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Poll: Fund Execs Reluctant to Eat Their Own Cooking

By Mariah Summers June 23, 2010

A considerable number of industry professionals prefer to have less than 25% of their personal savings invested in their own companies' mutual funds. That's according to *Ignites* poll respondents.

Roughly 44%, or 183 voters, said they have from zero to 24% of their personal investments in their companies' mutual funds. Of that group, nearly 16%, or 66 voters, have no personal wealth allocated toward proprietary products.

In contrast, about 31%, or 128 voters, invested from 75% to 100% of their money in their firms' products. This group comprises 13% who said they have 100% invested, as well as 18% who said they have from 75% to 99% invested.

The remainder of respondents said they had at least some of their personal wealth invested in their employers' products. About 15%, or 62 voters, said they have between 50% and 74% invested, and nearly 11%, or 44 voters, said they have 25% to 49% invested.

Tuesday's poll results fall roughly in line with an identical poll *Ignites* conducted before the financial crisis.

In the June 2008 poll, 40% of voters said they had from zero to 24% of their personal investments in their companies' mutual funds. Of that group, 11% reported having no assets at all allocated toward their firms' products, compared to 16% in this week's poll.

Meanwhile, more than one third of poll participants had a minimum personal investment of 75% in their companies' funds two years ago.

The practice of eating one's own cooking, or investing in proprietary funds, one industry observer says, is helpful to the professional's firm as well as its clients.

"I think it's better to have portfolio managers who have some level of investment in the funds they manage," says Niels Holch, founding partner of legislation and policy law firm **Holch & Erickson**. "Unfortunately, this area is a

little opaque because this information is disclosed in a statement of additional information, which most investors don't even know about and is hard to find. So determining how much skin in the game they have is difficult."

However, Holch went on to say that laws requiring fund professionals to invest in their own portfolios wouldn't be the best fit for the industry.

"I do believe that as an advisor you should eat your own cooking, but I don't think there should be a requirement of that," Holch says. "I'm not in favor of any one-size-fits-all rule. Everybody is different. But I would like to see more disclosure."

Recent Morningstar research showed that portfolio managers who invested a minimum of \$1 million of their own money with their fund scored 10 percentage points above their categories when compared to managers who invested less than \$10,000. The study covered a five-year time span of investing.

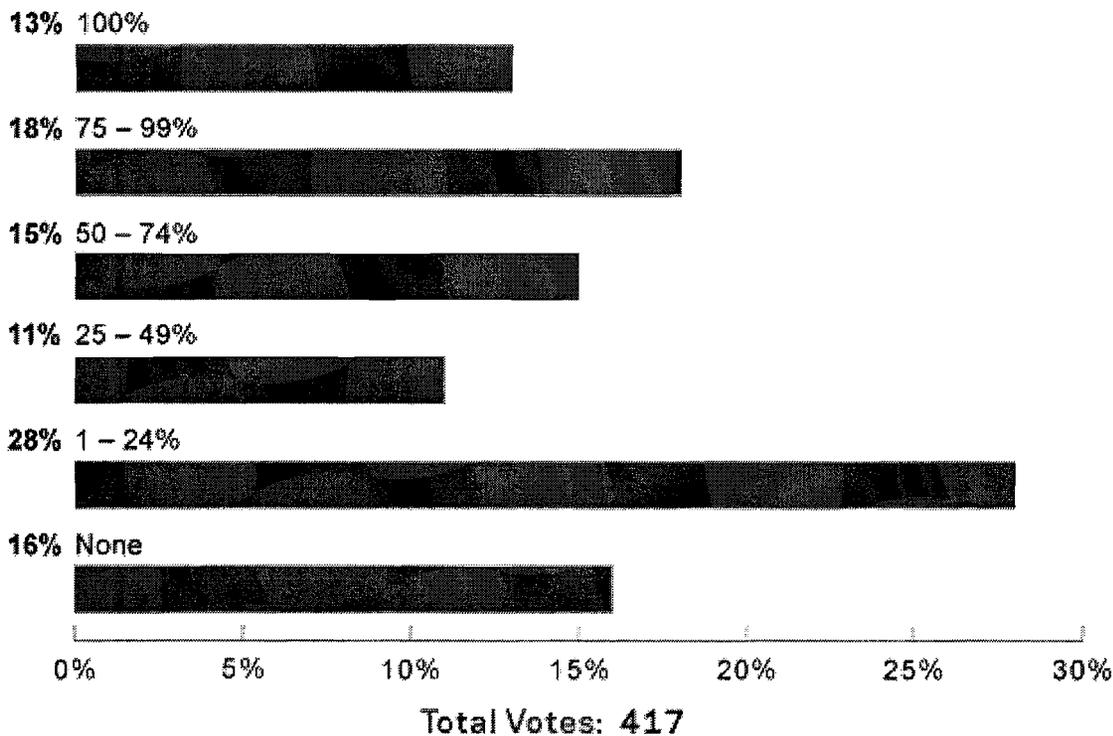
Precisely 417 *Ignites* subscribers participated in the survey as of 3 p.m. Tuesday.

The poll is an unscientific sampling of *Ignites* subscribers. Readers voted only once on a voluntary basis. *Ignites*'s audience consists of financial advisors, money managers and service providers.

☰ POLL RESULTS

How Much Of Your Company's Cooking Do You Eat?

Portfolio managers' level of investment in their own funds is an oft-cited statistic. So how much of your personal money do you invest in your company's mutual funds?



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