	$ –	$34,050,326	1
NORWAY	2	$1,689,622,757	$ –	$1,689,622,757	8
PANAMA	2	$17,714,905	$9,791,075	$27,505,980	94
RUSSIA	3	$5,239,582,166	$5,149,249,002	$10,388,831,168	1,770
SINGAPORE	33	$128,515,423,253	$7,216,879,552	$135,732,302,805	1,183
SOUTH AFRICA	3	$8,307,514,618	$ –	$8,307,514,618	1,314

Country/Territory	Number of Advisers	Discretionary AUM	Non-Discretionary AUM	Total AUM	Total Accounts
SOUTH KOREA	3	$8,042,221,125	$535,664,813	$8,577,885,938	517
SPAIN	1	$49,490,080,732	$ –	$49,490,080,732	592
SWEDEN	1	$20,000,000	$ –	$20,000,000	100
SWITZERLAND	24	$77,374,485,158	$5,523,516,354	$82,898,001,512	3,522
TAIWAN	2	$3,071,012,849	$ –	$3,071,012,849	35
THAILAND	2	$12,689,169,321	$2,486,113,000	$15,175,282,321	318,373
TRINIDAD AND TOBAGO	1	$ –	$ –	$ –	0
UNITED ARAB EMIRATES	1	$16,000,000	$6,600,000	$22,600,000	16
UNITED KINGDOM	184	$1,726,813,345,026	$187,576,751,922	$1,914,390,096,948	48,981
BERMUDA	24	$71,077,177,217	$620,259,484	$71,697,436,701	1,661
BRITISH VIRGIN ISLANDS	6	$2,289,717,166	$80,000	$2,289,797,166	110
CAYMAN ISLANDS	12	$7,240,341,392	$631,381,395	$7,871,722,787	98
GUERNSEY	5	$9,944,336,991	$102,727,623	$10,047,064,614	102
ISLE OF MAN	4	$2,840,314,051	$428,505,949	$3,268,820,000	36
JERSEY	2	$5,321,000,000	$ –	$5,321,000,000	20
UNITED KINGDOM & TERRITORIES & DEPENDENCIES	237	$1,825,526,231,843	$189,359,706,373	$2,014,885,938,216	51,008
URUGUAY	1	$7,014,720	$1,495,192	$8,509,912	85
FOREIGN TOTAL	**553**	**$3,595,050,882,835**	**$392,392,014,392**	**$3,987,442,897,227**	**3,016,834**

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