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## SEC Open To Active ETFs

**Andrew Donahue** said the SEC may find a way to O.K. an actively managed exchange-traded fund.

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## BLACKROCK TO CUT REDEMPTION FEES

BlackRock plans to become the latest in a growing number of fund firms to roll back redemption fees. BlackRock will eliminate redemption fees on nine funds and reduce the minimum holding period from 90 to 30 days on 12 others.

The moves will take effect after the merger with Merrill Lynch Investment Managers is complete. The merger will create a firm with more than \$1 trillion in assets under management.

BlackRock slapped on redemption fees in late 2003 in the wake of the market timing scandals ([www.fundaction.com](http://www.fundaction.com), 12/14/2003). By ditching the fees, BlackRock joins a number of firms who are rethinking their reaction to the scandals and pulling back.

Niels Holch, executive director of the Coalition for Mutual Fund Investors, said many firms introduced redemption fees after the scandals expecting the Securities and Exchange

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## MARKET FOR SALES EXECs, WHOLESALERS PICKS UP STEAM

Competition for distribution heads and wholesalers is increasing now that the market has rebounded since 2003. Fund firms have been cautious in hiring sales people, with attention on increased compliance requirements and the fund industry scandals. But as competition has heated up they have begun to look for sales people who have experience in driving sales and who can demonstrate their personal contribution to sales efforts.

**Dan Kreuter**, founder of search firm DAK



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## CLAYMORE MAKING DISTRIBUTION PUSH

Claymore Securities is ramping up its distribution effort in anticipation of asset growth and the launch of new business lines. The firm is also planning more hires as it eyes expansion into the registered investment advisor and bank/trust channels.

"We're trying to be ahead of the curve," said **Christian Magoon**, managing director. "The time you want to have more sales people is right before [business grows], not six months afterward."

**Tony DiLeonardi**, senior managing director of distribution, said Claymore has developed strong relationships with the broker/dealer channel and will look to develop its business in the bank/trust and financial advisor channel. He said he is evaluating how many hires that would require and whether to begin dividing wholesalers by channel instead of region.

Claymore launched its first five ETFs last week and will soon begin distributing a new

*(continued on page 10)*

Check [www.fundaction.com](http://www.fundaction.com) during the week for breaking news and updates—free to subscribers.



## PANDORA'S PORTFOLIO

*A peek inside the mutual fund world by our intrepid correspondent, Pandora.*

**Item:** Fund people seeking exemptive relief from the **Securities and Exchange Commission** should keep an eye on the job vacancy list for SEC staff. The man who ran that part of the agency work left last November and still hasn't been replaced.

**Item:** PFPC is positioning itself as one of the leading systems suppliers for firms trying to comply with the redemption fee rule. Must be a sign from the mutual fund gods, then, that on a recent trip PFPC's **Christine Gill** was given airline seat number 22c!

**Item:** The guardians of investor's interests at **Morningstar** have used their *Fund Spy* column to urge the **Securities and Exchange**

**Commission** to keep the independent chair rule. Laudable stuff, but surely it would have been more effective to send a comment letter to the SEC instead.

**Item:** Fundamental indexing guru **Rob Arnott** refused to give hacks details of his next project. But, he said, we could "infer" what was coming from his comments and proceeded to make a case for fundamental indexing in foreign markets, particularly developing nations. I'm not sure whether he was crediting us with too much or too little intelligence.

**Item:** *The Wall Street Journal* spotlighted a report which calculates hedge fund returns between 1994 and April 2006 at 9% a year while the S&P 500 was producing 11.6% a year over the same period. Maybe the huge inflows into hedge funds and their sky-high management fees are the true testament to their managers' financial savvy.

*If you have any news you'd like to share with Pandora, please e-mail her at [pandora@iinews.com](mailto:pandora@iinews.com).*

## BLACKROCK TO

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**Commission** to require such fees. But things changed after the SEC made the fees voluntary in March 2005. Firms such as **Gabelli Asset Management**, **MFS Investments**, **Lord Abbett & Co.** and **AmSouth Funds** recently scaled back their policies ([www.fundaction.com](http://www.fundaction.com), 5/6/2005).

The Coalition issued a study last year which showed that omnibus accounts had largely thwarted the effectiveness of redemption fees because nearly all fund firms excluded, waived or limited enforcement in those accounts. Firms now use a number of anti-market timing options, such as limiting the number of fund exchanges.

**BlackRock** will be the second trillion-plus dollar fund firm in a month to kill redemption fees. In August, **Fidelity Investments** said it was dropping redemption fees on six of its funds—the first time Fidelity had axed redemptions fees in more than a decade ([www.fundaction.com](http://www.fundaction.com), 8/11).

Fidelity, whose fees were put in place long before the market timing scandal, said it had reviewed its policies after the 2005 SEC rule and decided that its other market timing policies were sufficient for the six funds.

At **BlackRock**, the \$771 million **Asset Allocation** fund, the \$1.2 billion **Index Equity Portfolio**, the \$1.16 billion **Investment Trust** and the \$825 million **Mid-Cap Value** are among the funds on which redemption fees will be eliminated. Two funds whose minimum holding period will be reduced are the \$2 billion

**Aurora** fund and the \$1.1 billion **Global Resources** fund.

**BlackRock** spokesman **Brian Beades** did not return several calls seeking comment.

—Max Heuer

## CLAYMORE MAKING

*(continued from page 1)*

investment offering called **MACROS**, a project in which it is partnering with **MacroMarkets**. **MACROS** are securities to be marketed as retail investments for illiquid markets such as housing. **Claymore** has also filed for another two ETFs based on **Robeco** world and international equity indexes.



*Christian Magoon*

**Claymore** has reached 90 sales staffers, up from 35 a year ago, and plans more hires next year. The firm's hiring is a reflection of the amount it expects to grow its asset level.

**Magoon** said **Claymore** is focused on two core strengths: developing "innovative" funds and growing into a large distribution network.

**DiLeonardi** said **Claymore** has created two new internal sales desks, a specialist group that can handle technical questions and a client relations desk which handles incoming calls.

The firm has also increased its internal and external wholesaling ranks—both to about 37 sales staff from about half that number—and divided its regional assignments into 31 territories. It previously had about a dozen.

The new staff levels approach the size of sales teams at