

# ADVISOR PERCEPTION STUDY

## INVESTMENTS EDITION

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# 2023

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# INTRODUCTION

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The Environics Advisor Perception Study is the largest and most trusted study of its kind, giving a voice to Canada's leading investment advisors. The study has been running continuously for nearly 30 years, providing the Canadian investment industry with up-to-date information about how advisors are running their practices and how they feel about the support they receive from the leading investment manufacturers they are partnering with.

The 2023 study represents one of the most interesting editions of the Advisor Perception Study to date. Following several years of uncertainty and challenges, the study shows the most significant changes in sales volumes, product usage, brand loyalties and brand ratings in recent years.

## A STRONG YEAR FOR ADVISORS

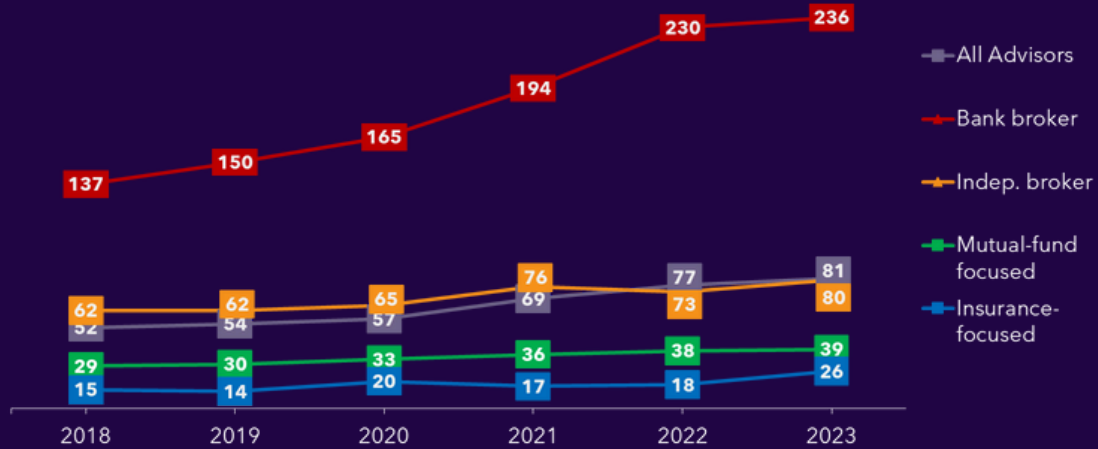
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2023 was a solid year for Canadian financial advisors as sales remain strong and assets under advisement continue to see significant gains.

Canadian advisors frequently indicate that they are targeting wealthier Canadians in their practices; the success of this approach is evident as average client assets substantially outpace market gains.

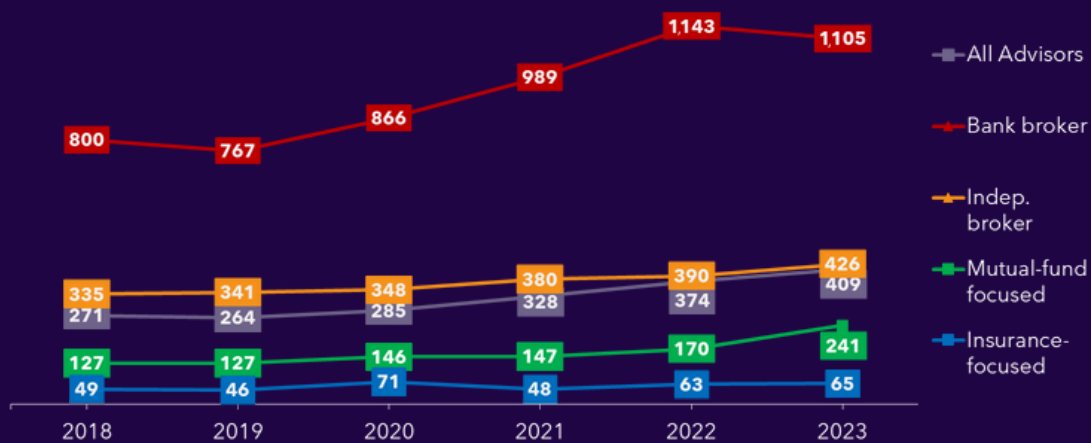
## Strong practice growth for Canadian financial advisors as average AUM reaches record highs

Average AUM by Advisor Type in \$ millions



## Assets per client sees significant growth in recent years

Average assets per client by Advisor Type in \$ thousands



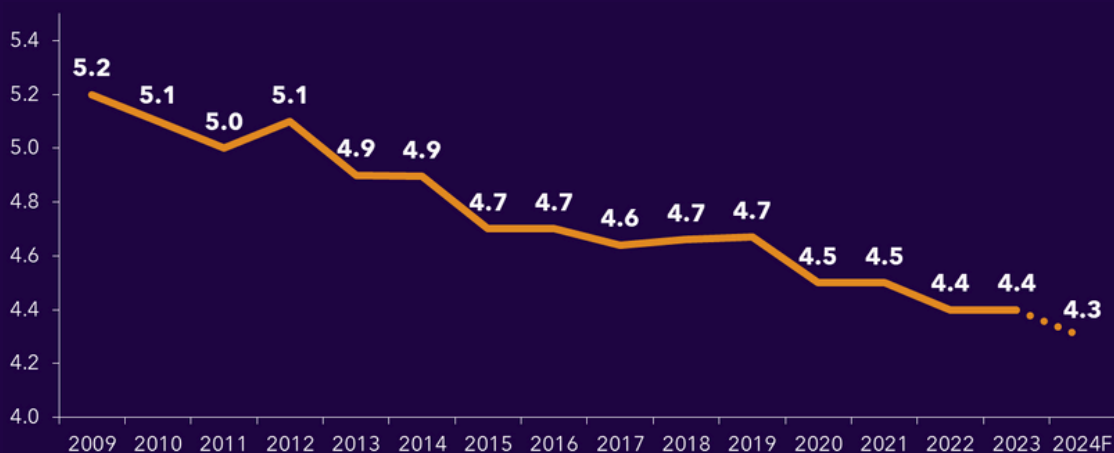
# CHALLENGES DRIVE SCRUTINY FOR INVESTMENT MANUFACTURERS

While financial results have been strong, economic uncertainty, regulatory challenges and practice pressures are causing advisors to rethink aspects of their businesses.

Advisors continue to scrutinize partnerships with investment fund manufacturers and are frequently reducing the number of manufacturers they are working with. This is intensifying competition even more among leading advisor-facing brands.

## Advisors are working with fewer brands than ever and hope to further reduce shelves in 2024

*Average number of manufacturers worked with in last 15 years and expectations in 2024*



# GROWING DIFFERENTIATION AMONG FUND MANUFACTURERS

In this highly competitive environment, an unusually diverse mix of brands are rising to the top of the ratings. 2023's list of top-rated manufacturers includes large, broad-based fund manufacturers, insurance manufacturers, bank-based asset managers, and smaller brands with more concentrated offerings, all of which are seeing gains in both ratings as well as sales. The study now tracks results for 22 leading brands and monitors sales penetration across more than 20 additional smaller/niche brands.

## Overall Investment Company Rating for Market Leaders in 2023



# WHAT IMPACTS CANADIAN ADVISOR LOYALTY?

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If advisors are focusing on revitalizing practices while reducing the number of brands they are working with, what are leading brands doing to differentiate themselves?

Leading brands are focusing on communicating product performance, aligning with advisor service and support needs, and providing highly targeted product offerings.

## SERVICE IS CRUCIAL IN THE POST-PANDEMIC ENVIRONMENT

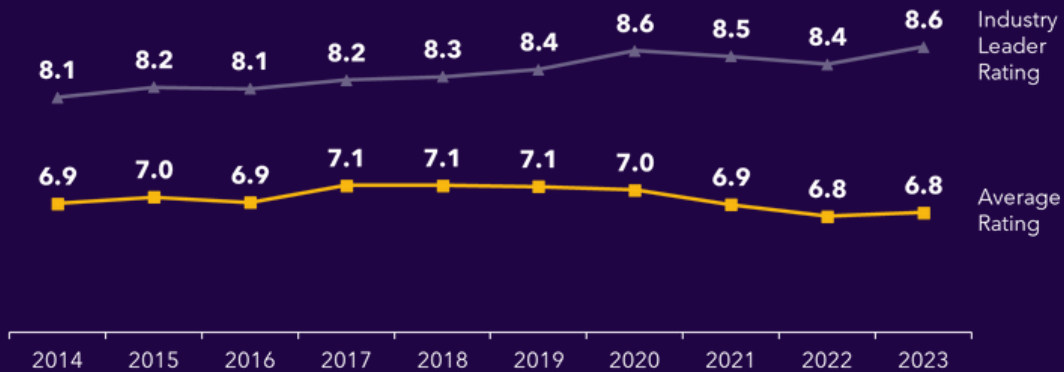
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The survey results show that challenges associated with the global pandemic caused service levels to decline across many prominent investment manufacturers from 2020 to 2022. However, a small number of brands have made progress in improving service levels – with a select few even exceeding pre-pandemic levels.

For advisors who are focused on client communication and support, service gains are critical in driving brand differentiation.

## Back Office quality stumbles from 2020 to 2022 but is stabilizing while leaders recover and gain

*Quality of client service department - Trending: Average Rating and Industry Leader Rating*



When looking at service dimensions, advisors are focusing on 2 key priorities from manufacturers:

- 1 Improving efficiency for practices by reducing errors that not only create burdens for advisors but can also diminish investor confidence.**
- 2 Demonstrating that fund manufacturers have the right people in place who are empowered to help advisors and make working with manufacturers a positive experience.**

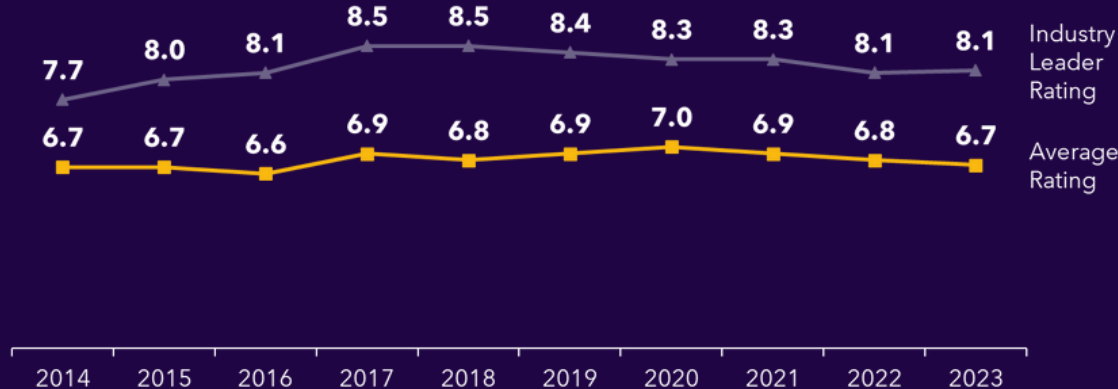
As advisors reduce the number of brands they work with, these priorities matter more than ever. Minimizing errors is key to preventing advisors from leaving, while emphasizing relationships provides more opportunity for building loyalty and growth.

# UNDERSTANDING GAINS IN PRODUCT PERFORMANCE IS KEY

2023 sees the lowest average satisfaction with product performance since 2018, as inconsistent outcomes and economic uncertainty weaken advisor confidence in what brands can deliver.

## Performance declines while leaders show some signs of recovery in advisor confidence

Overall Performance – Trending: Average Rating and Industry Leader Rating





# UNDERSTANDING GAINS IN PRODUCT PERFORMANCE IS KEY

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In the face of performance challenges, analysis shows that advisors are more likely to scrutinize historical performance and look to external metrics when evaluating brands and products. Performance track record – while always important – is seeing renewed significance as an indicator of product and investment brand quality.



Stronger emphasis is also being placed on qualitative indicators such as familiarity with fund managers, managers' track records and a deeper understanding of the investment processes to determine what differentiates top brands and how this can achieve superior outcomes for end clients.



Brands that are currently seeing stronger loyalty are helping advisors understand the connection between brands, investment teams, their investment approach, performance outcomes and ultimately investor success.

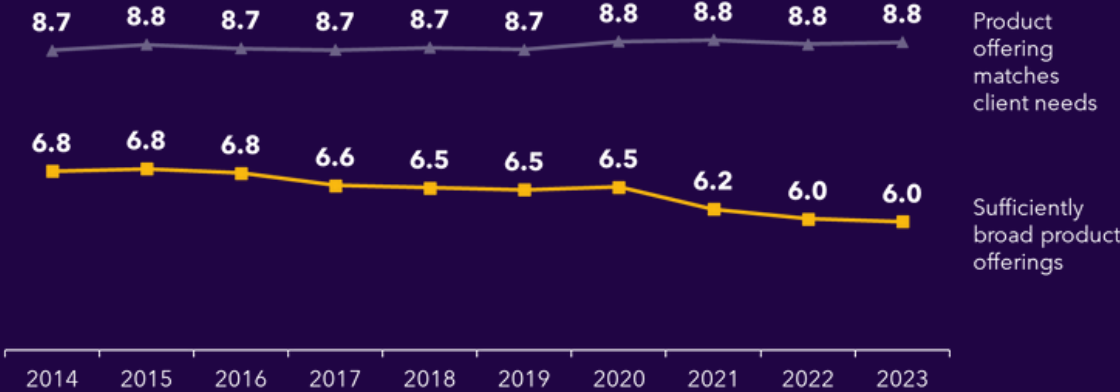
# THE RIGHT PRODUCTS RIGHT NOW

In previous years, advisors worked with as many as five to six large fund manufacturers to gain access to an extremely wide range of products. However, advisors have recently been refocusing their attention on a much shorter list of manufacturers that can provide offerings that align with client needs.

This desire for specific products is causing advisors to look to smaller brands that offer more specialized shelves or expertise.

## Advisors are increasingly focusing on products that meet specific client needs over breadth of products

*Product offering matches client needs vs. sufficiently broad product offerings - Trending: Importance Rating*



This trend is driven by key factors, such as:

- 1 Regulatory changes, including Know Your Product rules**
- 2 Advisor and dealer preferences for practices focused on a smaller number of higher-asset clients – clients who frequently have higher expectations for returns, differentiated service and unique investment opportunities**
- 3 Renewed interest in new products as COVID pressures ease and the current investment environment causes advisors to look for new ways to generate superior returns**

It is worth noting that as advisors look for new products that fit with client needs, they are more likely than ever to look to brands and wholesalers for education and support.

Brands that take the lead on generating ideas, provide engaging information and help foster client conversations add significant value to advisors' practices.

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Thank you for your support of this research. Your feedback provides valuable insights on the industry, to ensure that the brands you work with can continue to improve their products and support to best serve you and your clients.

*Have any comments or questions on this report?  
Reach out to us at [advisorresearch@environics.ca](mailto:advisorresearch@environics.ca).*

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