



Fidelity Displaced as the Top Distributor and Mutual Fund Provider, According to 2010 Investor Study

CAMBRIDGE, MASS., (January 19, 2009) – As the result of significant shifts in brand perceptions, household penetration, as well as changes in investor loyalty, Fidelity Investments has forfeited its position as both the number one distributor and mutual fund provider to key rivals Charles Schwab and Vanguard. These results are included in Cogent Research’s recently released 2010 Investor Brandscape™ report.

The report is based on a representative survey of 4,000 affluent and high net-worth investors in the United States. The rankings for distributor firms and mutual fund companies are based on Cogent’s proprietary CoRe Score™ which combines brand equity, customer loyalty, market penetration, client mix, and share of wallet to produce a composite measure for individual firms and a comparative ranking of all major firms across the industry. Cogent has been tracking CoRe Score™ results since 2006.

According to Cogent Research, different factors are at play in Fidelity’s decline in the distributor and mutual fund categories. As a distributor, Fidelity has been hurt by lower awareness and favorability ratings toward the brand. In addition, Fidelity’s household penetration has diminished substantially. In contrast, Schwab did not see a significant drop in investor impressions this year. Meanwhile, it has done a better job attracting affluent clients and holding on to their assets.

Market dynamics appear to be contributing to Fidelity’s challenges. Specifically, Investor Brandscape™ reveals a decline in the number of investors using 401(k) plans. In fact, for the first time ever, affluent investors now report having more dollars allocated to IRAs than to employer-sponsored retirement plans. “It would appear,” said Meredith Lloyd Rice, an author of the report, “that Fidelity is caught in a perfect storm comprised of an aging population, higher unemployment, and lower across the board plan participation.”

Top 10 Distributor Firm CoRe Score™ Rankings

1. *Charles Schwab*
2. *Fidelity Investments*
3. *Morgan Stanley Smith Barney*

4. *Edward Jones*
5. *Merrill Lynch*
6. *Raymond James*
7. *UBS*
8. *Vanguard*
9. *Wells Fargo Advisors/Wachovia Securities*
10. *Ameriprise*

Whereas multiple elements of the CoRe Score™ are impacting Fidelity’s distributor ranking, on the mutual fund side the issue is more focused around loyalty. Whereas Vanguard has actually improved its relationship with investors over the past year as a mutual fund provider, Fidelity has seen a decline in loyalty. An analysis by Cogent of the specific drivers of loyalty, including financial stability and range of products, as well as fund performance shows Vanguard performing better than any of its rivals on these and other key drivers. By contrast, Fidelity no longer ranks among the top five mutual fund companies on performance, a critical factor impacting loyalty. Specifically, ratings for the firm on both mid-term and long-term performance have declined considerably over the past year.

“Needless to say, if investors perceive a decline in performance, it’s going to impact how they feel about the brand,” said Meunier. “It’s worth noting however, that Fidelity remains a powerhouse and is probably better positioned than most other firms to make any necessary course corrections in the coming months.”

Top 10 Mutual Fund Company CoRe Score™ Rankings

1. *Vanguard*
2. *Fidelity Investments*
3. *American Funds*
4. *T. Rowe Price*
5. *TIAA-CREF*
6. *Franklin Templeton*
7. *Fidelity Advisor Funds*
8. *Oakmark*
9. *Morgan Stanley Investment Advisor Funds*
10. *Schwab/Laudus Funds*

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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