

ICI Releases Survey Results on Mutual Fund Shareholder Sentiment, October 2004

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Strong Favorability Among Investors, But Bear Market and Trading Scandal Had Impact

Washington, DC, October 27, 2004 - The trading scandals and bear market have had an impact on shareholder sentiment, but investors retain a very favorable view of fund companies according to an annual tracking survey conducted by the Investment Company Institute and released today for the first time at a media briefing in New York City.

"Mutual fund investors continue to have a favorable view of fund companies, although the number of investors with a 'very' favorable impression has dropped in recent years," said ICI President Paul Schott Stevens. "Fortunately, the number of investors at the polar opposite – 'very' unfavorable - has ranged from only one to two percent. In the past few years, it appears that the bear market has adversely affected shareholders' views of funds, and that the recent scandals have had an additional impact."

According to the eight-year tracking survey, the results of which were published in [Shareholder Sentiment of the Mutual Fund Industry](#)," the strong market performance from 1997 to 2000 was a clear boost for mutual funds, which had approval ratings in the low- to mid-80s among shareholders aware of fund companies. While the market did recover slightly in 2004, the approval ratings for funds did not reflect the increase.

"Seventy-six percent of mutual fund investors were aware of the trading scandal in June 2004. Among these investors, 56 percent had a lower opinion of the mutual fund industry while 44 percent said it had no effect on their views," Stevens explained. "In spite of the scandal, however, mutual fund flows were up dramatically for the 12-month period ending May 2004 when net new cash flow to long-term funds totaled \$244 billion, the second highest inflow since 1997."

The tracking survey found that the leading factors that shape shareholders' opinions of the industry are, fund performance, 70 percent; personal experience with fund companies, 57 percent; current events in financial markets, 49 percent; and professional financial advice, 47 percent.

The tracking survey found that fund companies' reputation is the most important factor considered by fund investors, with 64 percent saying it was "very" important. Other leading factors included investment diversification, a range of fund choices, professional money management, and the level of fees and expenses.

"'Reputation' is the leading factor for our investors. In the aftermath of the fund industry scandal, we must work hard to preserve and enlarge the industry reputation with the investing public," Stevens concluded.

The Mutual Fund Shareholder Tracking Survey is part of the ICI's comprehensive research program that includes industry economics, mutual fund shareholder profiles, statistical collections for mutual funds, and an analysis of the retirement market. The 2004 Tracking Survey includes a sample of 1,110 households that owned funds and were familiar with mutual fund companies. Results for this sample have a margin of error of +/-2.9 percent.

