

# fund action

The leading source for mutual fund intelligence

Now  
Incorporating  
Defined Contribution  
and Savings Plan Alerts

www.fundaction.com

A PUBLICATION OF INSTITUTIONAL INVESTOR, INC.

MARCH 1, 2010  
VOL. XXI, NO. 8

## Stable Value Head Departing T. Rowe

**Mike Wyatt**, head of the T. Rowe Price stable asset management business, will be retiring at year's end.  
*See story, page 2*

### In the News

AI Frank Pushes SMA Offerings	3
Dreyfus Readies Hedge Fund Replication Fund	3
PIMCO Places Ex-Franklin Managers In First Stock Fund	4
Hennessy Plots Acquisitions	4

### Search Advisory

Independent 529 Selects Manager	4
San Jose Taps Consultant	5
Synopsys Changes Out Non-Qualified Provider	5
Suffolk Schools Search For Providers	6

### Washington

SEC Again Engulfed In Advice Issues	6
ICI: Cost Basis Rules Needed Soon	6
Fund Firms Divided On Lighting Dark Pools	6

### Departments

Advisor Forum	8
News Briefs	9
Fund Filings	12

**COPYRIGHT NOTICE:** No part of this publication may be copied, photocopied or duplicated in any form or by any means without Institutional Investor's prior written consent. Copying of this publication is in violation of the Federal Copyright Law (17 USC 101 et seq.). Violators may be subject to criminal penalties as well as liability for substantial monetary damages, including statutory damages up to \$100,000 per infringement, costs and attorney's fees. Copyright 2010 Institutional Investor, Inc. All rights reserved. ISSN 1548-0674

For information regarding subscription rates and electronic licenses, please contact Dan Lalor at (717) 224-3045.

## New Sheriffs In Town

### SEC TURNS FUND BOARDS INTO 'HOT MONEY' POLICE

Money market funds are going to have to crack the mystery of who their customers are to spot "hot money" coming in the door, the Securities and Exchange Commission told them last week. Moreover, the "know your customer duty" will extend to the point where funds may somehow have to pry open brokers' omnibus accounts to see what investors lurk inside them. The newly released specifics of the Commission's money fund rules unveiled Monday

*(continued on page 11)*

## Let's Make A Deal

### INDIES, DIVESTITURES TO LEAD M&A

Divestitures by large asset managers and the return of independent asset managers to the deal table are expected to propel a resurgent mergers and acquisitions market in 2010. *On The Road Again*, the most recent M&A report from Jefferies' Financial Institutions Group, reported the sales of Sal. Oppenheim to Deutsche Bank and Metropolitan West Asset Management to TCW

*(continued on page 11)*



### VIRGINIA SCHOOL SYSTEM LAUNCHES PROVIDER SEARCH

Prince William County Public Schools has issued a request for proposals from providers for its \$306.3 million 403(b) and 457 plans. Bids are due March 16. Lincoln Financial Group has been the sole plan provider since January 2003.

Frances Peacher, purchasing coordinator, told *FA* that the search is being held because the incumbent's contract will expire Dec. 31. She said the school system will have the flexibility to enter contract negotiations with two providers, but noted she expects it will

*(continued on page 12)*

### DODGE & COX CEO TO STEP DOWN

Dodge & Cox is in the midst of a leadership change as John Gunn, chairman and chief executive, prepares to step down as ceo, handing the reins to Kenneth Olivier, president. Olivier will become ceo on March 31 and Gunn will continue to serve as the firm's chairman until March 31, 2011, when Olivier will assume that role. Gunn will continue with the firm as chairman emeritus and will also continue to serve on the International Investment Policy, Global Investment Policy and Investment Policy committees.

Steve Gorski, spokesman, told *FA* the succession is being implemented in accordance

*(continued on page 11)*

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

## INDIES, DIVESTITURES

*(continued from page 1)*

indicate that independents are moving back into the M&A space.

A record \$4 trillion in assets was acquired during 2009, but the top two deals—BlackRock's acquisition of Barclays Global Investors and Credit Agricole's acquisition of Societe Generale Asset Management—accounted for more than 50% of the AUM transacted. Deal volume fell by 33%, from 219 deals in 2008 to 146 last year. Disclosed deal value rose 57% to \$24.9 billion. Divestitures made up a record 41% of deals announced and 47% of AUM transacted during the year and were the drivers of the top two deals.

Aaron Dorr, managing director, told *FA* he expects independents to play a larger role in the M&A landscape over the course of the year as divestitures decrease. "Early in the year [there will be a] healthy level of divestiture activity, but at a slower pace [than last year]," Dorr said. "That dropoff or slowing down will be

replaced by more traditional M&A, which is independents selling for strategic reasons." Toward the latter part of the year, the sale of independents will make up the predominant share of deals, he added. Dorr cited last week's deal in which Religare Enterprises acquired independent asset manager Northgate Capital as an example of deals involving independents to be expected this year.

Dorr said that the return of independent asset managers will

also bring more investment from private equity firms, which tend to find the industry's high operating margins attractive. Private equity firms mostly sat on the sidelines in 2009, accounting for only 10% of deal volume

and 7% of total AUM acquired last year, compared to 15% and 32%, respectively in 2007, which the report called

Date	Target	Ctry	Type	Acquirer	Ctry	AUM (\$MM)	% Acquired
Jun-09	Barclays Global Investors	US	Div	BlackRock Inc.	US	\$1,410,000	100%
Jun-09	Societe Generale Asset Management	FR	Div	Credit Agricole SA	FR	838,000	100%
Mar-09	S&P Oppenheim & Co. S.E.A.	GY	FDI	Deutsche Bank AG	GY	200,570	100%
Sep-09	Columbin Management (long-term business)	US	Div	American Financial, Inc.	US	165,000	100%
Aug-09	Insight Investment Management Limited	UK	Inst	Bank of New York Mellon Corporation	US	131,874	100%

Source: Jetties Financial Institutions Group

the "peak year for private equity investing."

Firms will again begin looking for deals to further international expansion, Dorr said. That expansion may include international or global product expansion, globalization of a firm's distribution footprint or both. —Mike Schmitzel

## DODGE & CO

*(continued from page 1)*

with a bylaw requiring shareholders to begin selling their shares when they turn 65.

"While we do not have mandatory retirement at Dodge & Cox, we do have in our bylaws that at the end of the year in which a shareholder turns 65, that shareholder must start selling his shares back to the firm and have them sold entirely by the time that they are 70," Gorski said. "John Gunn turned 65 in October 2008, so has now sold 40% of his stake in the firm, which means we have begun the process of changing titles. John has no plans to retire from the firm and will remain active on the policy committees on which he sits."

Gregg Wolper, senior fund analyst at Morningstar, told *FA* he expects a smooth transition. "It's well planned and they have a large amount of experienced people over there," he said.

Gunn has been chairman and CEO since 2007. He was president from 1993 to 2006. Olivier joined the firm in 1979, was elected a shareholder in 1983 and was named president—a title which he will continue to hold—in 2006.

Gunn and Olivier were not immediately available for comment.

—M.S.

## SEC TURNS

*(continued from page 1)*

say there is no numerical ceiling on how much liquidity a money fund has to have, only a very high floor of 30%. Above that floor the ceiling is going to be however much more money it takes to offset all of the "volatile" cash the fund is getting. And ultimately the SEC puts the onus for spotting a potential rush to get out not on fund management, but on the board.

It is up to the board, says the SEC release, to "make sure that the advisor is monitoring and planning for 'hot money.'" The document further instructs boards that "fund managers' interests in attracting additional fund assets may be in conflict with their

### For More Benefits Visit Our Web Site

As a Fund Action subscriber you are entitled to access Fund Action online at [www.fundaction.com](http://www.fundaction.com). Click on [www.fundaction.com](http://www.fundaction.com) and get the following added BENEFITS:

- Breaking News E-mail Alerts
- Live Web Updates
- Earlier Delivery
- Fund Action Library
- Web Links
- Remote Access

**DO NOT MISS OUT!** Set up your subscriber password today. Simply contact us at [customerservice@fnews.com](mailto:customerservice@fnews.com) or call us at 1-800-715-9195 between 8 a.m. and 6 p.m. EDT

overall duty to manage the fund in a manner consistent with maintaining a stable net asset value." So it is going to be up to the board to police against such conflicts. This job—handed to boards under the SEC's so-called "general liquidity" rule—is the key part of the 220-page money fund reform release. One senior member of the fund bar, speaking on background, noted, "In reality, funds *don't* know their customers. What the board is going to do about that, that is where the interest is going to be for boards, lawyers, managements. It's what they are all going to be worrying about." Other lawyers pointed out that what the SEC is remembering now is how back in September 2008, the board for the Reserve Primary Fund was hopelessly inept and uninformed about the developing run that killed the institution.

A lot of the hot institutional money will be placed in funds through omnibus accounts. Under existing SEC rules, other kinds of mutual funds are authorized to require brokers to open up the secrets of these accounts. But money funds were exempted at the time the rules were written because it was thought they would not be used for the illegal market timing which prompted the rules. "You can't know your customers until you know who they are," said Niels Holch, executive director of the Coalition of Mutual Fund Investors and a long-time lobbyist for making omnibus accounts transparent. Asked about this discrepancy, SEC officials talked in vague terms about there being "other ways" to get information. But they did concede that when the agency comes forward later on with a second set of corrective measures for money market funds included among them might be something to force brokers to cough up the customer information.

—Stan Wilson

## VIRGINIA SCHOOL

(continued from page 1)

only rap one firm. The award and contract completion date have not yet been decided. The contract length has been initially set for two years with options for three, one-year renewals, but is negotiable.

Bolton Partners Investment Consulting Group has been retained by PWCS and will assist the school system in the evaluation of the proposal responses, preparation and recommendations for award, and negotiating acceptable agreements.

PWCS has 10,662 participants with 403(b) accounts totaling \$298.1 million and 162 participants with 457(b) accounts with \$8.2 million in assets as of Dec. 31. A spokeswoman for Lincoln Financial declined to comment.

—Jean Heinz

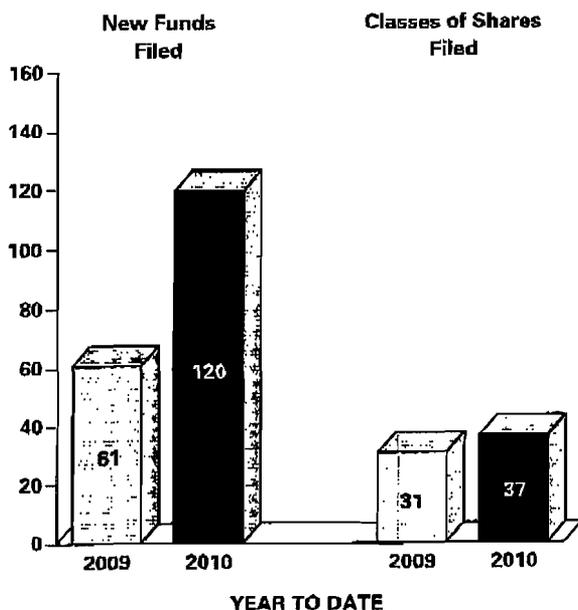
## Quote Of The Week

"It's well planned and they have a large amount of experienced people over there." —Gregg Walper, senior fund analyst at Morningstar, discussing the succession of John Gunn, CEO at Dodge & Cox, who announced he was stepping down last week. (See story, page 1).

## One Year Ago In Fund Action

Morningstar announced it would roll out focused research later in the year regarding target-date funds. [The research firm released reports in September 2009 on the 20 largest target-date fund families.]

## NEW FUND FILINGS



Source: Strategic Insight's www.SIfundFiling.com

## THE LAST WORD

### Houston, We Have A Settlement

Almost nine years after Enron filed for bankruptcy, former employees will receive distributions from retirement savings they invested in the Houston-based firm's stock through its Savings Plan and Employee Stock Ownership Plan.

As a result of the settlement of the class action lawsuit, *Newby v. Enron Corp.*, in the United States District Court for the Southern District of Texas, 16,500 former Enron employees were notified of the settlement on Feb. 12. While it amounts to more than \$70 million, it is only a small percentage of the assets owed to employees in 2001. It's kind of like going to Peter Luger and being served a burger instead of steak—but then again that's better than not eating at all.