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# Target-Date Funds

*Some opportunities exist despite recordkeepers' stronghold.*

Target-date funds not only endured the market crisis, but are prospering during the recovery. Assets in this cohort of retirement-oriented mutual funds tripled from 2006 to 1Q 2011, topping \$365 billion in March 2011. Despite the performance woes of many target-date funds during the market crisis, flows into these funds remained positive in 2008 (\$41.5 billion), and grew to \$45.1 billion by year-end 2010. And based on robust 1Q 2011 flows of \$16.1 billion, these mutual funds are on track for a banner year in 2011. There are more than a dozen target-date ETFs offered by two sponsors, BlackRock's iShares and DeutscheBank-owned DBX Strategic Advisors, that tally \$216 million AUM as of 1Q 2011.

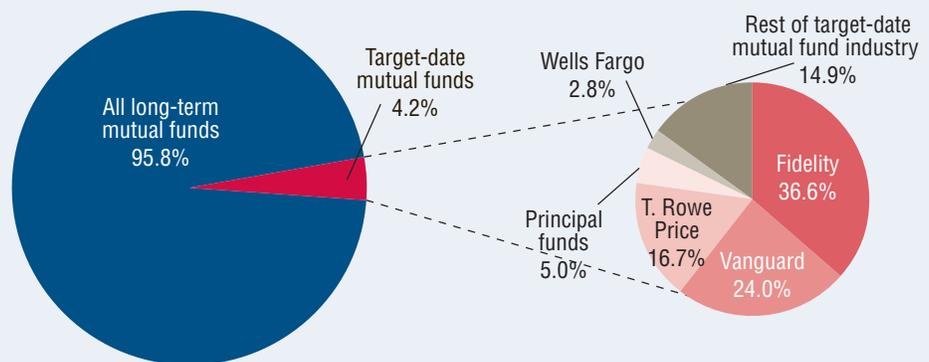
In spite of the good news in the target-date category, the opportunity for most managers appears stagnant. The top-five firms—Fidelity, Vanguard, T. Rowe, Principal, and Wells Fargo—each manage more than \$10 billion, and collectively account for 85% of assets in this category. The recordkeeper advantage in this market has not eased, and while managers are optimistic that open architecture will eventually win out in this category, meaningful change has not materialized, nor is it visible on the horizon.

The large recordkeepers retain a stronghold on the target-date fund category, yet this hurdle has not stopped product development. In 2009 and 2010, optimistic managers launched 64 new target-date funds and 157 new collective trust funds. This spring, iShares added two new products (iShares S&P Target Date 2045 and 2050 Funds) to its suite of eight target-date ETFs.

In the face of intense competition, many managers have pushed their unique glide-path approach as a competitive differentiator. One issue tied to the glidepath of tar-

### Target-Date Mutual Fund AUM Share of Long-Term Mutual Fund Assets, March 2011 (\$ billions)

Target-date fund assets comprise a small (4.2%), but important piece of the long-term mutual fund market (\$9.0 trillion AUM). Five firms control more than 85% of target-date fund assets.



Total assets: \$9,029 billion

Total target-date fund assets: \$365 billion

Note: Long-term funds only. Includes funds of funds.

Sources: Strategic Insight/SIMFUND, Cerulli Associates

