

# 2018 Advisor Perceptions in Canada:

## A FOCUS ON ADVISORS AND THE FUTURE

In its 23rd year, the annual Environics Advisor Perception Study is the most comprehensive study of Canada's investment and insurance advisors. In 2018, we listened to 3,379 advisors to get the inside scoop on current industry trends.

### A HOLDING PATTERN...

- 2018 saw a pause among Canadian financial advisors as their perceptions and needs remain largely unchanged since 2017.
- This plateau can be seen across advisor's total assets under management and ratings of fund companies – both of which see little change over 2017.
- Despite this pause, advisors continue to look for efficiencies, shortening their shelves and consolidating assets with their top fund companies.

"Know-Your-Product" rules are often mentioned as reasons for decreasing business with companies, particularly among MFDA advisors. This has also led to a reduction in advisors working with some of the niche fund companies.

"With the 'know your product' rules we felt like we needed to reduce our product shelf in order to know everything."

"Have been mandated to deal with only 5 investment firms going forward under the proposed KYP rules with a list of 125 funds across all categories to meet client's needs."

### "THIS BUSINESS IS BUILT ON RELATIONSHIPS"

Advisors are increasingly focused on building and maintaining strong relationships with their clients and with fund companies.

58% of advisors say they most prefer to spend their time building client relationships.

Advisors are increasingly focusing on higher-asset clients and providing a broader, more holistic product offering.

As a result, we see advisors are demanding more from the fund companies they support in terms of practice assistance, thought leadership and more direct support for client needs.

### PROPORTION CITING EACH TASK AS FIRST PREFERENCE FOR TIME IN PRACTICE



"Building my business is challenging and rewarding."

"It is exciting to see my business grow, assets build and it is more comforting knowing there is a solid revenue base. Tracking this in my own spreadsheets keeps me motivated and more successful at this."

"I like building great suitable portfolios for my clients and getting the performance they expect."

"I'm a stock picker which is a dying breed. Building custom portfolios is my bread and butter."

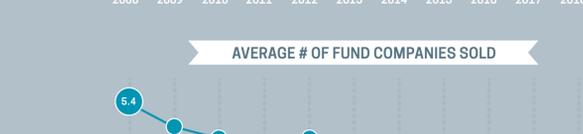
"I prefer people to numbers. Numbers may matter, but people always matter."

"It is very rewarding when you arrive at the point where a client becomes a friend as well as a client."

"I enjoy helping clients reach their financial goals. So building the relationship is the most important part for me. Everything else is supposed to support that."

### EVOLVING MANUFACTURER RELATIONSHIPS

#### AVERAGE COMPANY RATING



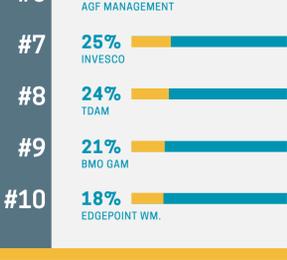
#### AVERAGE # OF FUND COMPANIES SOLD



- Advisor's expectations of fund companies are continually on the rise.
- Over the last 10 years advisors' ratings of the fund companies they are working with increased across all attributes including product performance, quality of client services, quality of people and quality of wholesalers.
- In return for the greater share of their business advisors give to the firms remaining on their shelves, advisors are expecting more in terms of wholesaler support and business building ideas from their firms that they can implement in their practices. Fortunately, most firms have recognized this and have stepped up to the plate through team expansions, increased coverage, and better advisor-focused conversations.
- As advisors focus on higher asset clients, they need to trust the companies they are working with to provide the products and results clients are looking for and to be there for advisors as they operate their practices and serve clients.

### TOP 10 MUTUAL FUND COMPANIES

#### BY SALES PENETRATION



#### BY OVERALL RATING



For the second year in a row Fidelity, EdgePoint and Mackenzie are the top three companies by overall rating. All three show strong ratings across a broad range of product performance and service attributes.

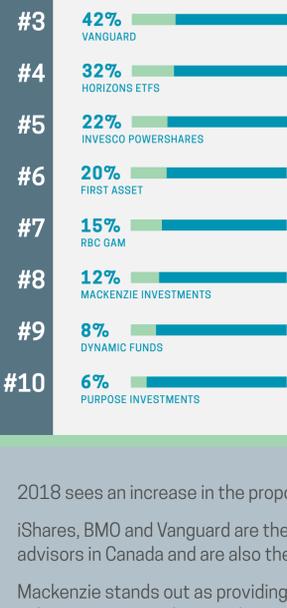
In addition, Manulife makes gains on product performance, advisor support and relationship ratings to move into fourth spot in the industry.

The banks frequently excel at providing a strong image for advisor's clients and backing this up with advisor resources. In particular, RBC and TD follow closely behind industry leaders and make progress over 2017 ratings.

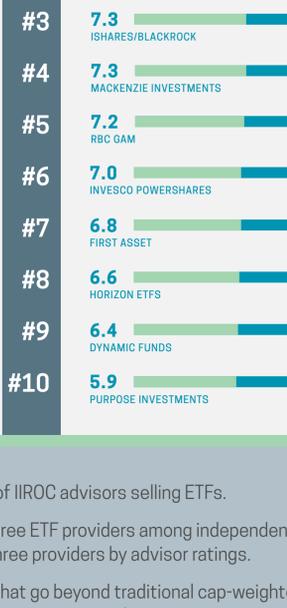
- RBC is seen as offering good value (MERs), a quality website, effective marketing materials and advertising and quality people at the firm.
- TDAM is seen as having a broad product shelf, high quality due diligence events and strong advisor practice support.

### TOP 10 ETF PROVIDERS

#### BY SALES PENETRATION



#### BY OVERALL RATING



2018 sees an increase in the proportion of IROC advisors selling ETFs.

iShares, BMO and Vanguard are the top three ETF providers among independent advisors in Canada and are also the top three providers by advisor ratings.

Mackenzie stands out as providing ETFs that go beyond traditional cap-weighted index strategies with smart-beta and alternative approaches.

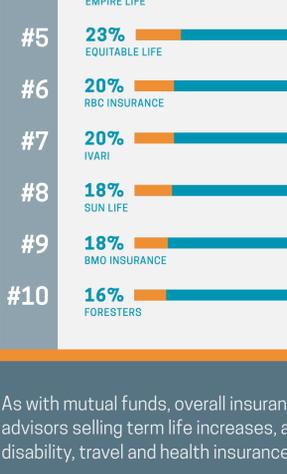
Dynamic Funds is recognized for its range actively-managed products.

RBC and Mackenzie both lead in terms of value added support by the company's wholesalers.

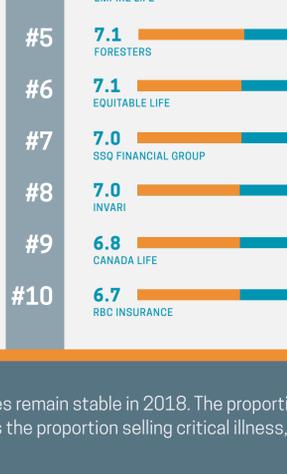
Half of advisors who don't currently offer ETFs say they are interested in offering them in the future – including similar results among IROC and MFDA advisors. This suggests that the category will continue to see strong future growth and that advisors may be very open to hearing about new strategies for using ETFs in client accounts.

### TOP 10 INSURANCE COMPANIES

#### LIFE PREMIUMS: BY SALES PENETRATION



#### BY OVERALL RATING



As with mutual funds, overall insurance sales remain stable in 2018. The proportion of advisors selling term life increases, as does the proportion selling critical illness, disability, travel and health insurance.

Top reasons volunteered for increased sales include product range/quality, quality of underwriting and wholesaler support. Top reasons for decreased support include poor product quality, customer service issues and underwriting problems.

Overall ratings within life insurance decline, as lower ranked firms suffer weaker ratings.

Manulife maintains its top-ranked leadership position based in the range and strength of its product lines, wholesaler support and advisor training and education.

For the second year in a row, iA Financial ranks second followed by Sun Life.

- iA Financial sees strong gains in seg. fund ratings, while Sun Life is rated highly for corporate reputation and image.
- Foresters makes significant gains on the strength of its fast/efficient and flexible underwriting.

### FINAL THOUGHTS...

Results from Advisor Perception Study 2018 showed advisors adopting a wait-and-see mindset, both in terms of the shape and structure of their practices as well as their choice and ratings of investment and insurance firms they work with.

Since the fielding of the study in mid-2018, the 10-year bull market peaked in September, stumbled through the Fall, collapsed before Christmas and has attempted to recover. While economists debate whether fundamentals support continued economic growth, geo-political factors (Trump, China, Brexit, global trade tensions, etc.) are causing greater uncertainty.

Most of the advisors surveyed have clients, certainly the larger ones, who lived through 2008-09, and understand that the return of volatility is to be expected. Newer clients, particularly Millennial clients, are experiencing their first test of their risk tolerance. Periods of transition, whether it be turbulent markets, major life challenges, or helping families transition through lifestages are periods where advisors earn their stripes. Through their comments on how they manage their practices and what they look for from insurance and investment firms, advisors are telling us they are confident in helping their clients through whatever may happen in the short-run, and will keep them focused on their long-term goals.

WE AT ENVIRONICS WOULD LIKE TO THANK ALL ADVISORS WHO HAVE SHARED THEIR OPINIONS AND PERCEPTIONS IN THE 2018 STUDY, AND WHO TAKE PART IN OUR ONGOING WORK, AND WE WOULD LIKE TO ENCOURAGE YOU TO SHARE YOUR PERSPECTIVES WHEN THE 2019 STUDY FIELDS LATER THIS YEAR.

