

Shareholder Sentiment About the Mutual Fund Industry, 2007

KEY FINDINGS

- **Shareholders' opinions about the mutual fund industry have steadily improved for four years.** Mutual funds' favorability among shareholders reached 77 percent in 2007, from a low of 71 percent in 2003. In 2007, more than three-quarters of mutual fund shareholders familiar with mutual fund companies have "very" or "somewhat" favorable impressions of fund companies.
- **Mutual fund owners report that investment performance is the most influential of the many factors that shape their opinions of the fund industry.** Seven in 10 mutual fund shareholders indicate fund performance is a "very" important factor influencing their views of the industry, and more than four in 10 cite fund performance as the most important factor.
- **Mutual fund companies' favorability rating moves with stock market performance.** Shareholders' opinion of the fund industry was lowest in 2003—the year in which the latest bear market bottomed out—but has improved each year since, moving in tandem with the market.
- **Investors are confident that mutual funds will help them meet their financial goals.** Eight in 10 mutual fund shareholders in 2007 are "very" or "somewhat" confident that investing in mutual funds will assist them in reaching their financial goals.

SHAREHOLDER OPINION OF THE MUTUAL FUND INDUSTRY EDGED UP AGAIN THIS YEAR

The percentage of fund shareholders with positive opinions about the mutual fund industry rose for the fourth year in a row in 2007,¹ following several years of a declining favorability rating that coincided with a stock market downturn between 2000 and early 2003. More than three-quarters of shareholders familiar with mutual fund companies currently have "very" or "somewhat" favorable impressions of fund companies, up from 71 percent—the recent low—in 2003 (Figure 1).

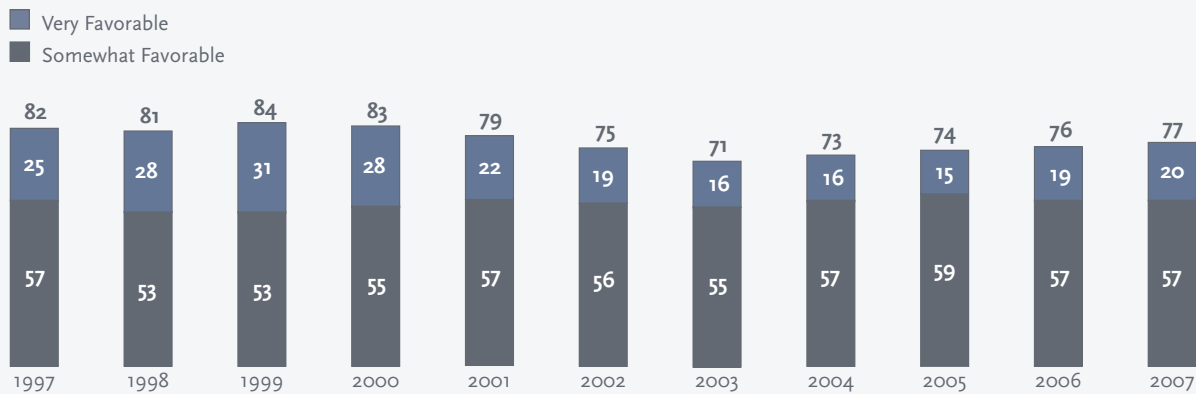
The share of fund investors with "very" favorable impressions of fund companies rose slightly. In 2007, 20 percent of fund investors had a "very" favorable view of the industry, compared with 19 percent in 2006, and 15 percent in 2005.

Many people who no longer own funds also have positive views of the mutual fund industry. More than half of former fund investors who say they are familiar with fund companies have favorable impressions of them (Figure 2).

FIGURE 1

MOST SHAREHOLDERS VIEW MUTUAL FUND INDUSTRY FAVORABLY

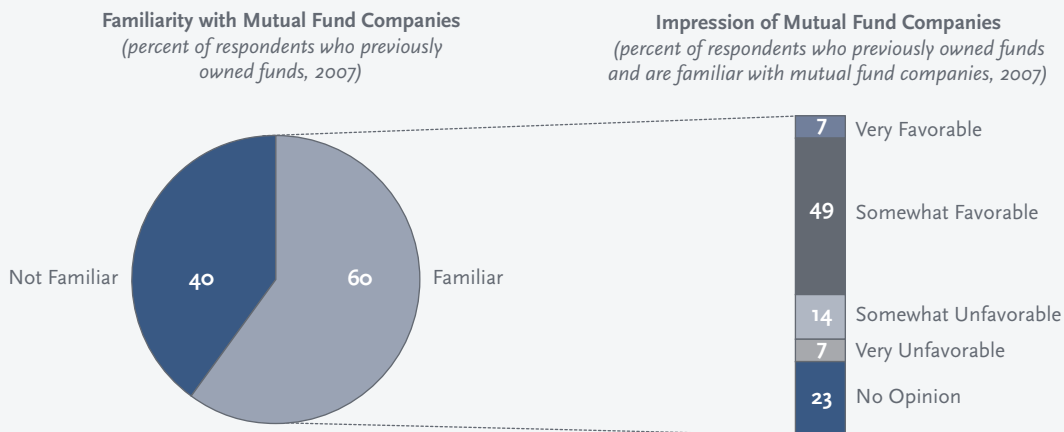
Percent of mutual fund shareholders familiar with mutual fund companies, 1997–2007



source: Investment Company Institute

FIGURE 2

MANY FORMER FUND OWNERS HAVE POSITIVE IMPRESSIONS OF MUTUAL FUND INDUSTRY



source: Investment Company Institute

ABOUT THE SURVEY

Since 1997, the Institute has conducted the ICI Mutual Fund Shareholder Tracking Survey each spring to identify and measure changes in shareholders' opinions of the mutual fund industry. The survey asks shareholders whether they have favorable or unfavorable impressions of the industry, which factors influence their impressions, and why they have chosen to invest in mutual funds.

The 2007 ICI Mutual Fund Shareholder Tracking Survey is based on a randomly selected sample of 3,977 U.S. households, of which 1,733 households, or 43.6 percent, own mutual funds.

The survey estimates presented here for 2007 and for previous years are calculated using a revised estimation procedure. As is usual in the course of household survey work, researchers periodically re-examine the estimation procedures used to ensure that results published are representative of the millions of households in the United States. ICI engaged in such a process this year and the figures here reflect a new weighting procedure. For a discussion of the new weighting methodology, see Sarah Holden and Michael Bogdan, "Trends in Ownership of Mutual Funds in the United States, 2007," *Fundamentals*, Vol. 16, No. 5, Washington, DC: Investment Company Institute, November 2007 (www.ici.org/pdf/fm-v16n5.pdf). The change in survey weighting methodology has a negligible impact on historical estimates of the figures reported regarding the sentiment of mutual fund owners.

FUND PERFORMANCE INFLUENCES INVESTOR OPINION OF FUND INDUSTRY

Although many factors influence shareholders' overall opinion of the mutual fund industry, investors say fund performance is the primary factor that shapes sentiment. In 2007, 43 percent of all fund shareholders familiar with mutual fund companies cite fund performance as the most important factor in forming their opinions of the industry (Figure 3). This appears to be borne out by the relationship between stock market performance, its effect on fund returns, and the mutual fund company favorability rating. For example,

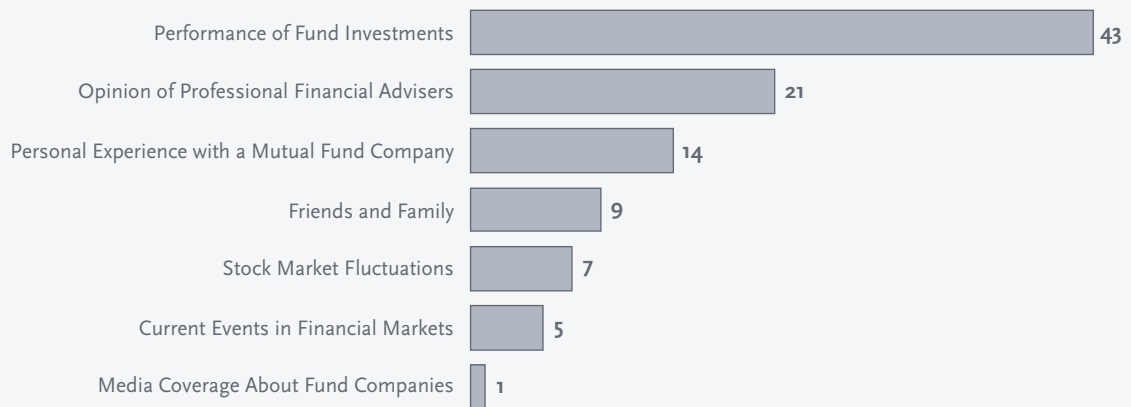
mutual fund companies' favorability rose in the late 1990s along with stock prices (measured by the S&P 500 Index), declined between May 2000 and May 2003 as stock prices fell, and increased each year since 2003 as the stock market gained (Figure 4).

Other important factors that influence shareholder views of mutual fund companies include the opinions of professional financial advisers, personal experience with a mutual fund company, and current financial events (Figure 5). Investors report that friends and family and media coverage are less influential in shaping their opinions of the fund industry.

FIGURE 3

MOST IMPORTANT FACTOR SHAPING OPINIONS OF THE FUND INDUSTRY IS FUND PERFORMANCE

Percent of shareholders familiar with mutual fund companies who indicate each factor is "most" important, 2007

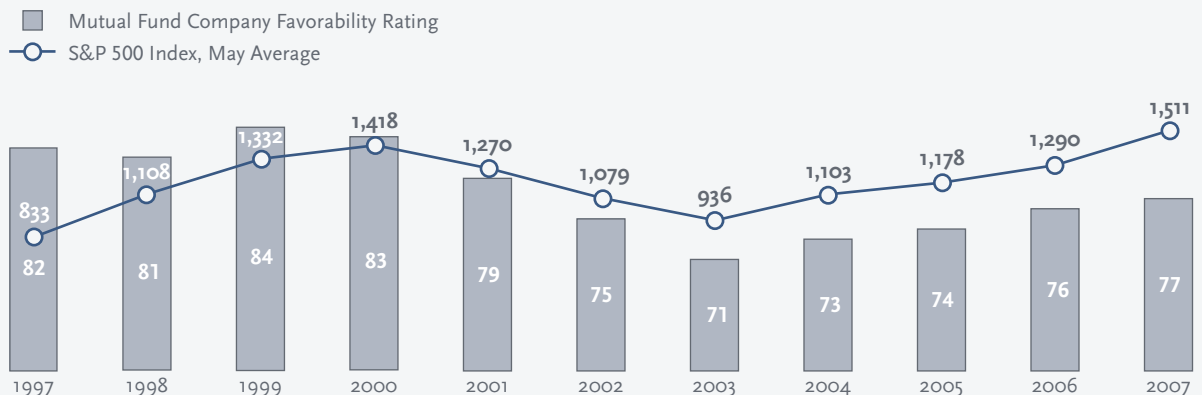


source: Investment Company Institute

FIGURE 4

MUTUAL FUND INDUSTRY FAVORABILITY IS CORRELATED WITH STOCK MARKET PERFORMANCE

Mutual fund company favorability rating¹ and S&P 500 Index,² 1997–2007



¹The mutual fund company favorability rating is the percent of mutual fund shareholders familiar with the mutual fund industry who have a "very" or "somewhat" favorable impression of the fund industry.

²The S&P 500 Index consists of 500 stocks selected to be included in the index based on market size, liquidity, and industry group representation.

sources: Investment Company Institute and Standard and Poor's

FUND OWNERS ARE CONFIDENT ABOUT ACHIEVING INVESTMENT GOALS

The results of ICI's Mutual Fund Shareholder Tracking Survey show that investors are confident that mutual funds can help them reach their financial goals.

Today, 84 percent of all fund shareholders say they are confident in mutual funds' ability to help them achieve their financial goals (Figure 6). Indeed, nearly one-third of fund investors are "very" confident that mutual funds can help them meet their financial goals.

NOTE

¹ The 2007 ICI Mutual Fund Shareholder Tracking Survey included a randomly selected sample of 3,977 U.S. households, of which 1,733 households, or 43.6 percent, own mutual funds. The standard error for the 2007 sample of households owning mutual funds is +/- 2.4 percentage points at the 95 percent confidence level. Survey data are weighted to match census region, age distribution, household income distribution, and educational attainment of the U.S. population.

FIGURE 5

MANY FACTORS SHAPE SHAREHOLDERS' OPINIONS OF THE FUND INDUSTRY

Percent of mutual fund shareholders familiar with mutual fund companies who indicate each factor is "very" important, 1997–2007

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Performance of Fund Investments	84	83	85	71	67	70	69	70	72	73	70
Personal Experience with a Mutual Fund Company	N/A	55	58	63	58	58	59	57	52	54	47
Current Events in Financial Markets	49	50	52	50	51	51	48	50	50	52	36
Opinion of Professional Financial Advisers	47	44	46	45	43	45	48	48	40	41	40
Stock Market Fluctuations	39	44	45	43	45	39	43	40	43	43	32
Friends and Family	35	35	39	46	47	45	44	46	30	32	24
Media Coverage About Fund Companies	21	22	23	21	21	23	18	22	20	19	12

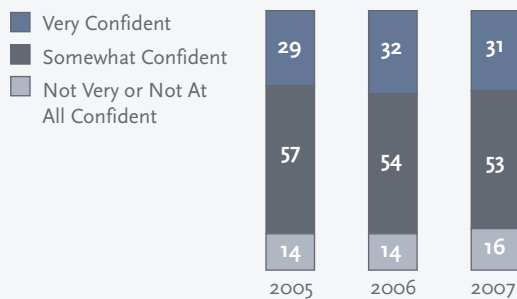
N/A=not asked that year

source: Investment Company Institute

FIGURE 6

SHAREHOLDERS ARE CONFIDENT THAT FUNDS CAN HELP THEM ACHIEVE THEIR INVESTMENT GOALS

Percent of all mutual fund shareholders, by level of confidence that mutual funds can help them meet their investment goals, 2005–2007



note: This question was not included in the survey prior to 2005.

source: Investment Company Institute

The ICI Research Department maintains a comprehensive program of research and statistical data collections on investment companies and their shareholders. The Research staff collects and disseminates industry statistics, and conducts research studies relating to issues of public policy, economic and market developments, and shareholder demographics.

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