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Advisor loyalty to fund firms is in flux: Cogent

By Editor Test *Wed, Sep 28, 2011*

'Last year, DFA and BlackRock were the only Stars in our mutual fund company commitment ranking,' said Cogent principal John Meunier. 'This year, a total of four firms made it into the top tier.'

Shifts are occurring among advisors in their level of commitment to the fund companies they use, according to the 2011 Advisor Brandscape, an annual report on adviser trends and product usage by Cogent Research.

Among two dozen leading firms, Dimensional Fund Advisors (DFA) placed first for the second year in a row, while J.P. Morgan Funds, not on last year's list, placed second. T. Rowe Price and Legg Mason experienced the biggest gains in overall advisor commitment since 2010. The results are based on a nationally representative sample of 1,643 retail investment advisors across all major distribution channels.

The mutual fund provider commitment scores and rankings compiled by Cogent Research are based on a combination of two separate measures: advisor Loyalty to current providers and their anticipated future investment with those providers.

Individual results across all 24 providers included in the ranking are indexed, and then separated into four groups; “Stars,” “Leaders,” “Players,” and “Drifters.” According to John Meunier, Cogent Research principal and co-author of the report, these results not only reflect where providers stand today among the advisors they serve, but point to how momentum is shifting across the provider landscape.

“Last year, DFA and BlackRock were the only Stars in our mutual fund company commitment ranking,” said Meunier. “This year, a total of four firms made it into the top tier, and the gap between DFA and the rest of the pack has narrowed substantially.”

The study also shows that, after several years of declining interest, use of and dependence on mutual funds has grown over the past year. The percentage of users is up from 95% to 97%, and the overall average advisor allocation to mutual funds (as a percentage of total book) rose from 35% to 39%.

However, while these results may appear encouraging, half (50%) of all the advisors currently using mutual funds report that they expect their dependence on these products to decline over the next two years. “It's obvious, the competition for market share and advisors' attention will only intensify over time,” said Meunier. “So, building loyalty and momentum today is a simple matter of survival.”