

Rating the Big Fund Companies

Morningstar FundInvestor | by Russel Kinnel
 Investing wisely in mutual funds requires you to know the fund company as well as the fund you own. Over the long haul the fund company behind the fund will be providing analyst support, setting fees, adjusting your manager's incentives, and likely hiring his or her replacement. How well the firm supports your fund will have a lot to do with how well the fund fares in the long haul. There will be quite a few points at which the fund company will decide between its near-term profits and the long-term benefit of fundholders.

With that in mind, I'm taking a look at how fund companies rate on a number of key metrics. We take data on all their individual funds and roll them up to see the big picture. All share classes are included, but we exclude funds of funds to avoid double counting. You may recall that I last ran the data in the March 2010 issue using figures through December 2009. I looked at five-year relative performance, average Stewardship Grade, average manager investment, average manager tenure, and five-year manager retention. Average manager investment is calculated by assuming the midpoint of the reported ranges.

The five-year manager retention is calculated by looking to see what percentage of managers remain at the firm over the course of a year and then averaging that for five years. Adding additional managers won't hurt the fund company's manager-retention score, but losing managers will. Manager retention tells you a lot about a firm's culture and its ability to attract and retain top talent. If those who know the company best are fleeing, you probably should not be buying. I have also averaged those rankings for an overall score.

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Dodge & Cox Leads the Way on Fund Company Rankings

Family	Performance		Stewardship Grade		Tenure		Average Manager		Five-Year Retention		Average Score	Overall Rank
	Rank	Rank	Rank	Rank	Rank	Investment (\$)	Rank	Rate	Rank			
Dodge & Cox	44	59	5.00	1	21.06	1	1,000,000	1	96.47	4	13.20	1
T. Rowe Price	28	7	4.47	9	7.13	31	294,612	11	91.17	31	17.80	4
American Funds	51	82	4.81	5	18.90	4	612,821	4	97.54	1	19.20	7
Franklin Templeton Investment	38	31	3.87	26	12.94	7	167,130	28	92.96	14	21.20	11
MFS	37	28	3.73	35	7.59	18	171,250	24	91.75	24	25.80	14
Thornburg	31	11	3.88	22	5.40	79	269,688	14	94.39	7	26.60	18
Vanguard	34	14	4.10	13	6.38	45	126,134	48	92.58	18	27.60	21
Harbor	25	4	3.67	44	6.37	48	104,483	59	93.66	11	33.20	24
JPMorgan	40	45	3.86	31	6.55	41	157,087	41	92.54	21	35.80	28
Legg Mason/Western	42	48	3.31	56	7.43	24	121,000	52	88.96	48	45.60	31
Invesco	36	24	3.91	18	6.31	52	163,068	35	81.40	100	45.80	35
Dimensional Fund Advisors	35	18	NA		6.84	35	23,913	93	89.60	38	46.00	38
Eaton Vance	71	100	NA		7.50	21	143,778	45	91.45	28	48.50	41
Lord Abbett	39	38	NA		6.17	59	204,286	18	83.83	89	51.00	45
GMO	35	18	NA		8.63	14	36,000	86	83.16	93	52.75	48
Wells Fargo Advantage	38	31	2.00	95	6.58	38	97,813	65	89.39	45	54.80	52
Janus	59	93	3.70	39	4.76	96	448,780	7	88.63	52	57.40	55
American Century Investments	44	59	2.83	78	7.26	28	98,720	62	88.21	62	57.80	59
PIMCO	17	1	2.84	69	5.18	86	96,618	69	88.15	65	58.00	62
OppenheimerFunds	49	76	3.03	61	6.08	65	181,736	21	84.41	82	61.00	65
Putnam	39	38	2.84	69	5.47	76	161,418	38	82.92	96	63.40	69
Fidelity Investments	43	55	2.87	65	4.52	100	165,557	31	88.10	69	64.00	72
John Hancock	42	48	2.42	91	6.17	59	31,429	89	91.00	35	64.40	76
Columbia	45	69	3.38	52	5.57	72	118,154	55	84.41	82	66.00	79
AllianceBernstein	51	82	1.94	100	8.85	11	52,000	82	87.24	72	69.40	82
BlackRock	44	59	3.45	48	5.14	89	76,053	76	85.71	79	70.20	86
Goldman Sachs	58	89	NA		6.20	55	87,647	72	85.94	76	73.00	89
Principal Funds	47	72	2.64	82	5.30	82	10,887	100	89.54	41	75.40	93
Hartford Mutual Funds	62	96	NA		5.69	69	61,111	79	88.25	59	75.75	96
ING Retirement Funds	49	76	2.57	87	5.05	93	15,070	96	88.35	55	81.40	100

We crunched the averages on a number of key data points for each fund company and then assigned a percentile ranking. We averaged the rankings to come up with an overall ranking. The funds are ordered by that ranking. Data through July 2011.

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