

## New Release

*annual survey* ✓

## Mutual Fund Profitability

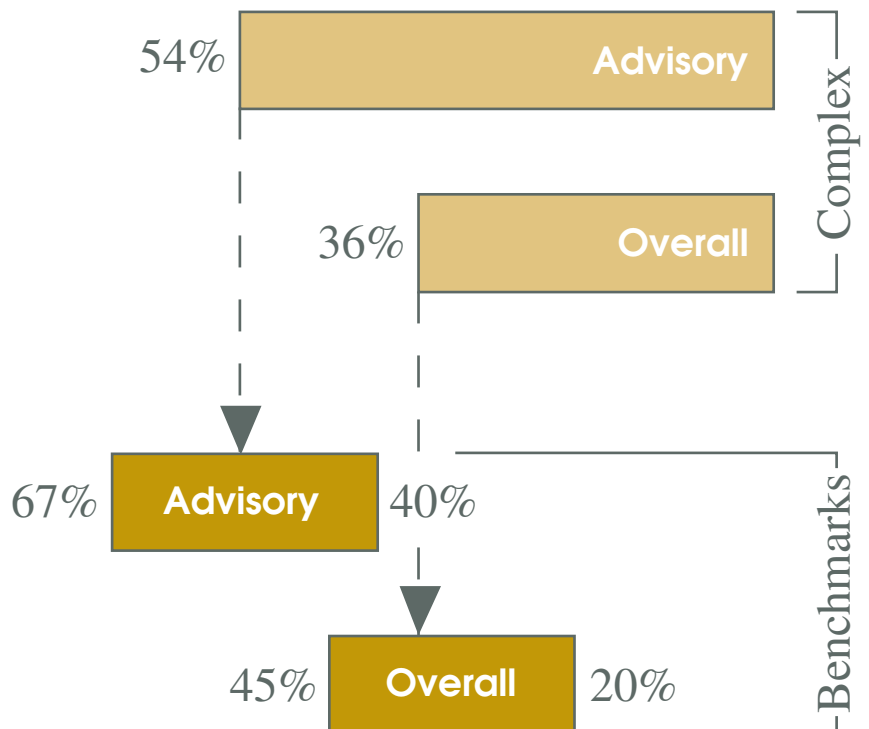
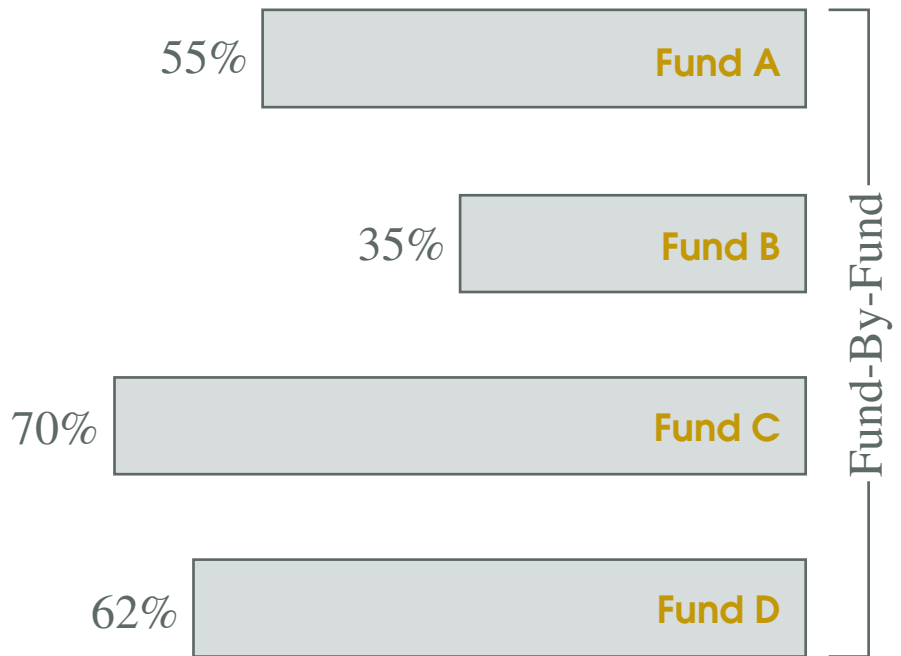
✓ **Independent source of profitability benchmarks and comparisons** for presentation to the Board.

✓ **Timely—** we will meet your board meeting schedule.

✓ **Trend data available** as Management Practice Inc. has been tracking the profitability of publicly-held mutual fund managers since 1981.

✓ **Compiled by Experts** in mutual fund governance and profitability.

### Illustrative Profitability as percent of Revenue



## Why Participate?

Mutual fund directors are required to assess the reasonableness of management company profitability as part of the annual contract renewal process.

Typically the directors receive profitability data compiled by the management company but find it difficult to assess reasonableness as there are few reliable, independently compiled benchmarks.

MPI's annual survey of profitability data provides an independent, professionally analyzed synopsis of all the relevant comparisons and trends.

## Multi-Level Profitability

MPI's analysis of profitability benchmarks is drawn at several different levels:

- ✓ The first level of profitability is on advisory activities, which typically has a rather high profit margin. Advisory profitability is usually presented at the fund by fund level.
- ✓ The second level of profitability takes into account the impact of distribution costs on profitability. Many managers experience distribution losses, or low profit margins on distribution, lowering the overall profitability of investment management activities. This level of profitability is typically presented at the complex level.
- ✓ The third level takes into account the impact on profitability of affiliated services, such as transfer agency, fund accounting or custody services, and is presented at the complex level.

MPI's profitability benchmarks exclude lines of business other than investment management and exclude other income and expense items that distort *apples to apples* comparisons, such as investment income, interest expense and amortization of intangibles.

## Participating in the Survey

Your complex can participate in MPI's annual survey in two ways:

- ✓ *Level 1—Receive Professionally Analyzed Publicly Available Comparisons.* You will receive a copy of our profitability survey, but will not report any of your proprietary data to MPI. You will then be able to draw your own comparisons by incorporating your own profitability data. The cost for Level 1 participation is \$5,500.
- ✓ *Level 2—Receive A Tailored Comparison of Your Own Profitability Results to the Benchmark.* You will be working closely with MPI to incorporate your own profitability data in direct comparison to the benchmark. As an independently compiled comparison, it will be a more satisfactory response to directors' inquiries. MPI can review your cost allocation methodology and give the directors assurance that the methodology is reasonable based on those used by other fund managers. The cost for Level 2 Participation is \$9,000 but may vary depending on the complexity of analyzing your profitability. We can meet your board meeting schedule and prepare a tailored report in time for your meeting.

We guarantee complete confidentiality of your data, as we do in our other confidential surveys. The most widely known is our Survey of Mutual Fund Directors' Compensation, which is currently in its tenth release.

Visit our website: [www.MFGovern.com](http://www.MFGovern.com)

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**MANAGEMENT PRACTICE INC.** is a professional management consulting firm established for over 38 years. Formed by former McKinsey consultants, MPI has been retained by many mutual fund companies to independently report sensitive data to their outside directors, particularly data relating to contract renewal (performance, fee and expense comparisons) and other governance issues, such as director selection and retirement.

For additional information on the Survey or to arrange for participation, please call Meyrick Payne at 203-973-0535.

Management Practice, in addition to this survey, is available to conduct custom profitability studies.

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Also available from MPI a useful new booklet *Assessing Fund Profitability* partially written by MPI and published by Fund Directions newsletter.

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