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EMBARGOED UNTIL 2nd March 2012 8AM

FUND DISTRIBUTION DOWN SHARPLY IN FOURTH QUARTER 2011

As the economic outlook worsened in the fourth quarter, investors and their advisers reacted by taking risk off the table. According to the quarterly Distribution Report jointly published by FundScape and Matrix Solutions, gross sales across the fund distribution universe totalled £18.7bn in the final quarter and were down 16% on the third quarter, and down 20% on the same quarter of 2010. However, helped by buoyant sales earlier in the year, 2011 sales of £88.8bn were marginally ahead of 2010 sales of £87.8bn.

Bella Caridade-Ferreira, Director of FundScape, commented “Third quarter sales were characterised by switching as investors responded to the worsening economic environment. But by the fourth quarter, sentiment had deteriorated, risk was off the table and gross sales plummeted.”

The quarterly Distribution Report, which monitors actual sales through the three main wholesale aggregation channels as well as the underlying distribution channels, showed that not all wholesale channels were affected. While platform and direct-to-fund manager business fell in the final quarter, life and pension business flows rose to their highest point on record. Caridade-Ferreira explained, “Life and pension (L&P) business is regular and of course stickier, so it cushions the industry from the worst of market troughs, but there was a definite uptick in L&P flows this quarter. In more uncertain times, investors tend to focus on their long-term savings plans.”

At the primary channel level, IFAs accounted for 36% of fourth quarter sales and 34% of annual sales. Wealth managers were in second place with 12% and 14% respectively. Caridade-Ferreira commented “IFAs are the main generators of fund business in the UK. But not all IFA business is identified in the figures, so their proportion of sales is likely to be considerably higher.”

Net sales were also a new feature of the Distribution Report in the fourth quarter. “We’re excited by the inclusion of net sales for the first time. The Financial-Clarity database’s coverage of net sales is about 75%, and we expect that to improve throughout 2012. This quarter net sales amounted to £1.9bn, broadly in line with net retail figures reported by the IMA.” said Caridade-Ferreira.

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Notes to Editors:

About Matrix Solutions: With over 25 years’ experience in the financial services industry, Matrix is established as one of the UK’s leading Customer Intelligence companies delivering proven information solutions across a number of industries. The company focuses on improving its clients’ understanding and management of customers and sales channels, delivering operational cost savings and driving top-line revenue growth.

About Financial-Clarity: Financial-Clarity is a suite of revenue-driving business intelligence tools for the UK financial services industry. It features three component parts:

- 1) A secure data hub containing aggregate market sales data from financial product providers and platforms in the UK;
 - 2) The Matrix Financial Intermediary Database (MFID) — the UK’s most comprehensive intermediary database with up-to-the-minute market intelligence on outlets;
 - 3) A web-based interface providing easy access to the analysis of own sales and aggregated market intelligence that can be seamlessly integrated with your systems and CRM software.
- For further details on Financial-Clarity, please visit: www.financial-clarity.com.

About Fundscape: Fundscape provides informed analysis, comment and insight into the UK fund industry and other fund markets globally. Its activities include the publication of several regular reports including the Pridham Report, which is unique in monitoring actual fund flows in the UK, and the Platform Report, which provides in-depth coverage of the burgeoning platform and wrap market. For more information on Fundscape, please visit: www.fundscape.co.uk.

About the Distribution Report: The Distribution Report is a quarterly subscription-based publication. It is a closed user-group publication with restricted circulation, which means that prospective subscribers must also subscribe or provide data to Financial-Clarity.