



The Economics of the Mutual Fund Industry

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OUTLINE

- I. MARKET CONCENTRATION – THE OTHER 29%**
- II. MARKET OPPORTUNITY FOR SMALLER FUNDS**
- III. CHANGING ECONOMICS FOR SMALLER FUNDS**
- IV. NEW FUNDS IN THE NEXT 3 TO 5 YEARS**

Table 1
U.S. Mutual Fund Industry Total Net Assets, Number of Funds,
Number of Share Classes, and Number of Shareholder Accounts
 (end of year)

Year	Total Net Assets (billions of dollars)	Number of Funds	Number of Share Classes	Number of Shareholder Accounts* (thousands)
1940	\$0.45	68	—	296
1945	1.28	73	—	498
1950	2.53	98	—	939
1955	7.84	125	—	2,085
1960	17.03	161	—	4,898
1965	35.22	170	—	6,709
1970	47.62	361	—	10,690
1971	55.05	392	—	10,901
1972	59.83	410	—	10,635
1973	46.52	421	—	10,331
1974	35.78	431	—	10,074
1975	45.87	426	—	9,876
1976	51.28	452	—	9,060
1977	48.94	477	—	8,693
1978	55.84	505	—	8,658
1979	94.51	526	—	9,790
1980	134.76	564	—	12,088
1981	241.37	665	—	17,499
1982	296.68	857	—	21,448
1983	292.99	1,026	—	24,605
1984	370.68	1,243	1,243	27,636
1985	495.39	1,528	1,528	34,098
1986	715.67	1,835	1,835	45,374
1987	769.17	2,312	2,312	53,717
1988	809.37	2,737	2,737	54,056
1989	980.67	2,935	2,935	57,560
1990	1,065.19	3,079	3,177	61,948
1991	1,393.19	3,403	3,587	68,332
1992	1,642.54	3,824	4,208	79,931
1993	2,069.96	4,534	5,562	93,214
1994	2,155.32	5,325	7,697	114,383
1995	2,811.29	5,725	9,007	131,219
1996	3,525.80	6,248	10,352	150,042
1997	4,468.20	6,684	12,002	170,363
1998	5,525.21	7,314	13,720	194,078
1999	6,846.34	7,791	15,262	226,346
2000	6,964.63	8,155	16,738	244,839
2001	6,974.91	8,305	18,023	248,816
2002	6,390.36	8,244	18,985	251,222
2003	7,414.40	8,126	19,319	260,880
2004	8,106.94	8,041	20,030	269,779
2005	8,905.17	7,977	20,556	275,529**

*Number of shareholder accounts includes a mix of individual and omnibus accounts.

**Shareholder account data as of September 2005

Note: Data for funds that invest in other mutual funds were excluded from the series.

Table 2
U.S. Mutual Fund Industry Total Net Assets
 (billions of dollars, end of year)

Year	Total	Long-Term Funds		Money Market Funds
		Equity Funds	Bond & Income Funds	
1960	\$17.03	\$16.00	\$1.02	—
1965	35.22	32.76	2.46	—
1970	47.62	45.13	2.49	—
1971	55.05	51.58	3.47	—
1972	59.83	55.92	3.91	—
1973	46.52	42.99	3.52	—
1974	35.78	30.87	3.19	\$1.72
1975	45.87	37.49	4.68	3.70
1976	51.28	39.19	8.39	3.69
1977	48.94	34.07	10.98	3.89
1978	55.84	32.67	12.31	10.86
1979	94.51	35.88	13.10	45.53
1980	134.76	44.42	13.98	76.36
1981	241.37	41.19	14.01	186.16
1982	296.68	53.63	23.21	219.84
1983	292.99	76.97	36.63	179.39

Year	Total	Long-Term Funds			Money Market Funds
		Equity Funds	Hybrid Funds	Bond Funds	
1984	\$370.68	\$79.73	\$11.15	\$46.24	\$233.55
1985	495.39	111.33	17.61	122.65	243.80
1986	715.67	154.45	25.76	243.31	292.15
1987	769.17	175.45	29.25	248.37	316.10
1988	809.37	189.38	26.35	255.69	337.95
1989	980.67	245.04	35.64	271.90	428.09
1990	1,065.19	239.48	36.12	291.25	498.34
1991	1,393.19	404.73	52.23	393.78	542.44
1992	1,642.54	514.09	78.04	504.21	546.19
1993	2,069.96	740.67	144.50	619.48	565.32
1994	2,155.32	852.76	164.40	527.15	611.00
1995	2,811.29	1,249.08	210.33	598.87	753.02
1996	3,525.80	1,726.01	252.58	645.41	901.81
1997	4,468.20	2,368.02	317.11	724.18	1,058.89
1998	5,525.21	2,977.94	365.00	830.59	1,351.68
1999	6,846.34	4,041.89	378.81	812.49	1,613.15
2000	6,964.63	3,961.92	346.28	811.19	1,845.25
2001	6,974.91	3,418.16	346.32	925.12	2,285.31
2002	6,390.36	2,662.46	325.49	1,130.45	2,271.96
2003	7,414.40	3,684.16	430.47	1,247.77	2,052.00
2004	8,106.94	4,384.05	519.29	1,290.41	1,913.19
2005	8,905.17	4,940.02	567.30	1,357.31	2,040.54

Note: The data contain a series break beginning in 1984. All funds were reclassified in 1984 and a separate category was created for hybrid funds.

Data for funds that invest in other mutual funds were excluded from the series.

Components may not add to the total because of rounding.

Source: Investment Company Institute

Table 3
U.S. Mutual Fund Industry Number of Funds
(end of year)

Year	Total	Long-Term Funds		Money Market Funds
		Equity Funds	Bond & Income Funds	
1970	361	323	38	—
1971	392	350	42	—
1972	410	364	46	—
1973	421	366	55	—
1974	431	343	73	15
1975	426	314	76	36
1976	452	302	102	48
1977	477	296	131	50
1978	505	294	150	61
1979	526	289	159	78
1980	564	288	170	106
1981	665	306	180	179
1982	857	340	199	318
1983	1,026	396	257	373

Year	Total	Long-Term Funds			Money Market Funds
		Equity Funds	Hybrid Funds	Bond Funds	
1984	1,243	459	89	270	425
1985	1,528	562	103	403	460
1986	1,835	678	121	549	487
1987	2,312	824	164	781	543
1988	2,737	1,006	179	942	610
1989	2,935	1,069	189	1,004	673
1990	3,079	1,099	193	1,046	741
1991	3,403	1,191	212	1,180	820
1992	3,824	1,325	235	1,400	864
1993	4,534	1,586	282	1,746	920
1994	5,325	1,886	361	2,115	963
1995	5,725	2,139	412	2,177	997
1996	6,248	2,570	466	2,224	988
1997	6,684	2,951	501	2,219	1,013
1998	7,314	3,512	526	2,250	1,026
1999	7,791	3,952	532	2,262	1,045
2000	8,155	4,385	523	2,208	1,039
2001	8,305	4,716	483	2,091	1,015
2002	8,244	4,747	473	2,035	989
2003	8,126	4,599	508	2,045	974
2004	8,041	4,547	510	2,041	943
2005	7,977	4,586	505	2,015	871

Note: The data contain a series break beginning in 1984. All funds were reclassified in 1984 and a separate category was created for hybrid funds.

Data for funds that invest in other mutual funds were excluded from the series.

Source: Investment Company Institute

Table 4
Share of Assets at Largest Mutual Fund Complexes
(percent of industry total)

	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Top 5 Complexes	37	36	34	36	39	40
Top 10 Complexes	56	49	48	48	51	52
Top 25 Complexes	76	70	74	72	74	74

*Variable Annuities are Excluded

	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Top 5 Complexes	34	34	32	33	36	37
Top 10 Complexes	53	47	46	46	47	48
Top 25 Complexes	75	70	74	72	71	71

*Variable Annuities are Included