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Dear Investorside Member,

We are looking forward to seeing you at our annual Members' Day Conference on April 6th in New York City. In my view, one of the primary benefits of being a member of Investorside is the opportunity to take a rare day away from our regular routines to gather in person with our peers and discuss the challenges and opportunities facing the participants large and small within our industry.

Each year we work as a subcommittee of the Board to design an agenda that addresses the current and anticipated trends in our industry. It goes without saying that we had a lot of material to work with this year! Our highly interactive agenda is rich with panel experts and is focused on the macro and micro trends facing our industry, the impacts of financial regulation and reform and an opportunity to discuss industry consolidation and financing. We also have two very special additions to the agenda.

First, we have an amazing opportunity for a "fireside chat" with Dr. Harald Malmgren, a leading economist and global strategist, who served as a U.S. Trade Representative and advisor to Presidents Johnson, Nixon and Ford. We are fortunate to have Dr. Malmgren join us - fresh from a visit to Japan - to share his views on many significant cross-currents that are shaping the geo-political arena and the global financial markets.

Second, under the "there is no such thing as a free lunch" headline, we are asking our members to work for their lunches this year with a facilitated working lunch agenda focused on identifying ways we can build a better Investorside into the future. Our strategic agenda is largely defined by identifying the best ways to be of service to our members. Your input at lunch will help guide the future direction and strategy for the next chapter in Investorside's history. Plus, the lunch provides a wonderful opportunity to network with your peers.

In closing, I want to thank our sponsors - Knight, Berkery Noyes, ITG, FRS and Montieth & Co for their generous support of Members' Day 2011. See you on April 6th.

Richard Leggett, Chairman of Investorside, CEO of Business Intelligence Advisors

News Update

GAO Survey On Conflicts of Interest Moves Closer

The U.S. Government Accounting Office requested input from Investorside's membership to help it study conflicts of interest that can arise between a broker-dealer's investment banking and research staff. This was a requirement leveled on the GAO by the Dodd-Frank Act and the agency is using a survey as one of its input methods.

"We're interested in assisting the GAO with this since it is an opportunity for us to highlight areas of needed improvement and to add the voice of the independent research community to the survey," said Patrick Shea, executive director of Investorside. "The GAO has been delayed at getting started, but now it looks like things are falling into place. We'll be reviewing the survey questions in the coming weeks and making recommendations on that as well as on the level of participation such as what size organization and what person within the organization would respond."

Once the details are decided, Investorside will ask for interested participants from its membership and the survey process will begin. According to the GAO, the survey questions are meant to gather perspectives from a broad spectrum of stakeholders on the GAO's specific issues of interest needed to address its mandate. Since the survey is one-size-fits-all, the agency admits there may be questions/ issues that some participants may be unable to answer and those can be skipped. The format of the questionnaire is also flexible, meaning that responses can be obtained via phone, in-person (if possible), or the questionnaire can be emailed, completed and returned via email.

According to Tiffani Humble, senior analyst, financial markets with the GAO, the ultimate goal is to obtain the viewpoints of those who produce or use sell-side research. As such, the agency prefers to obtain responses from the actual research analysts producing such research, or from those in the Investorside membership who regularly use it.

One of the requirements leveled on the GAO by the Dodd-Frank Wall Street Reform and Consumer Protection Act was to examine the potential conflicts highlighted in the Global Research Analyst Settlement and bring recommendations to Congress to be considered for legislation aimed at further clarifying conflicts of interest between the investment banking firm analyst side and their sales side. The GAO was instructed to study:

- 👉 the potential for investor harm from analyst conflicts, as illustrated by the securities firms that entered into the Global Research Analyst Settlement in 2003;
- 👉 the nature and benefits of the settlement's terms, including firewalls between research and investment banking, separate reporting lines, and physical separation;
- 👉 whether any such settlement's terms should be codified by SEC and FINRA and applied to all securities firms; and
- 👉 whether to recommend regulatory or legislative measures designed to mitigate possible adverse consequences to investors arising from the analyst conflicts.

Member Spotlight

FactSet Helps Research Providers Connect and Grow

Independent research providers (IRPs) must not only develop insightful, relevant research, they must also get it into the hands of research consumers as quickly and effectively as possible. [FactSet Research Systems](#) helps IRPs connect with more than 43,600 professionals in the global investment community, who use FactSet's integrated financial information and analytical applications to enhance their workflows.

"We are interested in forming partnerships with independent research providers that can work to our mutual benefit and help both companies grow," said Matt Sakey, global director of research contribution.

Sakey manages a team of relationship managers who work with existing research contributors and pursue new relationships with research providers. They facilitate communications with research contributors and help them promote their businesses to FactSet's captive, buy-side audience. FactSet has more than 850 research contributors from around the world in its research aggregation product, FactSet Research Connect. Contributors include both investment banks and independent research providers.



Matt Sakey

Established more than 30 years ago, FactSet, headquartered in Norwalk, Connecticut, serves approximately 2,100 clients from more than 24 locations around the world. The firm continually conducts extensive field research to identify opportunities for creating new processes, or improving existing ones. The goal is to help end-users in the global investment community save time and money through more efficient workflows.

A focus on new product development

According to Sakey, FactSet is focused consistently on developing new products to help contributors grow their businesses. In 2007, the company released FactSet Research Connect, a global investment product that collects research from hundreds of research providers and distributes it to thousands of investment professionals.

Two years later, FactSet Embargoed Research was released, which enables distribution of research to groups outside of the buy-side community after an embargo period of typically seven days. Embargoed Research is a subscription service actively marketed by FactSet to investment banks, legal firms, and venture capital and private equity firms. FactSet shares the revenues with its contributors.

An Excel-model distribution service was released this winter. Entitled users can download working Excel models directly from FactSet Research Connect simply by clicking on the appropriate headline. Headlines for Excel models and PDF reports can be commingled or filtered separately. As with PDF

report distribution, contributors can control entitlements and access readership reports to analyze who is downloading their models and when.

Sakey explained that Excel-model distribution resides within the company's Research Connect and enables controlled and transparent distribution of proprietary financial models in Microsoft Excel. "It's one of the most requested products from the buy-side we've ever developed," he said.

Research providers can contribute to the Excel-model product using an established publishing system or a FactSet-provided application. The application enables contributors to submit both PDF-based research and Excel models.

Strengthening contributor relationships

Beyond new product development, FactSet offers other ways for research providers to connect with its global client base. Every March the company holds an Investment Process Symposium attended by the largest buy-side firms. Contributors who participate with their own booth spaces have an opportunity to reach hundreds of symposium attendees. The [2011 symposium](#) was held March 20 to 22 in Aventura, Fla.

FactSet also supports the Wall Street Journal in its annual surveys ranking U.S. and Asian analyst performance. Ratings data provided by FactSet help determine the top analysts in the U.S. by sector and the top analysts in Asia by sector and by country. As contributors to FactSet, IRPs are in contention for this prestigious honor.

In addition, FactSet itself publishes "Discourse and Opinion" and broadcasts podcasts for its subscriber base. Interviews with IRPs form the basis of contributor profiles that are often featured in FactSet subscriber communications.

"We welcome ideas from our contributors on ways we can work and grow together going forward," Sakey said. More information on FactSet Research Systems is available at the [Web site](#) or by [contacting Matt Sakey](#).



Getting and Using the Member Seal

A couple of different file types of the Member Seal are available by using the link in the left hand sidebar while logged into "My Account." Right click on either seal and select to Save it from the pop up menu. You can also get Investorside Logo images to use in your printed and online materials. Be sure to use the following text to accompany logos and seals:

The Investorside Research Association certifies its members have no investment banking conflicts.

Affinity Member Profile

InvestingChannel to Add More Value-Enhancing Services for Publishers

For three years, [InvestingChannel](#) has helped independent research providers and other financial content providers monetize their audiences through advertising. Beginning in the second half of 2011, InvestingChannel will broaden its offerings beyond advertising solutions to include paid content such as subscription-based newsletters.

“On behalf of the publishers in our network, we are looking to provide the same revenue streams as most financial media companies. We offer an ad revenue stream now and are building a paid content model along with other publisher services that can drive additional traffic and sales revenue,” said Nikesh Desai, founder of InvestingChannel, Inc. He added that for advertisers and research providers looking to market to a niche audience of registered investment advisors, as an example, the company offers a unique, targeted ability to reach that audience.

InvestingChannel plans to offer great quality paid content with its publishers on a revenue-sharing basis similar to its current offering of advertising sales. According to Desai, these new services and revenue streams will be additive to independent research providers’ current paid-content model. While it will build on existing models, the ad revenue also provides a diversified source of revenue to these providers.



Nikesh Desai

Why partner with a financial media publishing group

Currently InvestingChannel is one of the fastest growing financial media groups online. It encompasses more than 250 premium websites, 10 million visitors and 300 million impressions per month.

“We allow advertisers to target these websites of 250 online financial publishers in order to reach 10 million affluent users and also allow publishers to monetize their advertising assets across all types of ad formats such as email, banner ads, mobile or video,” Desai explained.

According to Desai, most independent research providers don’t have that much traffic to their Web sites but instead have valuable email lists. For these types of content providers, there are four main reasons to consider working with a financial media group like InvestingChannel:

- publishers can diversify their revenue stream by adding advertising revenues without any additional work;
- increased exposure and ad revenues can supplement the marketing dollars to drive more subscriptions;

- ~ advertising revenues can help monetize the free content that publishers typically provide while marketing their products; and
- ~ retail or institutional users and other audiences can be specifically targeted.

While publishers can work with a mass-market advertising network like Google or AOL to generate advertising revenues, working with an industry-focused partner like InvestingChannel is a more efficient and profitable alternative. Online financial consumers tend to be more educated and affluent, making them a more attractive audience for publishers to monetize and advertisers to target.

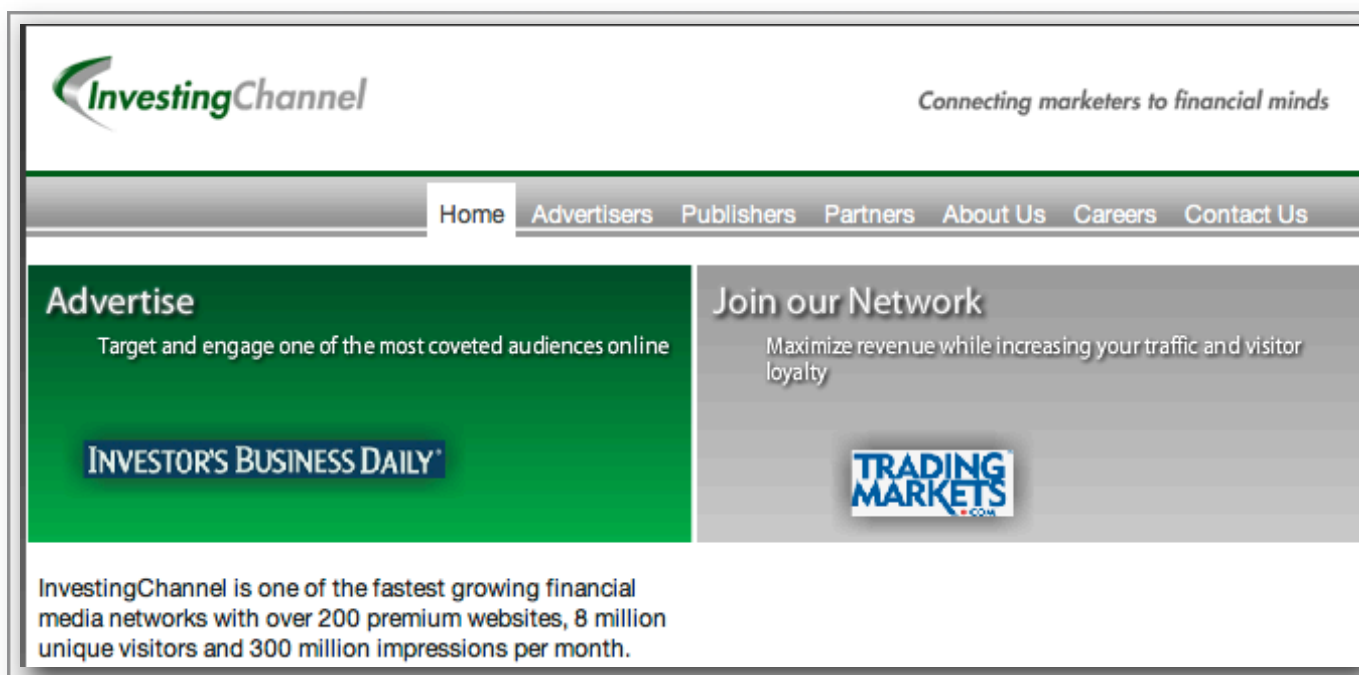
Considering InvestingChannel

The success that InvestingChannel has had helping publishers monetize their content is due largely to its experienced team of sales and technology professionals.

The company has sales representatives across the country who are focused solely on the financial industry. Currently, TD Ameritrade, Fisher Investments, Investor's Business Daily, Jaguar, Sprint and Forbes are just a few of the quality advertisers that market across the InvestingChannel network. According to Desai, the company is growing rapidly and looking to expand the team in many positions.

"Beyond the sales and publishing aspects, we also fully understand the technology side of online advertising which is critical to the success of our advertisers and consequently our publishers," Desai continued.

InvestingChannel technology solutions include help with page ad designs, widgets, content-feed distribution and other tools. The objective is to help publishers improve their sites and grow their audiences. More information on InvestingChannel is available at its [Web site](#), or from [Nikesh Desai](#) at (646) 545-2851.



Director Spotlight

Tony Berkman: Using a Broad Focus to Help Solve Member Issues

When New York City-based [Investment Technology Group](#) decided to add an independent sell-side research operation to complement its execution platform, it found its ideal partner in Majestic Research, which it acquired in October 2010. Tony Berkman is the CEO and managing director of the new entity, now known as, ITG Investment Research, and a member of the Board of Directors of Investorside Research Association.



Tony Berkman

Berkman characterized his role as a director of the Association as “fairly general” rather than being tied to a specific agenda. “I am just trying to understand the issues our members are trying to solve and come up with viable solutions,” he noted.

Content distribution is the top issue he identified. He says there is a “conundrum” of how one member firm can help a competitor’s distribution without hurting its own. Berkman optimistically thinks there are a lot of good answers in the Association. “There can be a lot of cross-pollination that will be win-win,” he asserted.

A second issue Berkman mentioned is the disproportionate effect the regulatory climate is having on smaller research firms. Current regulatory activity and the recent news regarding allegations of the misuse of expert networks and other insider trading violations, have heightened the sensitivity of clients who have become much more proactive in demanding representations and warranties of compliance from their providers. “And let’s face it,” he observed, “lawyers are expensive.” While larger firms may even turn heightened scrutiny to their advantage with clients, the burden can be heavy on smaller firms that may end up losing clients despite doing everything by the book.

Lobbying and informational efforts may improve the situation in time. The Association can serve as an important resource, Berkman noted, both in helping members and informing clients.

Prior to co-founding Majestic Research, Berkman was the chief risk officer for Tower Capital, a \$2 billion portfolio of hedge funds. Previously, he spent 15 years working directly with Marty Zweig, as director of research for the \$15 billion Zweig family of funds. He was named to Institutional Investor’s “Online 40” annual ranking of e-finance leaders. He has a BS in Applied Math and Computer Science and an MS in Computational Finance from Carnegie Mellon University.

Berkman said the recent union of Investment Technology Group and Majestic Research was a tremendous advantage for both. Majestic was very strong in data-driven sell-side research, while ITG offered “a best-in-breed execution platform” across a wide variety of systems. It was an excellent

union between a company that was good at generating alpha and a company that was good at preserving alpha, he noted.

Additionally the research division's access to the broker-dealer revenue model of ITG was a significant enhancement. Bluntly put by Berkman, if the pool of money paying for research comes from commissions, it is a bigger pool than if it is paid from investment management fees. "And the great unbundling that was supposed to happen post-Spitzer" didn't materialize. Soft money tended to be hidden within more opaque bundling. While Berkman indicated he doesn't have a principled opposition to bundling, he argues the bundling should be transparent to the client.

"What differentiates ITG Investment Research is our ability to apply all of our focus and resources on identifying, gathering, and analyzing a tremendous amount of empirical data. We believe that in the information era, most of what goes on in the world leaves behind a digital footprint, so we have the ability to capture a massive amount of real-time data," Berkman explained. ITG then analyzes, quantifies, and interprets the data so companies and industries are more transparent, ultimately helping its clients to make better-informed investment decisions.

One of the unintended consequences of Regulation Fair Disclosure is that companies became "more and more opaque in discussing the fundamental drivers of their business," Berkman explained. So it became increasingly difficult for buy-side analysts to really understand how well the companies they invested in were performing. Analysts and investors need to know whether "their investment theses are playing out in the real world. Companies can tell you what they intend to do, but they may not tell you if they are actually doing it," he observed.

ITG Investment Research looks for the "digital footprints" of the fundamental drivers of these businesses to close this information gap. These digital footprints might be located in data it harvests from over 1 billion Web pages every month, or it might be what the company calls "exhaust data." Companies that are not in the information business generate much information as a byproduct of their core businesses, and ITG Investment Research provides a means to develop a channel and revenue for this information. Berkman noted there are trillions of bits of information that ITG can look at everyday and analyze for trends. The data can reveal, for example, product sell-through and pricing trends from millions of actual transactions, or how the housing marketing is doing based upon online listing and price information for nearly every home listed for sale. ITG Investment Research typically licenses data from private firms it does not cover – "independent companies in the middle, so the data is non-conflicted," Berkman said. "We believe strongly in the mosaic approach to research."

Members' Day Highlight

9:00 AM - 10:15 AM - Macro Trends: The Future of Research

- Jonathan Boersma, Executive Director, CFA Institute
- Laurie Berke, Principal, Tabb Group
- Bud Morton, State of Connecticut Investment Advisory Council
- Damon Munchus, Managing Director, Cypress Group

Upcoming Events

Members' Day

Date: April 6, 2011

Time: 8:00 AM to 5:00 PM

Location: New York Athletic Club, NYC

[Register Now](#)

Annual Board Meeting

Date: Friday, June 3, 2011

Time: 11:45 AM to 1:30 PM

Location: NYC - TBD

Independents' Day

Date: October 11, 2011

Time: 8:30 AM to 5:00 PM

Location: Bloomberg, NYC

The Investorside Research Association's mission is to increase investor and pensioner trust in the U.S. capital markets system through the promotion and use of investment research that is financially aligned with investor interests.



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