

SAMPLE FINANCIAL SERVICES INDUSTRY STUDY

YEAR 5 ANNUAL STUDY - EXECUTIVE OVERVIEW

SAMPLE REPORT

NOTE: This sample report was designed for demonstration purposes only. The data referenced in this report are fictitious and not meant to represent any specific fund, company, or industry results.

SAMPLE FINANCIAL SERVICES INDUSTRY STUDY

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SAMPLE REPORT - CONFIDENTIAL



prepared by:

NATIONAL QUALITY REVIEW

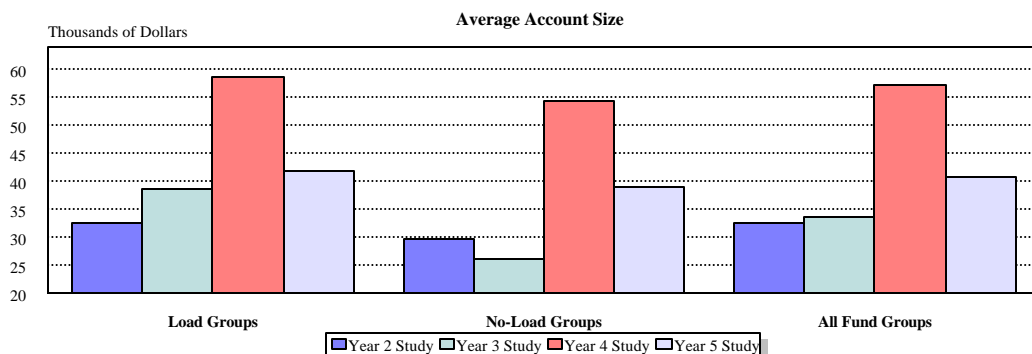
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Sample Financial Services Industry Study Business Finance/Operations Profile

Respondent Demographics

Twenty-five load and no-load fund groups participated in the Year 5 Financial Services Industry Study. These companies' assets¹ ranged from \$3.6 billion to \$213.6 billion. Total assets averaged \$69.9 billion. The average for load companies was \$83.5 billion, and the no-load average was \$44.7 billion.

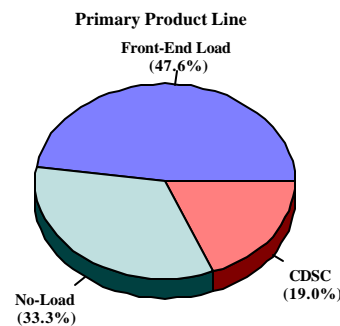
Total accounts ranged from 152,000 to 11.4 million and averaged 2.9 million. The average for load companies was 3.8 million accounts, and the no-load average was 1.3 million accounts.



Average account size was calculated based on the total account and asset data reported by the survey participants.

Average account size for all respondents was \$40,903. The load company average was \$41,876. The no-load average was \$39,098.

Fifty-seven percent of the responding mutual fund companies distribute their funds primarily through a Broker/Dealer network. Twenty-nine percent distribute their products directly. Fourteen percent indicated that they distribute primarily through a captive sales force.



Forty-eight percent of the respondents said that their primary products, based on total assets, are front-end load funds; 33.3% said no-load funds; and 19.0% said CDSC funds.

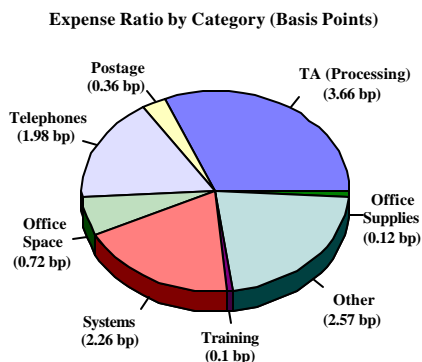
¹ Participating companies were asked to provide asset, account, and transaction data for year-end Year 4. Third-party transfer agents are excluded from these data.

**Sample Financial Services Industry Study
Business Finance/Operations Profile**

Operating Expenses

Expense ratios were calculated by dividing respondents’ reported Year 4 expenses by their average assets for the year ending December 31, Year 4.¹ These ratios are reported in basis points (one basis point equals 0.01%). The median expense ratio for all fund groups was 8.5 basis points. This compared to the prior year’s median of 8.0 basis points. The median for load groups was 8.1 basis points. The no-load median was 15.1 basis points.²

Expense ratios were also calculated for a number of operational areas. Transfer agent (processing operations) expenses averaged 3.7 basis points and 34.2% of total expenses. This compared to an average of 3.1 basis points and 29.7% of total expenses in the Year 4 study. Non-exempt labor costs represented 71.9% of the transfer agents’ total labor expenses. Overtime expenses were 4.8% of total non-exempt labor costs.



Telephone center expenses averaged 2.0 basis points and 14.8% of total expenses. This compared to an average of 1.8 basis points and 16.4% of total expenses in the Year 4 study. Non-exempt labor costs represented 76.9% of the telephone centers’ total labor expenses. Overtime expenses were 3.9% of total non-exempt labor costs.

Expense ratios averaged 2.3 basis points for systems, 0.1 basis points for internal and external training, 0.4 basis points for postage, 0.1 basis points for office supplies, and 0.7 basis points for office space.

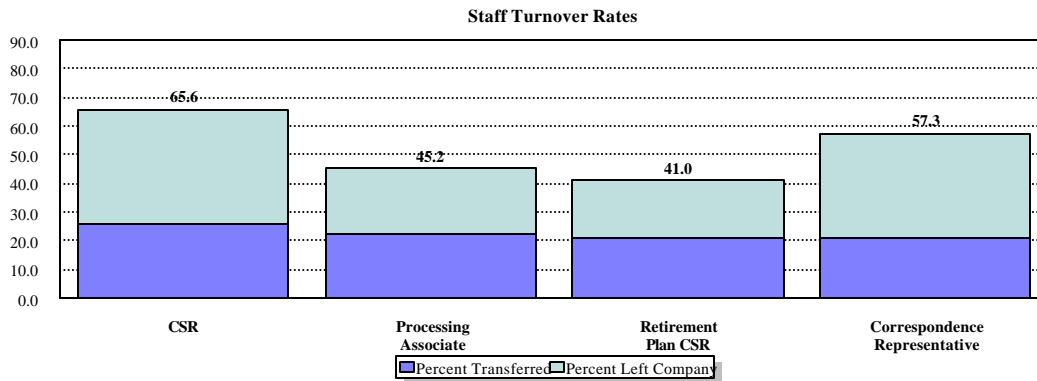
¹ Fourteen companies reported data on operating expenses.

² See Appendix A for description of quartile ratings.

Sample Financial Services Industry Study Staffing

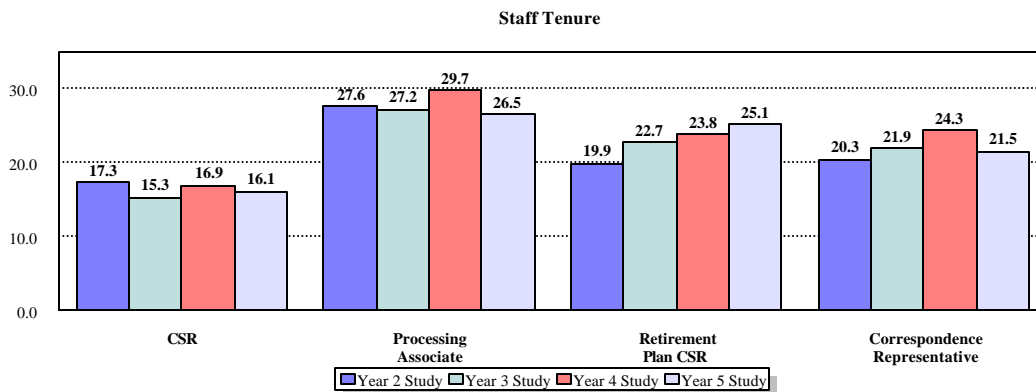
Staff Turnover

Respondents were asked to provide data on the number of employees in each major service area, the number who had transferred to another position in the company during the past 12 months, and the number who had left the company during the past 12 months. Using this information, we calculated average turnover rates for Customer Service Representatives, Transaction Processing Associates, Retirement Plan CSRs, and Correspondence Representatives.



Average turnover rates were 65.6% for CSRs, 45.3% for Transaction Processing Associates, 41.0% for Retirement Plan CSRs, and 57.3% for Correspondence Representatives. This compared to the Year 4 study results of 64.8% for CSRs, 47.9% for Transaction Processing Associates, 55.6% for Retirement Plan CSRs, and 46.8% for Correspondence Representatives.

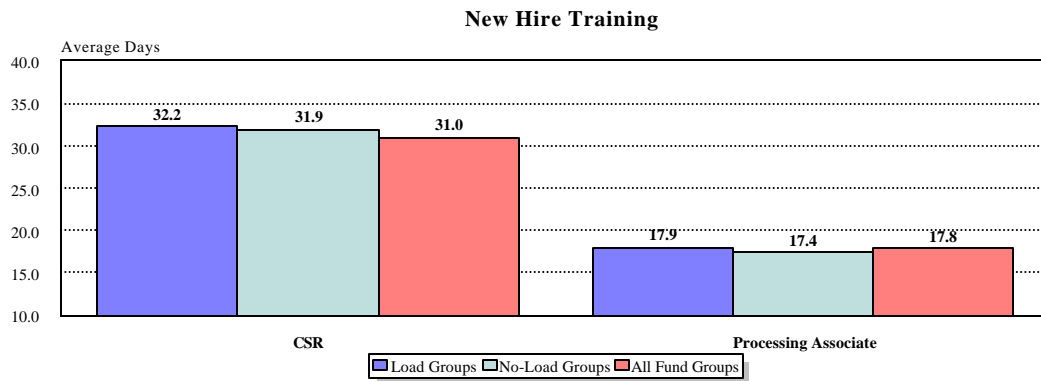
Respondents also provided the average time employees in each major service area remained in the positions. Average tenure was 16.1 months for CSRs, 26.5 months for Transaction Processing Associates, 25.1 months for Retirement Plan CSRs, and 21.5 months for Correspondence Representatives.



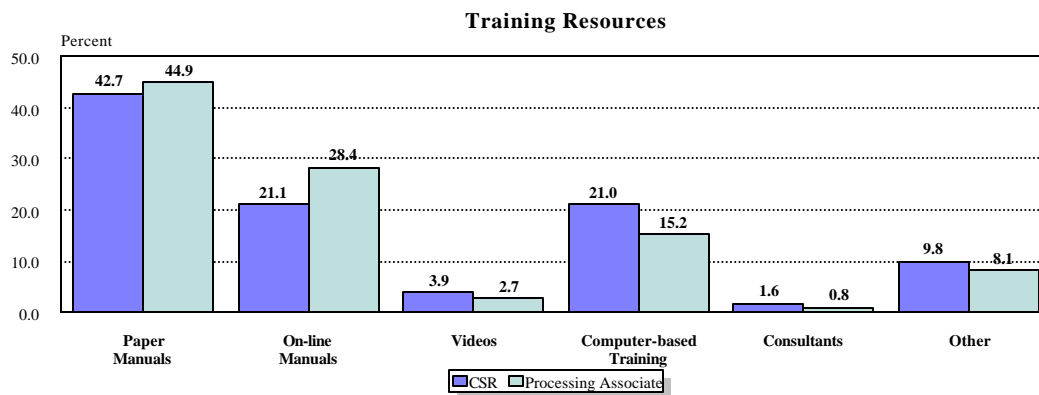
Sample Financial Services Industry Study Training

Overview

The amount of time respondents allocated to training new CSRs ranged from 6 to 125 days and averaged 31.0 days. Ongoing training averaged 10.5 days per year. Paper manuals accounted for 42.7% of the resources used for training courses, compared to 37.5% of the resources used last year. Computer-based training averaged 21.0% this year versus 24.9% last year, and on-line manuals averaged 21.1% this year versus 15.9% last year.



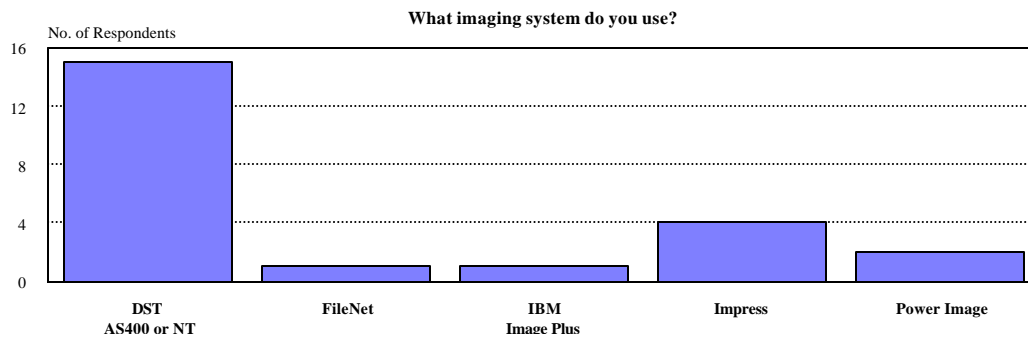
The time allocated to training new processing associates ranged from 4 days to 45 days and averaged 17.8 days. Ongoing training averaged 10.9 days per year. Paper manuals comprised 44.9% of the resources used for training courses, compared to 40.7% of the resources used last year. Computer-based training averaged 15.2% this year versus 23.1% last year, and on-line manuals averaged 28.4% this year versus 20.1% last year.



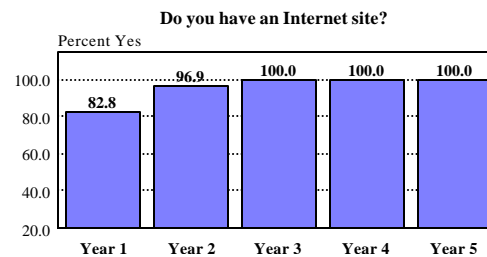
Sample Financial Services Industry Study Systems

Overview

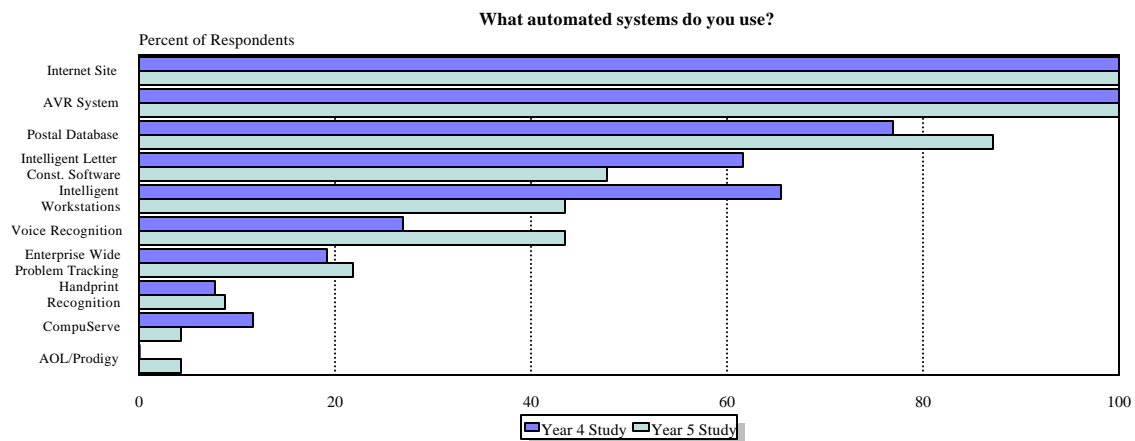
All Year 5 respondents said that they use document image processing, which was unchanged from last year. Sixty-five percent of these fund groups noted that they use the DST AS400 or DST NT image processing system.



All the Year 5 respondents said that they have an Internet site. This was unchanged from the Year 4 study.



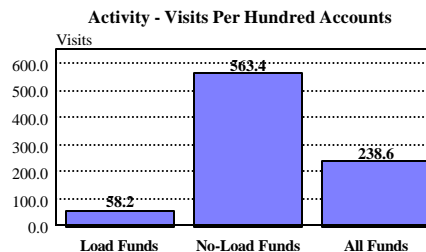
When asked what other automated systems they use, 100% of the Year 5 respondents said that they have an Automated Voice Response System. In addition, 87% of respondents indicated that they use Postal Database Technology. Over 40% of respondents said that they use Intelligent Letter Construction Software, Intelligent Workstations, and Voice Recognition.



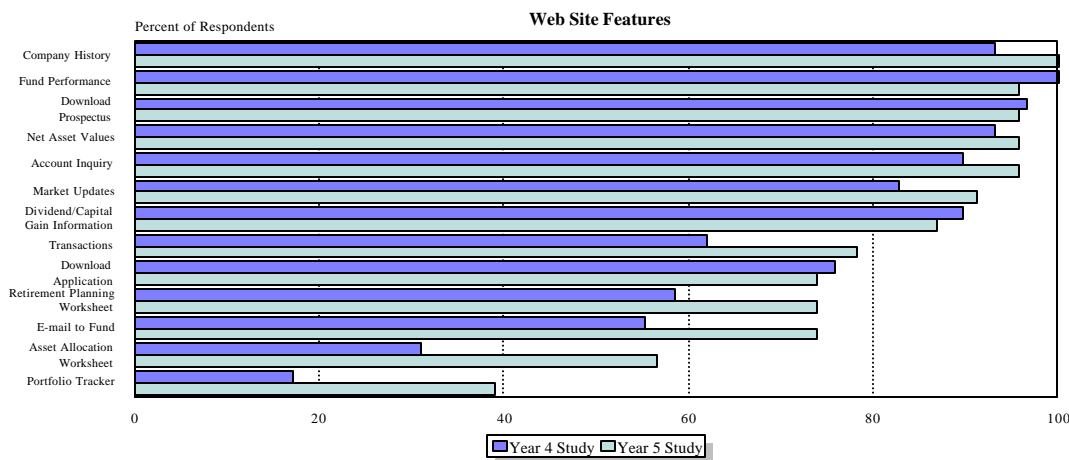
Sample Financial Services Industry Study Internet Activity

Overview

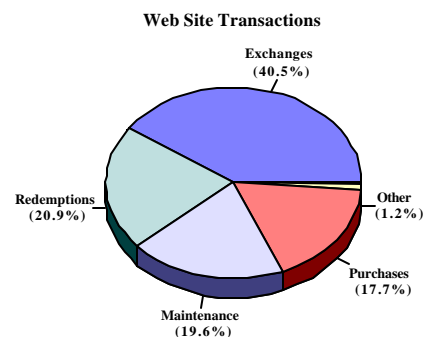
All Year 5 respondents said they have an Internet site, which was unchanged from Year 4. The average number of Web site visits during Year 4 ranged from 54,000 to 17,082,906 and averaged 4,410,752. Visits per hundred accounts averaged 238.6 this year versus 206.7 in the Year 4 study. The load group average was 58.2 visits per hundred accounts and the no-load average was 563.4 visits.



When participants were asked what services are available on their Web site, all the respondents indicated that they offer Company History. Ninety-six percent of the respondents offer Fund Performance Information, Prospectus Downloads, Net Asset Values, and Account Inquiry.



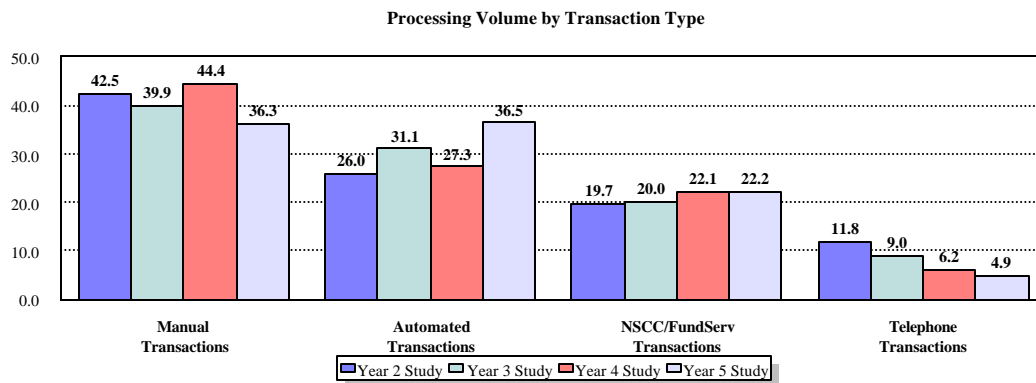
Seventy-eight percent of the respondents indicated that shareholders are able to request transactions via the Web site. Forty-one percent of these transactions were Exchanges. An additional 20.9% of the transactions were Redemptions. This activity continued to represent a very small percentage of total transactions (1.3%).



Sample Financial Services Industry Study Transaction Processing Operations

Transaction Volume

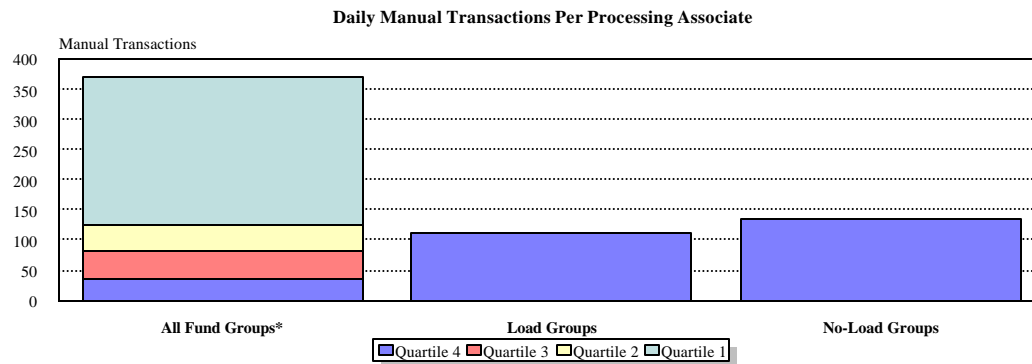
Thirty-six percent of the reported transactions were processed manually. This compared to 44.4% last year. Thirty-seven percent of the transactions were automated. NSCC/FundServ transactions averaged 22.2%, and telephone transactions averaged 4.9%.



Transaction Productivity

Seventy-six percent of the respondents indicated they have a target for transaction processing productivity. These goals typically vary according to the type of transaction being processed and the tenure of the associate.

Based on the reported number of manual transactions processed for 12 months, we computed an average daily rate of 112.7 manual transactions per associate. This compared to an average of 108.5 transactions per associate in the Year 4 study. The load group average was 112.0 manual transactions per day. The no-load average was 135.2 manual transactions per day.¹

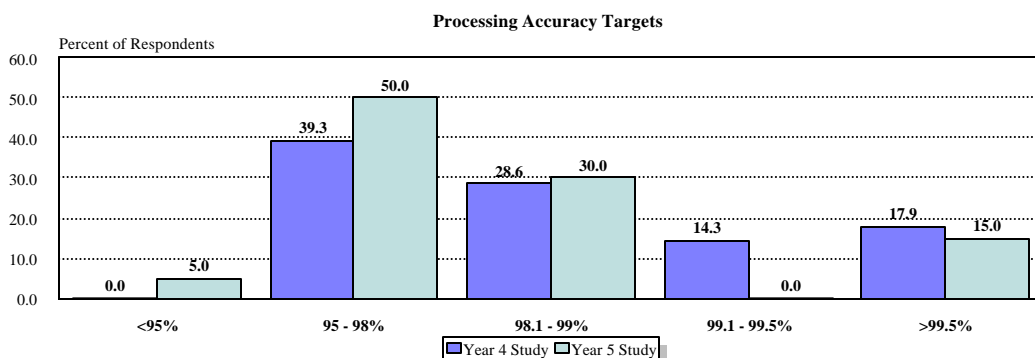


¹ See Appendix A for description of quartile ratings.

Sample Financial Services Industry Study Transaction Processing Operations

Quality/Timeliness Targets

Ninety-one percent of the respondents indicated they have targets for transaction processing accuracy. Of the 20 companies that described their targets, 30% said they have a processing accuracy target of 99% or better. All but one of the respondents identified a target of at least 95% accuracy.



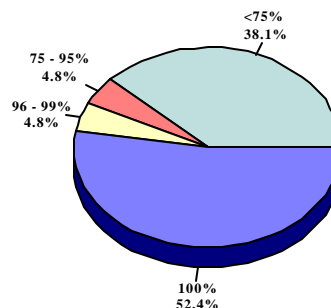
When asked to describe their targets for processing timeliness, 95% of the respondents stated that their goal is same-day processing of all financial items. This compared to 89% of the Year 4 respondents. The NQR Average for same-day processing of financial items was 93.8% in Year 4.

Fourteen percent of the respondents said that they also have a goal of same-day processing for non-financial items. All but one of the respondents indicated goals of no more than 3-day turnaround for all non-financial transactions. The NQR Average for same-day processing of non-financial items was 69.7% in Year 4.

Quality Control

Respondents were also asked to describe their quality control efforts. Fifty-two percent of the respondents indicated they quality control 100% of financial transactions on the day they are processed. This was unchanged from the Year 4 study. An additional 9.5% of respondents quality control at least 75% of financial transactions on the process date.

What percentage of financial transactions are quality controlled on the process date?

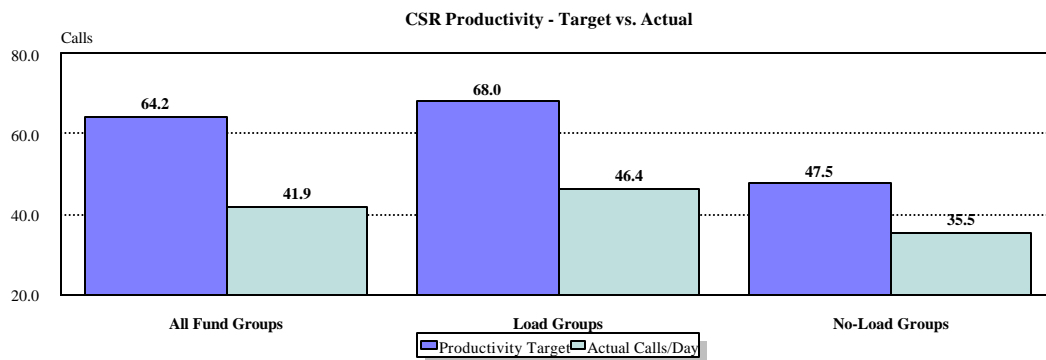


Thirty-eight percent of the respondents indicated they quality control 50% or more of their non-financial transactions on the day they are processed. This compared to 50% of the Year 4 respondents.

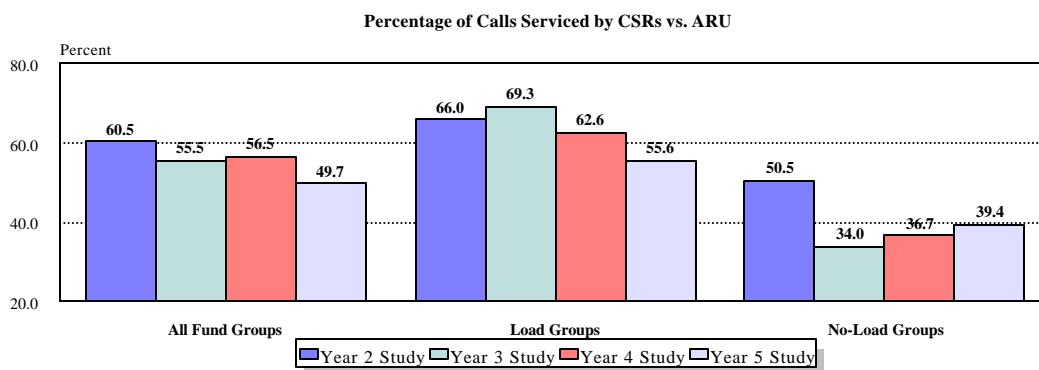
Sample Financial Services Industry Study Telephone Operations

Telephone Call Volume

Eighty-six percent of the survey participants reported they have productivity standards for Customer Service Representatives (CSRs). These standards ranged from 47.5 calls per day to 80 calls. The average for all fund groups was 64.2 calls. The load group average was 68.0 calls per day, and the no-load average was 47.5 calls.



Companies were also asked to report the number of calls actually handled by their CSRs in Year 4. Based on this information, we computed an average rate of 41.9 calls answered daily by each CSR. The load group average was 46.4 calls, and the no-load average was 35.5 calls.

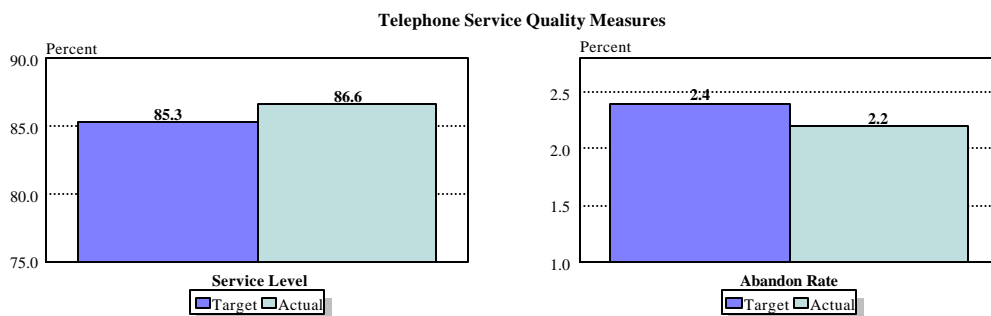


Using the reported data on the number of calls handled by CSRs and the number processed through the automated response system, we determined the percentage of inbound calls handled by CSRs. The percentage of inbound calls answered by CSRs ranged from 34.5% to 73.4% and averaged 49.7%. This compared to 56.5% last year. The average for load groups was 55.6% of inbound calls. The no-load average was 39.4%.

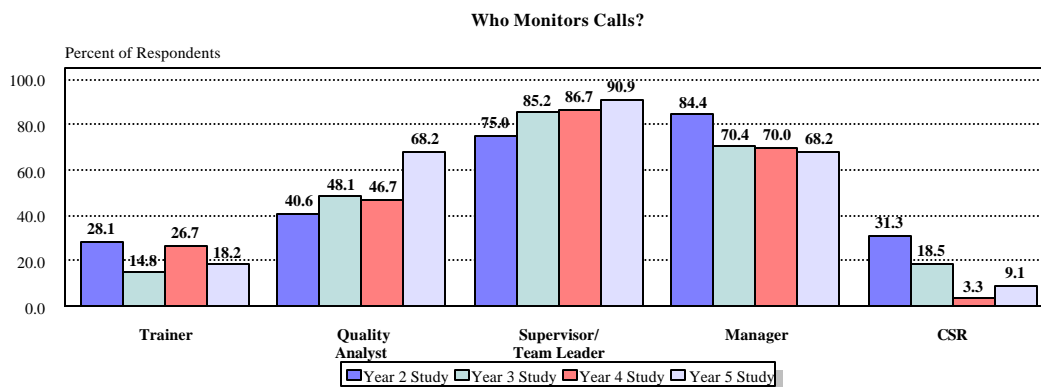
Sample Financial Services Industry Study Telephone Operations

Quality Measures

Respondents were asked to provide their target and actual performance levels for several measures of telephone service quality: Service Level, Answer Time, and Abandon Rate. The average Service Level goal was 85.3% compared to the actual performance of 86.6%. Eighty-one percent of respondents met or exceeded their Service Level goal.¹ The average Answer Time goal of 18.8 seconds compared to an actual performance of 19.1 seconds. Sixty-five percent of the respondents met or exceeded their goal in this area. Respondents targeted an average Abandon Rate of 2.4%; the actual Abandon Rate for participating fund groups was 2.2%. Seventy-eight percent of the respondents met or exceeded their targeted Abandon Rate.



All the survey participants indicated that call monitoring is part of their quality program. The majority of respondents indicated that calls are monitored by supervisors/team leaders (90.9%), managers (68.2%), or quality analysts (68.2%). The number of calls monitored monthly for each CSR ranged from 3 calls to 69 calls and averaged 12.3 calls per CSR each month. Nine percent of the respondents indicated that CSRs know when they are being monitored.

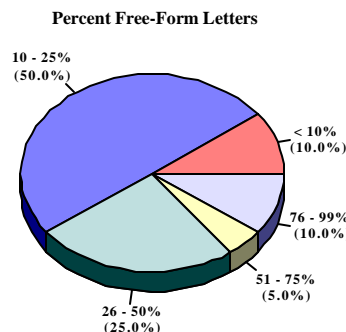


¹ See Appendix B for additional information regarding service levels.

Sample Financial Services Industry Study Correspondence Operations

Correspondence Measures

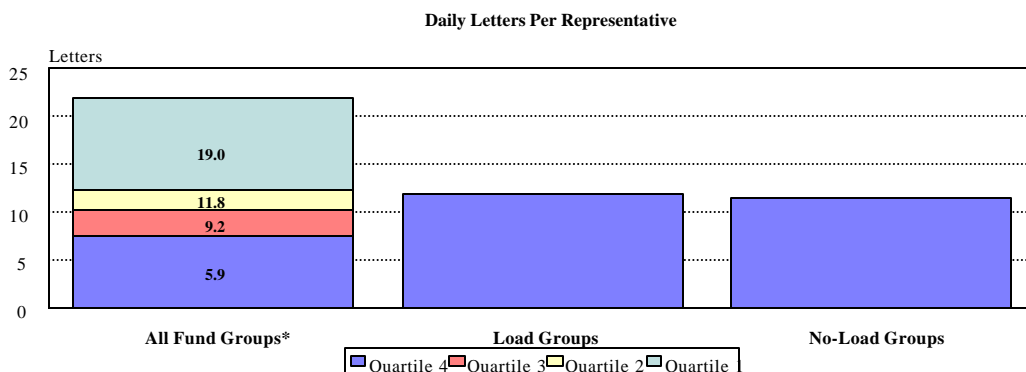
The distribution of “pre-formed” letters and free-form letters at participating companies ranged from 97% pre-formed letters to 90% free-form. The average breakdown was 69.4% pre-formed and 30.6% free-form. Eighty-five percent of the respondents indicated that at least 50% of the letters produced by their correspondence departments are pre-formed.



Eighty-three percent of the survey participants reported that they have a productivity standard for correspondence representatives. These standards ranged from 8 letters per day to 40 letters per day.

Respondents were also asked to report the actual number of letters written by their correspondence departments for a full year. Using these data, we calculated that the average correspondence representative at participating fund companies wrote 11.8 letters per day. The average for load groups was 12.0 letters per day. The no-load average was 11.5 letters per day.

Respondents indicated that 71.5% of letters, on average, are quality reviewed.¹ This compared to 75.3% of letters last year. Thirty-eight percent of the respondents said that they quality review all letters.



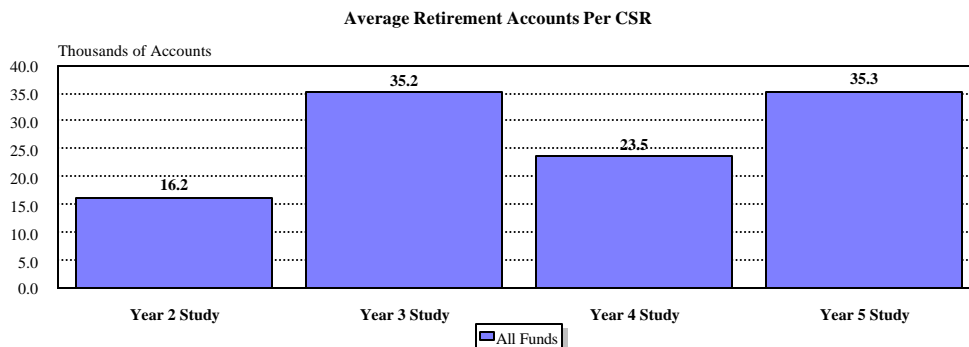
¹ See Appendix A for description of quartile rankings.

Sample Financial Services Industry Study Retirement Plan Operations

Overview

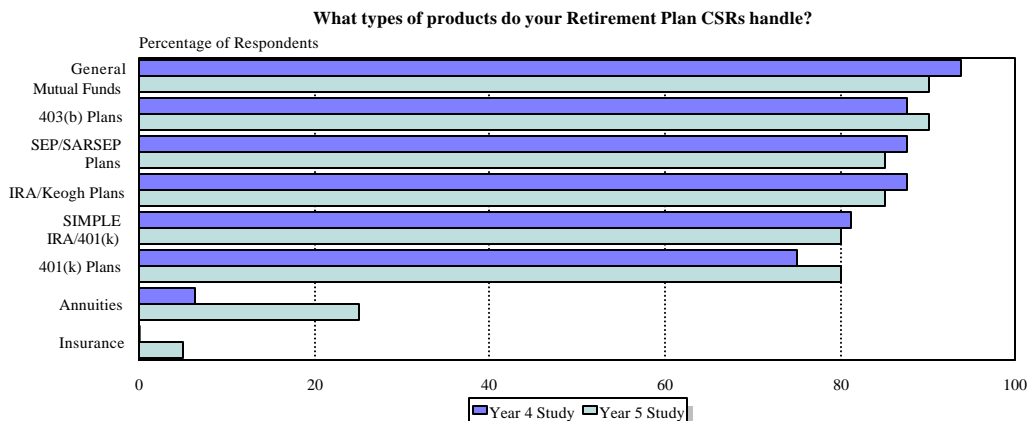
Fourteen fund groups provided separate information about their Retirement Plan operations. Retirement Plan assets for these companies ranged from \$195.0 million to \$34.2 billion as of December 31, Year 4. The average for these fund groups was \$8.9 billion.

The average number of Retirement Plan accounts for all respondents was 816,960. This figure ranged from 20,000 accounts to 3.8 million accounts.



The average number of retirement accounts per CSR was 35,307. Retirement account size averaged \$12,014.

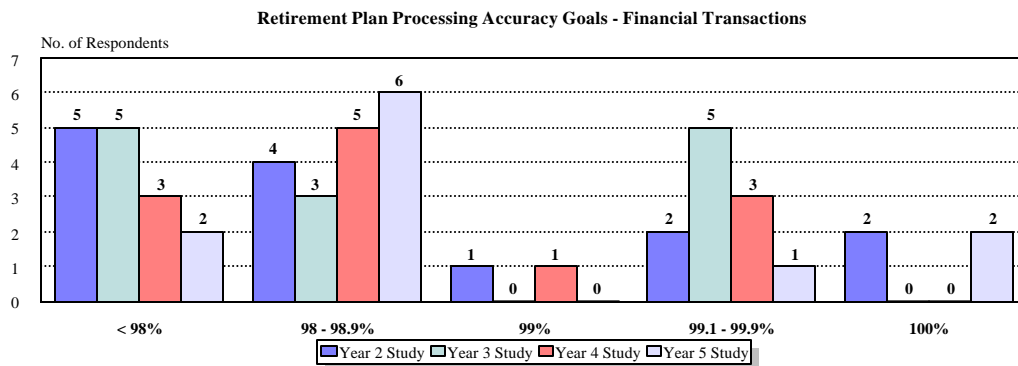
The number of Retirement Plan CSRs reported by respondents ranged from 2 to 177. The average for all fund groups was 30.4 CSRs. Ninety percent of the Retirement Plan CSR groups handle inquiries involving general mutual funds and 403(b)s. Eighty-five percent said that their CSRs handle inquiries involving IRA and SEP/SARSEP accounts.



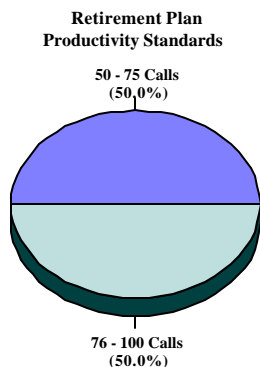
Sample Financial Services Industry Study Retirement Plan Operations

Quality Measures

Seventy-nine percent of the respondents said that they have targets for retirement plan processing accuracy. These targets range from 96.5% to 100%. Sixty-three percent stated they also have targets for transaction processing productivity. These goals typically vary according to the specific function.



Eighty-two percent of the respondents said they have targets for retirement plan processing timeliness. Same-day processing of financial transactions is a goal for 91.7% of respondents. For non-financial processing, all respondents identified a goal of 3 days or fewer.



Sixty-seven percent of respondents have a productivity standard for retirement plan CSRs. The average for all fund groups was 71.3 calls per day.

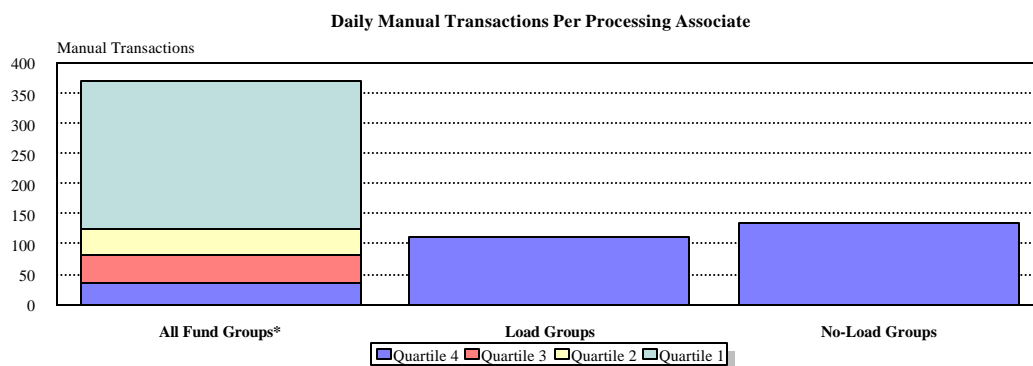
The average Service Level target for Retirement Plan Service Centers was 88.0% versus an actual Service Level of 89.9%. The average goal for Answer Time was 17.8 seconds, which was equal to the actual Answer Time. The average Abandon Rate goal was 2.3%; actual Abandon Rates averaged 4.1%.

APPENDIX A

Appendix A

Quartiles

The quartile data provided in some areas of this report are designed to increase the usefulness of these results. Quartiles are used to segment the response data into groups of equal size. For example, if the sample population is 20, the 5 lowest responses will comprise Quartile 4, the next 5 responses will comprise Quartile 3, and so forth. For each table showing quartiles, we have provided the average value for each quartile as well as the average value for load groups and no-load groups.



Survey Participants

Twenty-five mutual fund companies participated in NQR’s Sample Financial Services Industry Study:

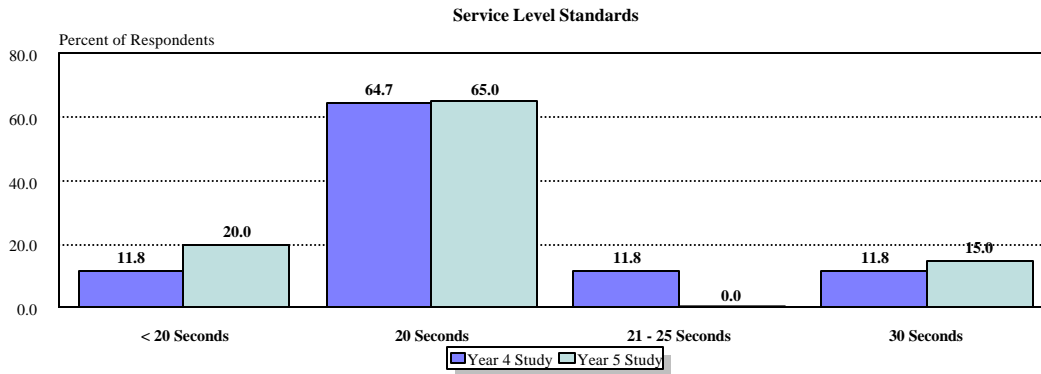
- | | | |
|------------------------------|-----------------------------|------------------------|
| ABC Financial Services | Fortin & Associates | Prudent Partners, Inc. |
| APEX Mutual Funds | Granite Financial Services | PDQ Mutual |
| Basic Investment Company | Hill & Valley Investments | Real Time Investments |
| Broad Street Investors | Igloo Investors, Inc. | Reliable Funds |
| Cache Investments | J.J. Journal Holdings, Inc. | Steady Investors |
| Delta Financial | King and Queen Investments | Team Investment Co. |
| Dollars & Cents Mutual Funds | Money Makers, Inc. | Twin Peaks Financial |
| EFG Trust Company | NetWorth Brokerage | Unique Mutual Funds |
| EastWest Mutual Funds | Nickel and Dime Investors | Watts Investors |
| Forty Second Bank | NQR Financial Services | XYZ Financial Services |
| | Penny Pinchers, Inc. | |

APPENDIX B

Appendix B

Telephone Operations - Service Levels

Participants in the Year 5 study were asked to explain their definition of service level, in addition to providing their target and actual service levels for Year 4. Of the 20 participants that completed this question, 85% said that their service level goal is based on the percentage of calls answered within 20 seconds.



Respondent	Percentage of Calls	Answer Time (Sec)
Company 1	90	16
Company 2	80	20
Company 3	80	20
Company 4	85	20
Company 5	85	20
Company 6	90	10
Company 7	85	20
Company 8	93	12
Company 9	80	20
Company 10	80	20
Company 11	80	20
Company 12	85	20
Company 13	93	20
Company 14	80	20
Company 15	80	30
Company 16	90	20
Average	84.8	19.3