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# Top Funds for Advisor Loyalty

T. Rowe Price and Legg Mason benefited the most this year as advisors' use of mutual funds grew in 2011, and over the next two years a switch to ETFs and SMAs is expected.

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A report released Tuesday by Cogent Research found that advisors' level of commitment to certain fund companies is shifting, with T. Rowe Price and Legg Mason experiencing the biggest gains in advisor loyalty over the last year.

And while use of mutual funds among advisors has grown over the past year, the products of choice for advisors over the next couple years will shift to exchange-traded funds (ETFs) and separately managed accounts (SMAs), Cogent found.

Cogent's mutual fund provider commitment scores and rankings, part of the research firm's 2011 Advisor Brandscape report, are based on two measures: advisor loyalty to current providers and advisors' anticipated future investment with those providers.

According to Cogent's findings, which are based on a nationally representative sample of 1,643 retail investment advisors across all major distribution channels, The Hartford, Dodge & Cox, and Eaton Vance all lost significant ground relative to their 2010 rankings.

J.P. Morgan Funds ranked second overall this year behind Dimensional Fund Advisors (DFA), which once again placed first.

Individual results across all 24 providers included in the ranking are indexed, and then separated into four groups: "Stars," "Leaders," "Players" and "Drifters."

"Last year, DFA and BlackRock were the only Stars in our mutual fund company commitment ranking," said John Meunier, Cogent Research Principal and co-author of the report. This year, he continued, four firms made it into the top tier—DFA, J.P. Morgan Funds, PIMCO and Vanguard—and "the gap between DFA and the rest of the pack has narrowed substantially."

The Drifters are Dreyfus, American Century, AllianceBernstein, Putnam Investments and DWS Investments.

The study also found that, after several years of declining interest, use 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, Cogent notes that while these results may appear encouraging, 50% of all the advisors currently using mutual funds say they expect their dependence on these products to decline over the next two years.

Meunier told [AdvisorOne](#) that the advisors polled said that, over the next two years, they plan to start using more ETFs and SMAs. Of the 50% of advisors who said they plan to decrease usage of mutual funds, 58% said they will increase their use of ETFs, while 50% said they would grow their use of SMAs, Meunier said.

Among the biggest players in the ETF space now are BlackRock, PIMCO, Vanguard and State Street, Meunier said.

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