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# BofA is name dropping

## Market research pushes bank to pick Fleet brand for mutual funds

By Will Boye

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Bank of America Corp. will adopt FleetBoston's Columbia Management Group name for its asset management arm and shift from the damaged Nations Funds brand, say sources with knowledge of the decision.

The rebranding, based on research conducted by outside marketing consultants, will bring an end to the Bank of America Capital Management name and to Nations Funds as the name of a stand-alone group.

But BofA has decided to keep Banc of America Investments as the name of its retail brokerage unit and will phase out the Quick & Reilly name, which was the brokerage operation Fleet acquired in the late 1990s.

The Nations brand was hurt by a mutual fund inquiry launched by New York Attorney General Eliot Spitzer last fall. The investigation involved several groups, eventually including Fleet's Columbia Funds. But BofA's Nations brand appeared to have taken the hardest hits.

"You're putting your strongest reputation up front," says Anthony Polini, an analyst with FTN Midwest Research, regarding the choice of the Columbia name.

Morningstar analyst Laura Lutton, who covers funds in the Nations family for the Chicago rating firm, says an entirely new brand would be ideal. But she says the Columbia brand is marginally cleaner than

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she adds, given that the Columbia group has integrated other fund families in the past.

"That's the simpler exercise," she says.

Aspects of the red and blue BofA flag may be incorporated into a new Columbia logo that will be unveiled as part of the rebranding, say sources familiar with the process. And the company might also label the division as a "Bank of America company."

### **Keeping it in the family**

The integration will take 18 to 24 months, and individual funds will be renamed near the end of that process.

William Carmichael, chairman of the Nations Funds board of trustees, declines comment on the decision but says the bank's marketing consultant was hired to determine which name had better brand recognition, both retail and wholesale.

In integrating fund groups before, Columbia executives have sometimes just added the Columbia moniker to the old names, creating the Columbia Acorn International fund, for example. It's unclear whether the Nations name will remain at all when the integration is complete.

Executives are said to be moving carefully for fear of hurting fund performance while combining assets.

BofA moved its asset management headquarters to Boston in the Fleet merger, which became official April 1. The operation is headed by former Fleet executives Brian Moynihan, now president of wealth management, and Keith Banks, president of asset management. The unit has \$425 billion under management, \$210 billion of which is in its mutual funds. Before the merger, Columbia Funds had roughly \$40 billion in assets and Nations Funds had more than \$130 billion.

While the mutual fund operations of both companies were ultimately targeted by Spitzer, BofA was the first named in a September complaint alleging that it and others allowed Canary Capital Partners to engage in late trading and market timing in funds.

In February, Spitzer accused Fleet of letting favored institutional clients engage in market timing in at least 16 Columbia funds. One month later, both companies reached a \$675 million combined settlement with Spitzer and the Securities and Exchange Commission.

Since September, the Nations Funds family has made negligible gains in its assets under management, adding just \$91 million over the following eight months, according to Financial Research Corp., a Boston-based research firm.

But the Columbia funds appear to have suffered greater losses during a shorter period. Since February, when Spitzer named Fleet, the Columbia group had posted a net loss of \$450 million in assets. In April, the month after the settlement, the two fund families lost a combined \$360 million in assets, with Columbia alone losing \$228 million. At the end of April, Columbia Funds had \$51 billion in long-term assets under management and Nations Funds had \$33 billion, according to Financial Research.

The Nations Funds family was at the center of Spitzer's late-trading case, however, and Morningstar is still advising investors to consider selling the funds. The rating firm is more sanguine about Columbia, advising investors not to invest additional money in the funds.

Huseyin Gulen, a finance professor at Virginia Tech who co-authored a February research paper on mutual fund name changes, says dropping the Nations name altogether might help the funds attract new money.

"I see some value to that in terms of the marketability of the funds," he says. "If they drop it, it might have an impact, because they're dropping something with a bad reputation."

In the first quarter, BofA's asset management segment generated \$669 million in revenue, down from \$839 million in the previous quarter.

FTN Midwest's Polini says asset management is a focus area for the company now and "there won't be particular sensitivity to losing the Nations name at this point."

Burt Greenwald, a mutual fund consultant based in Philadelphia, says the bank should improve performance in its operations over a couple of years rather than rely on a big marketing push to increase assets under management.

"If that happens, the gathering of assets follows in due course," he says. "But if they go out with high-powered marketing programs and just average performance, I think they're going to run into difficulties."

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