

### Interest in Third Party Marketing Soars

NEW YORK, N.Y., June 19, 2000 - If you build it, they will come. In the past, a money management firm needed only outperform its benchmark to attract new investors. But today, with several thousands of registered investment advisors, small- and mid-sized investment firms are challenged to grow their client base and assets under management. Today, there are viable, proven alternatives to internal distribution only.

Investment firms are increasingly turning to independent sales and marketing specialists-known as third-party marketers-to help them broaden relationships and raise additional assets from the institutional and retail marketplaces. During the past few years, the number of independent sales and marketing firms has increased from less than a dozen to more than 50. The managers using these organizations come in all sizes, from start-ups and one-product boutiques to global, multi-product firms with several hundred billion dollars in assets.

“There is more interest in this business than ever,” says Steven Rubenstein, a principal of Arrow Partners, a New York-based third-party marketer. “It’s an efficient, cost-effective way for a money manager to expand his sales and marketing efforts without compromising the expectations and results of an internal marketing effort.”

In fact, the third-party marketing industry is in the midst of its biggest growth spurt ever. Membership in the Third Party Marketers Association, a trade group representing the top independent marketing agents for money management firms formed in 1997, has swelled to 20 firms from seven charter member firms. These firms, since inception, have raised more than \$20 billion in new business assignments for their manager-clients.

The group, often referred to as “3PM,” recently launched a Web site -- [www.3pm.org](http://www.3pm.org) -- as a clearinghouse of information for asset managers. The site contains industry standards, as well as information on the economics of the business and a list of member firms for easy access. “Third-party marketing firms provide focused expertise and processes to deliver results. In addition, our relationship structures are designed to provide ample incentive to close sales for our manager-clients, and develop mutually rewarding, long-term relationships,” says Greg Reid, of Greg Reid Associates.

Quite simply the idea is to allow the money manager to use dedicated sales resources without significantly increasing his fixed costs. “It’s a lot like a manufacturers’ rep. The managers make the products and we distribute it, while getting compensated for results,” added Susan Templeton, of Templeton Associates.

Two big industry trends are fueling the rise of the third-party marketer. The first is the explosion of alternative investment classes. An increasing number of investors, both institutional and retail, are increasing their exposure to private equity and other non-traditional assets classes.” Many private placement firms including hedge funds and venture capital managers have strong investment cultures,” says Robert King, of King Associates in Richmond, VA. He added “They often need additional sales support and key contacts-without increasing their overhead and management commitment.”

Another big reason for the success of the independent marketing agent is the rise in individually managed accounts. With low-cost Internet trading threatening their business, broker-dealers are emphasizing financial planning via their fee-based “wrap” programs. Financial planners and their investor-clients are increasingly demanding more personalized service from asset managers to support and service their needs.

Says Ken Rogers, of Arrow Partners, “The individually managed account business is a huge growth area. Wholesaling in this market is a specialized skill set and third-party marketing firms can offer distribution strengths that enable managers to more efficiently reach the tens of thousands of advisors and their investor clients.”

With so many managers competing for assets, it is not enough to build it and expect investors to materialize from the ether. Rather, cost-effective, experienced marketers are needed to create specialized marketing and sales campaigns that can help managers stand out in the crowd.