

Stacking the Complexes: Morningstar Ranks Fund Families

By [Alex Padalka](#), *BoardIQ*, December 4, 2012 [subscription required]

Morningstar has released its annual ranking of the 100 largest fund families, with familiar faces in the top spots.

But the ranking system, which Morningstar says is a work in progress, has some financial experts questioning the accuracy of the findings and considering their usefulness to fund boards. For example, **Dodge & Cox** won the top spot even though its performance was ranked as 79. Out of the five Dodge & Cox funds ranked, only the income fund had a gain in 2011. Others did not fare as well, such as its international stock fund, which lost 16%. The firm's performance rating fell from 59 in 2011 to 79 this year.

Financial experts took issue with this disparity, noting that investors are interested in performance above all else and that other factors, while important, don't determine flows at the end of the day.

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The information can be useful because it provides peace of mind to investors and executives whose funds are ranked highly, experts say. For fund boards, such rankings can also provide a way to start a conversation when they find their funds have dropped in placement compared with years past.

“This kind of ranking could get fund directors to ask their management colleagues, ‘What’s going on? Why is our manager turnover higher than the average? Why are we having a hard time retaining our managers?’” says Niels Holch, founding partner of **Holch & Erickson** and executive director of the Coalition of Mutual Fund Investors. “This type of information could cause more of a conversation between the fund adviser and the independent board.”