What advisors were thinking at the Morningstar conference

By Editor Test *Mon, Jul 30, 2012*

Slightly more than half (52%) of the advisors surveyed agreed that "protecting clients from downside risk resulting from continued market volatility" is their greatest challenge, according to an Oppenheimer Fund survey taken at the Morningstar Investment conference in June.

Because of the low yield environment, financial advisors are more likely to seek income for clients from emerging market bond funds and dividend-paying stocks than from traditional income-producing assets, according to a new survey from Oppenheimer Funds.

"A full 84% of advisors are more likely today to recommend dividend-paying equities and more than three-quarters (76%) of advisors cited a willingness to recommend emerging market bonds or related bond funds over other asset classes," Oppenheimer said in a release. The survey was conducted on June 20 and 21 at the 2012 Morningstar Investment Conference in Chicago.

For emerging market exposure, half (50%) of the advisors surveyed recommended investing directly in emerging markets companies, 26% were inclined to use funds that invest in companies domiciled in developed countries outside of the U.S., and 21% preferred funds investing in large global multi-national U.S. companies. Three percent of respondents said they don't need emerging market equities exposure.

On the other hand, 43% of respondents said they've reduced exposure to international bonds and 41% have reduced exposure to international equities since the Eurozone crisis began. Almost six in ten advisors (59%) said the European sovereign debt crisis was the most important issue affecting their advice to clients and 26% named the U.S. presidential election.

Compared to the spring of 2011, 59% of advisors said they are seeing clients become more risk adverse in 2012, with increased interest in fixed income investments, while 35% said risk tolerance levels are largely unchanged.

Slightly more than half (52%) of the advisors surveyed agreed that "protecting clients from downside risk resulting from continued market volatility" is their greatest challenge. Another 19% and 18%, respectively, are challenged by "managing clients' ongoing fears of investing in equity markets" and "helping clients earn real yield on their fixed income portfolios."