Fund Industry Intelligence

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Advisors Still Favor DFA, American Funds Slips

Dimensional Fund Advisors has been tagged the top advisor-sold mutual fund brand for the second year in a row, while **American Funds**' position in the market has slipped. As first reported on *FII*'s website Sept. 12, DFA is the only mutual fund provider, for the second consecutive year, to earn the top ranking for loyalty, investment momentum and revenue earned per advisor, according to **Cogent Research**'s *Advisor Brandscape* 2011 report.

DFA has relationships with 1,500 registered investment advisors and does not distribute through independent broker-dealers or wirehouses. Prospective clients undergo an education process of several months that includes face-to-face meetings both at their offices and on site at Austin-based DFA, and not everyone's brought on board, said **Weston Wellington**, a v.p. in the firm's investment strategies group. "We make sure new advisors are coming in for the right reason. We want advisors who are looking for a long-term relationships and not just a product," Wellington said. The firm has approximately $200 billion of assets under management, 55% of which is advisor-sold.

American Funds distributes its mutual funds through approximately 200,000 third parties, including advisors, wirehouses and broker-dealers. It has approximately $900 billion of mutual fund assets under management. Despite having strong long-term track records, the firm's two flagship funds—Growth Fund of America and Euro Pacific Growth Fund—have underperformed their benchmarks in the past one-to-three years, which has hurt its perception among some advisors, acknowledged **Chuck Freadhoff**, spokesman at American Funds. Cogent's report, based on an online survey of a representative cross-section of 1,643 registered financial advisors between April 15 and May 9, showed that advisors are taking a keener interest in two- to-five-year performance.

Despite its top ranking, DFA lags American Funds in terms of sales and market penetration. American Funds sells to more advisors than DFA, managing 17% of overall advisor-sold mutual fund dollars compared to 3% for DFA. Though American Funds experienced a decline in its penetration rate among advisors—to 78% from 84% in 2009—DFA reaches just 6% of the advisor community. American's brand is strong: when asked what company they would use if they had new assets to invest, 47% of advisors said they would consider using American Funds. Just 3.2% said they would consider DFA.

JPMorgan Asset Management came in second behind DFA for investment momentum—an indicator of the likelihood that current advisor clients will invest more assets with these firms. Advisors use 10 mutual fund providers on average, but they award an average of two-thirds of their total assets under management to their top three providers, **John Meunier**, principal at Cogent, said. "It's critical for a manager to have a primary relationship with their advisors in order to get a significant portion of their assets," he noted. DFA's current advisor clients +report that they place an average of 38% of their total assets with the firm, compared to an average 26% for American Funds and 10% for JPMorgan.

Jed Laskowitz, managing director and head of sales and distribution at JPMorgan's funds management business, attributes the high score to the firm's ongoing Market Insights program, research and product diversity. The Market Insights education program, which has more than 70,000 financial advisor subscribers, includes a 60-page quarterly guide to global markets that provides advisors with the tools to craft client presentations based on their own views, he explained.