



## **Investors Moving Away From Mutual Funds and Towards ETFs** *Vanguard Favored in Both Product Categories*

**Cambridge, Mass., (January 24, 2011)** – Fewer affluent Americans are using mutual funds, and even among those investors who continue their use, allocations to mutual funds are down significantly. Meanwhile, ETFs continue to gain in both popularity and proportional share of retail investor assets. As this major industry shift unfolds, Vanguard leads other providers in investor impressions across both product categories. These and other findings are included in the 2011 Investor Brandscape™ report that was released by Cogent Research on January 7, 2011. The report is based on a nationally representative sample of 4,000 investors with at least \$100,000 in investable assets.

According to Cogent, as of October 2010, 75% of investors own mutual funds, a figure that is down from 78% a year earlier and a full nineteen percentage points below the more than nine in ten (94%) of investors who owned at least one mutual fund in October of 2006. Meanwhile, within the same 4-year period, the proportion of investors who report owning ETFs has increased 57%, from 7% to 11%.

Despite the decline in use over the past year, the proportion of assets current mutual fund owners allocate to these products remained steady. However, since 2006, the average allocation investors make to mutual funds has eroded significantly, down from 53% to a present level of 44%. During that time, the average ETF allocation increased 45%, from 11% to 16%.

“These numbers reflect a dramatic shift in preference among investors for both mutual funds and ETFs,” said Cogent Research Principal John Meunier. “And while it’s impossible to know exactly how things will play out, it’s clear that a major realignment is underway.”

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According to Meunier, “Traditional mutual fund providers are fighting tooth and nail for a shrinking piece of real estate, while established ETF providers face a different challenge; fending off a rush of new providers in a rapidly expanding marketplace.”

One key measure of which firms are best positioned to compete in the battles for market share that lie ahead is how favorable investors are toward the providers they know. This bodes especially well for Vanguard, which leads in investor favorability in both product categories. In fact, half of all investors that know Vanguard have strong positive impressions (top-3 favorability ratings on a 0-10 scale) of the firm as both an ETF (52%) and mutual fund (50%) provider. Vanguard’s strongest competition on this measure among mutual fund providers comes from Riversource (47%), Fidelity Investments (44%) and American Funds (40%). Among ETF providers, iShares (46%), PowerShares (43%), Claymore/Guggenheim (43%), PIMCO (42%), and Charles Schwab (40%) all resonate favorably with at least four in ten investors familiar with each brand.

According to Meunier, “These investor favorability scores not only reflect the strong positive net flows earned last year by Vanguard in both the mutual fund and ETF categories. More importantly, they suggest the company’s momentum is very likely to continue in 2011.”

### **About Cogent Research**

Cogent Research helps clients gain clarity, obtain perspective, and formulate direction on critical business issues. Founded in 1996, Cogent provides custom research, syndicated research products, and evidence-based consulting to leading organizations in the financial services, life sciences, and consumer goods industries. Through quality research, advanced analytics, and deep industry knowledge, Cogent Research delivers data-driven solutions and strategies that enable clients to better understand customers, define products, and shape market opportunities in order to increase revenues and grow the value of their products and brands.

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