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RepThinkTank Distribution Dynamics: Investment Selection

Financial Advisors Believe We Have Entered a “New Normal”

NEW YORK, NY (September 9, 2010) – September 9, 2010, Boston, MA - Along with regular rebalancing, the top reason given by advisors for making portfolio adjustments since the start of the financial crisis was changing risk/return expectations, which suggests that a large portion of advisors believe we have entered a "new normal." This is one finding from RepThinkTank's newly published report, *Distribution Dynamics: Investment Selection*. The report, which is the first in a periodic series, delves into the investment selection practices of advisors in the various distribution channels.

Supporting the idea that few advisors plan to return to pre-crisis models was the fact that most expect to make minimal asset allocation changes over the short term. "The prolonged effects of the recession and continuing market volatility are having a lasting impact on how advisors view risk/return relationships," said Warren Bimblick, Senior Vice President, Strategy and Business Development for Penton Media, the publisher of *Registered Rep.* magazine. "As a result, asset managers need to approach advisors with real guidance on how to manage portfolio risk in an environment of growing uncertainty."

While the majority of advisors are unlikely to make major adjustments in the short-term future, it seems that many believe that tactical management is important to mitigate risk and take advantage of opportunities. Nearly 40% of surveyed advisors had made tactical modifications over the last year, a trend that was particularly evident in the wirehouse, regional, and RIA channels.

"Investors and advisors have to contend with a number of potential threats that have not been present in recent years, such as the risk of rapidly rising interest rates and growing inflation," noted Neil Bathon, founder of FUSE Research Network. "Asset managers need to help advisors prepare their clients' portfolios for these circumstances, while also identifying pockets of opportunity in the market. For many asset managers, this represents a shift in how they have historically positioned their investment products—from marketing products within a long-term, strategic asset allocation framework to tactically positioning strategies in a continually changing environment."

Distribution Dynamics is a report series that goes right to the source-financial advisors in each of the primary distribution channels-to ask timely questions about their business practices. Each report addresses a unique topic and is designed so that readers can easily access information by distribution channel. Recognizing that consolidation within the industry has begun to blur channel distinctions, each report also looks at trends that transcend channel lines to influence distribution strategies across the industry.

About RepThinkTank

The RepThinkTank is an experienced integrated team of leading industry professionals. The four firms in the consulting alliance - *Registered Rep.* magazine, The Oechsli Institute, FUSE Research Network and Momentum Partners, LLC – support all of the key functional areas involved in financial services product development and distribution. This new model for delivering an integrated suite of advisory, consulting, research, and promotional services provides all of the tools and information leaders and executives need to take advantage of the highest value product and service development and distribution opportunities.

