

Twenty Years of Service



Annual Report

1961

I N V E S T M E N T C O M P A N Y I N S T I T U T E

FORMERLY NATIONAL ASSOCIATION OF INVESTMENT COMPANIES

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JOHN J. HEFFERMAN
Office Manager

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RICHARD H. GRANT
Assistant Director
BRENDA SCHWEIG
Research Assistant
MARJORIE SPETTEL
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EDWARD EDELMAN
Consultant

VINCENT L. BRODERICK, *General Counsel*

ANNUAL REPORT



of the Operations and Activities of the
NATIONAL ASSOCIATION OF INVESTMENT COMPANIES
for the year ending SEPTEMBER 30, 1961.

On OCTOBER 1, 1961 the Association's name was changed to
INVESTMENT COMPANY INSTITUTE

Table of Contents

Officers and Committee Members	2
President's Letter	3
Association Activities	4
Administration	4
Research Operations	5
Public Information Projects	6
Legal Activities	8
Twenty years of Service	10
Development of the Investment	
Company Industry In The United States	10
Government Regulation	10
N.A.I.C. Participation	11
The Years Ahead	13
Investment Company Members	14

President's Letter

To The Members:

During the twelve months ended September 30, 1961, the upward trends in our business continued, with an increase in open-end investment company assets of \$5.4 billion, and of 482,000 in the number of shareholder accounts. Particularly noteworthy was the increase of 238,000 in "accumulation plans" for the acquisition of additional shares by investors, bringing the total number of such accounts to 1,614,825 at the end of the fiscal year. Assets of the closed-end company members also increased from \$1,656,863,000 to \$2,012,670,000.

As you know, effective October 1, 1961, by amendment to the Memorandum of Association the name of the Association was changed to "Investment Company Institute" and the scope of its activities and membership enlarged to include underwriters and advisers of open-end investment company members.

Under this new organizational form it is believed that the interests of the investing public, the traditional cooperation with Federal and State regulatory authorities, and all other aspects of our business will be greatly enhanced.

Credit for the working out of the new structure goes to a special committee, which under the able leadership of Charles H. Schimpff devoted many full days of hard and intelligent work to the successful accomplishment of its task.

Another special committee, deserving also of the utmost credit, was that headed by William F. Shelley, which over a period of months developed the "Guide to Business Standards", provided for under Article V of the amended Memorandum of Association, which will be submitted to the membership for approval shortly after the start of the 1962 fiscal year.

I suggest a careful reading of the reports, which follow, which reflect the work of the regular committees during the past fiscal year. We are all indebted to the able and devoted Chairmen and members for their service on these committees.

The Federal legislative area was calm throughout



George K. Whitney, President, at left, turns over gavel to incoming President, Charles H. Schimpff.

the year, except as to certain tax proposals of concern. Problems on the regulatory "fronts" were ably handled by the S.E.C. Rules Committee, headed by Glenn N. Lempereur, and by the State Liaison Committee, headed by Harold K. Bradford.

During the past year our fiscal affairs were skillfully guided by W. Linton Nelson and the Finance Committee of which he was the Chairman.

In closing this accounting of my stewardship as your President in the 1961 fiscal year I wish to add that without the advice and assistance of those from our business who devoted countless hours to the Association's affairs and problems as members of the Administrative Committee—namely, Messrs. Bradford, Burr, Eaton, Haire and Stires—the job could not have been done. Also, my thanks go to the loyal members of the Staff.

I see ahead a year of further progress by investment companies in serving the investing public, under the new head of the "Institute", Charles H. Schimpff.

Respectfully submitted,

George K. Whitney
President

September 30, 1961



General Membership Meeting October 1960. Left to right: Former president, Herbert R. Anderson, Distributors Group, Inc.; George A. Mooney, Executive Director, and newly named president, George K. Whitney, Massachusetts Investors Trust.

Administration

Revision of Association Structure

The decision of the membership to broaden the scope of activities of the Association and to change its name to Investment Company Institute, was made with the aim of making it more broadly representative of the investment company business. This decision was a significant development not only in the Association year but in the lifetime of the organization.

The membership on September 30, 1961, the end of the fiscal year, was composed of 160 open-end and 25 closed-end investment companies. With the start of the new fiscal year on October 1, 1961, membership will be available not only to investment companies as in the past, but for the first time, to their investment advisers and underwriters. Separate divisions of the Institute will be organized for each of these groups of members.

General Membership Meeting

A high-light of the Association year was the General Membership Meeting held in New York in October, 1960 which brought together many leading executives of investment companies from throughout the country. "Workshop sessions" were conducted on tax, regulatory and legislative matters, administrative and operations techniques, closed-end company developments and public information matters. There were also speeches by Dorsey Richardson, first President of the Association; U.S. Senator Harrison A. Williams, Jr., of New Jersey, Chairman, Securities Subcommittee, Senate Committee on Banking and Currency; Keith Funston, President of the New York Stock Exchange; Edward DuCann, M.P., Managing Director, Unicorn Securities, London, England, and Herbert R. Anderson, President for the preceding two years, who gave his report to members.

Board of Governors—Committees

The 21-member Board of Governors, which establishes policies to be implemented by the Association staff, held its 96th regular meeting on

June 22-23, 1961. The seven-member Administrative Committee (to be known henceforth as the Executive Committee) continued to act for the Board on a day-to-day basis between Board meetings.

In addition, thirteen other standing committees pursued matters of specific interest to the membership in various areas under direction of the Board of Governors.

Moreover, during the year the Board authorized the formation of a new special committee, known as the Operations Committee, to consider matters of interest to member companies in the areas of accounting, administration, record-keeping and data processing. The new committee is similar in nature to the Law Committee and the Public Relations Advisory Committee previously formed to study, on a continuing basis, problems of common interest to member companies in particular fields.

Other Developments

At the end of the calendar year 1960, the Executive Director issued a report to members on the activities of the Association staff.

The resignation of Vincent L. Broderick, General Counsel of the Association for the past five years, was accepted with regret by the Board of Governors. During his tenure, Mr. Broderick was a highly respected representative of the Association. His activities included appearances before state and Federal agencies and legislative committees on matters affecting the industry. He resigned to accept the position of Chief Assistant United States Attorney for the Southern District of New York.

During the year, John J. Heffernan joined the staff to fill a vacancy and to assist the Controller in the accounting operation.



Membership Meeting, October 14, 1960. Left to right: Edward B. Burr, George K. Whitney, Senator Harrison A. Williams, Jr. and Edward DuCann.

Research Operations

The year was marked by an expansion of research activities in order to meet the growing requirements of member companies as well as an increase in the volume of inquiries from the press, educators, investment dealers and the public generally. The Research Department undertook several projects assigned by the Board of Governors in addition to its regular collection of data on the investment company industry.

These services were made possible through the cooperation of member companies in providing statistical data and other information.

Commission on Money and Credit

A monograph on the investment company industry was prepared for the Commission on Money and Credit as a part of its study of the financial structure and institutions of the United States. The Association's paper was authorized by the Board of Governors and was prepared by the staff under the direction of the Institutional Studies Committee. The Commission is currently considering publication of this report which represents an important addition to the literature of the investment company industry.

Shareholder Surveys

An analysis of mutual fund shareholders was started during the year to bring up to date the 1958 study of the economic characteristics of the individuals who own shares of open-end investment companies.

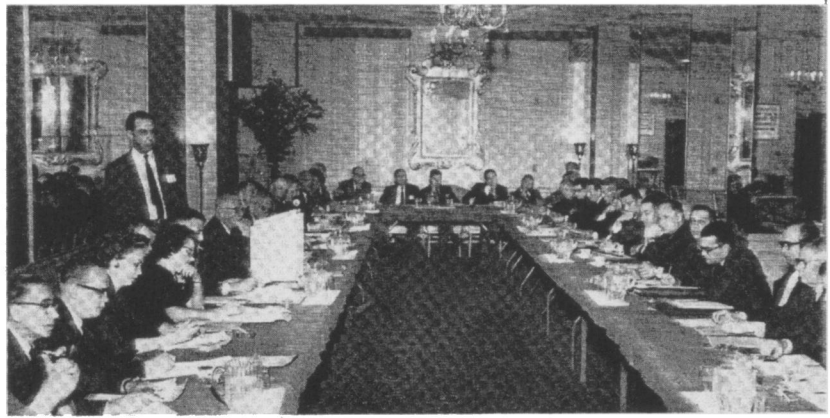
A second new survey which is underway is designed to analyze in depth the opinions of open-end investment company shareholders concerning their investments and the role of investment company shares in their financial plans. The results of these two surveys should prove useful to members in their continuing effort to improve service to the investing public.

Treasurers and Controllers Conference

A two-day conference of company treasurers and controllers was held in May at which matters of common interest in the areas of accounting and record-keeping were explored. It was as a result of a recommendation of this group that the Board approved establishment of the Operations Committee to continue study of these and other technical matters.

Educational Activities

Staff members conducted the graduate course on



Treasurers and Controllers Conference—May 1961

investment companies offered by the Bernard M. Baruch School of Business and Public Administration of the University of the City of New York again this year. Summer sessions in economics and finance, conducted for undergraduate students by the University of Vermont, were addressed by staff members.

The Forum on Finance, sponsored each year by the financial community's Joint Committee on Education and administered by New York University for some 30 college professors, devoted one day of its program to investment companies. A lecture session, tours of various investment company headquarters and discussions with company officials made up the day's program.

Foreign Investment Companies

Collection of statistical information on investment companies abroad is progressing with information having been obtained concerning some 700 such companies to date.

Statistical Summary

The various trend series of monthly, quarterly and annual data are published each year in the Statistical Summary. The 1960 Summary was distributed to members, the press and public. It is a compilation of basic information about the investment company industry.

Other Activities

The number of requests for factual data and trend interpretations increased during the year. Also, there were many more requests for source material and for comments and opinions on developments in the investment company industry. Of particular interest was the number of inquiries by educators, indicating their increasing awareness of the industry's importance in the financial world.

A tabulation of institutional shareholders was issued. Studies of state and regional sales and several analyses of investment company portfolio holdings in various specific industries were also completed. In addition to providing information for members, data developed through these projects were utilized in articles for "Investment Company News" and individual news releases.

Public Information Projects

As the investment company industry has grown, its public information program has grown with it, utilizing various media of communications in telling the investment company story. The Public Information Committee, recognizing the increase in requests for information from the press, from educators, from dealers and from the public generally, approved a number of special projects which were carried out during the year.

Such activities are all part of the Association's basic effort in operating as a clearing house of information regarding the investment company industry. They are intended to provide better public understanding of investment companies.

Press Relations

News releases based on regular statistics were augmented by individual news stories on developments in the industry, interpretative material and educational articles throughout the year.

The lead story in each monthly newsletter, *Investment Company News*, was the basis for individual news releases throughout the year. Acceptance of news releases and the monthly newsletter continued at a high rate among newspapers, news and feature syndicates and financial publications.

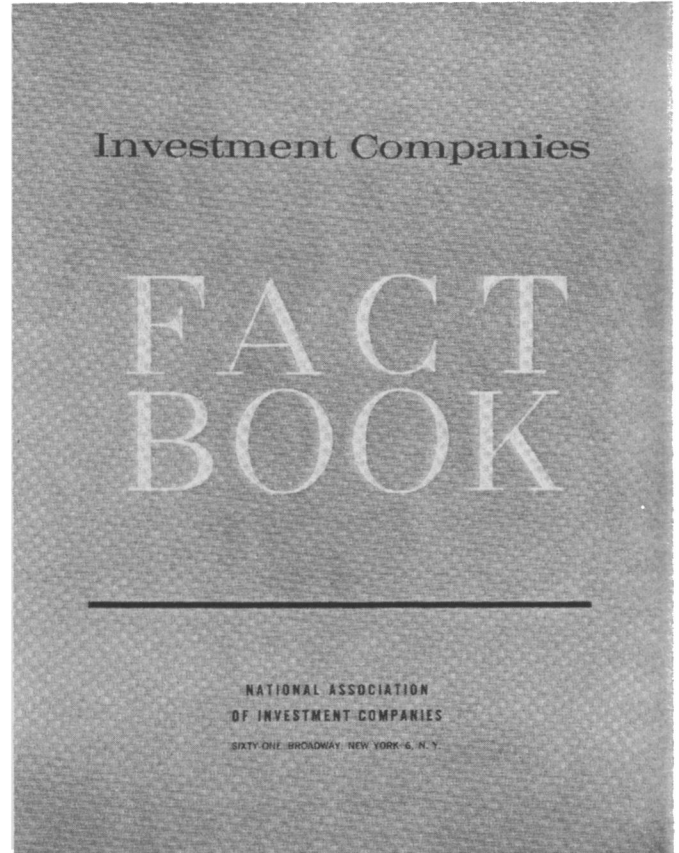
In addition, a number of special articles were developed for various publications to meet their specific requests for special treatment of various aspects of the investment company business.

These included columns and feature material used by *The New York Times*, *New York Herald Tribune*, *New York Journal American*, *New York World-Telegram and Sun*, *The New York Post*, *Philadelphia Inquirer*, *Boston Globe*, *San Francisco News Call Bulletin* and other newspapers as well as *The Associated Press* and *United Press International*.

Members of the Public Information and Research staffs maintained continuous personal contact with various elements of the press in order to more effectively tell the investment company story.

Requests by editors and writers for specific information for stories which they were preparing, additional information on news releases, and staff suggestions for future stories and articles were facilitated through these personal contacts.

The staff also assisted in acting in a liaison capacity between members of the press and member companies.



Audio-Visual

Theaters—The N.A.I.C.'s color cartoon film, "The Hope That Jack Built," continued in demand from exhibitors in all parts of the country. More than five million persons have seen this film in theaters alone and audience reaction data on file in the N.A.I.C. offices continues to be extremely favorable.

Film Rentals and Sales—Members, dealers, educational and civic groups and others provided a strong demand for "The Hope That Jack Built" as well as the sound-slide film, "Investing With A Purpose," necessitating orders for additional prints during the year for both of these films.

Television—Telecasts of "The Hope That Jack Built" totaled 319 through the last verified reporting period, with a combined estimated audience of 7,027,900.



Press Panel at General Membership Meeting, left to right: Sam Shulsky, New York Journal American; John Piper, San Francisco News Call Bulletin; Paul Johnston, Chairman, Public Relations Advisory Committee; Gene Smith, New York Times and William Doyle, New York World Telegram and Sun.

Radio—An average of more than 200 radio stations throughout the country used the Association's monthly radio script, an informal comment on various phases of the investment company business. Requests from individual stations for additional information increased during the year, as a result of these broadcasts.

Booklets

Most in demand of the booklets produced was the **Investment Companies Fact Book** which met with an immediate and enthusiastic reception among members, dealers and others throughout the country. This booklet, filed under the Statement of Policy of the Securities and Exchange Commission, became a basic piece of literature within a few weeks after it was made available.

Investing Made Easy went into its 13th printing this year. Since it first appeared more than 230,000 copies have been distributed. **Investment Company Shares—An Aid to Bankers and Trust Officers** continued in strong demand and is being up-dated for a new printing to meet requests.

In cooperation with the National Association of Life Underwriters, 80,000 copies of the **Statement of Guiding Principles for Life Underwriters and Investment Companies**, were distributed to meet increasing requests.

Magazines

The activities of the investment company industry, its contribution to the economy and services to shareholders were outlined in articles appearing in a number of major publications.

A short item in *Good Housekeeping* describing the operations of mutual funds as told in the Association's booklet **Investing Made Easy**, brought

more than 10,000 mail requests for this basic material.

From time to time during the year, stories about the investment company business appeared in *Business Week*, *U. S. News and World Report*, *U. S. Investor*, *Financial World*, *Finance Magazine*, *Changing Times*, *Ticker Tape*, *United Labor Management Press*, *American Banker* and others.

Special Projects

Among the special projects were:

A change in the format of **Investment Company News** from a one-page clip-sheet to a four-page newsletter, as authorized by the Public Information Committee. The newsletter, distributed nationwide, in its new format provides more space for reporting industry activities. With the continuing growth of the industry the need for additional space to tell the investment company story had been apparent for some time. The 10 issues per year reach all communications media as well as members and other interested persons.

Two other special projects added to the increased dissemination of information by the Public Information Department. One was publication of the highlights of the Press Panel at the General Membership Meeting at which four leading financial writers on mutual fund affairs expressed their views on member public relations and the reporting of investment company affairs.

The other was a montage of published news stories and feature articles illustrating the broad interest in the investment company concept. It also aided in informing members and other segments of the industry of the nature and extent of the press coverage of stories based on data released by the Association.

Legal Activities

State Matters

Liaison with North American Securities Administrators. Again this year two constructive meetings were held by members of the State Liaison and Administrative Committees of the Association with the Investment Companies Committee of the North American Securities Administrators. A mid-year meeting was held in Washington, D.C. in May and an open panel discussion was conducted at the Annual Convention of the N.A.S.A. in Seattle, Wash. during August. The panel discussion was the second of its kind, the first such meeting having been held at the N.A.S.A.'s 1960 Convention.

New York. The Governor of the State of New York signed into law (Chapter 876, Laws of 1961), a bill making it clear that fiduciaries, with the express power to invest generally outside the New York "legal list," may invest in shares of management investment companies registered under the Investment Company Act of 1940.

The Association indicated its support for this legislation to the Governor of New York. The Governor's Memorandum of Approval of the legislation reads in part as follows:

"The bill is intended to obviate any contention that a fiduciary who invests in securities of management type investment companies registered under the Federal Act improperly delegates his discretionary fiduciary powers. This would appear to be an appropriate objective since a fiduciary, in selecting shares of such companies as a trust investment, would have to exercise the same degree of fiduciary discretion as in selecting shares of industrial corporations and would not be relieved by the bill of any duty to exercise care and prudence when investing in such companies."

Oklahoma. During 1960 the Securities Commission of the State of Oklahoma, in adopting a new rule, made the following statement:

"It is emphasized that no prospectus which is dated more than one calendar year before an offer is made may be used in connection with such offer or sale in Oklahoma."

Following a communication made by the Association to the Oklahoma authorities, the following was promulgated by the Oklahoma Commission,

interpreting the above quoted statement:

"That statement was not meant to apply to prospectuses in connection with securities of open-end investment companies registered under the Federal Investment Company Act of 1940. Prospectuses with respect to such securities may be used in connection with an offer or sale in Oklahoma, notwithstanding that they are dated more than one calendar year before the offer or sale is made, if the prospectus is part of a registration statement currently in effect under the Federal Securities Act of 1933, provided that it otherwise complies with the provisions of the Oklahoma Securities Act, and with all rules and regulations thereunder."

Uniform Revised Principal and Income Act. The Association during 1960 appeared before the Commissioners on Uniform State Laws and filed a brief memorandum, supplementing an earlier detailed memorandum, covering a revision of the Uniform Principal and Income Act, urging that capital gains distributions made by investment companies should be regarded, for trust purposes, as principal, unless the trust instrument otherwise directs. The Commissioners, meeting as a committee of the whole, voted to approve on second reading a version of the Act which followed the Association's recommendation in this respect.

Federal Matters

"Variable Annuities." The hearing before the S.E.C. on the application of Prudential Insurance Company of America commenced in June and was completed in September. Prudential seeks complete exemption of its proposed variable annuity contracts from the Investment Company Act of 1940, or, in lieu thereof, various specific exemptions from the 1940 Act.

The principal problem before the S.E.C., as developed at the hearing, is whether the protections established by the Investment Company Act of 1940, which are afforded to the shareholders of management investment companies, should also be afforded to the holders of variable annuity contracts.

Counsel for the Association participated in the hearing urging that issuers of variable annuities are subject to the 1940 Act and that no exemptions should be granted which will deny investors the protections afforded by that Act. The Chairman of the Committee on Variable Annuities of the North American Securities Administrators also filed a statement with the S.E.C. in this matter.

Mack Resolution. During June, public hearings were held by a subcommittee of the House Committee on Interstate and Foreign Commerce on the

Mack Joint Resolution which directs the S.E.C. to make a study and investigation of the adequacy of the rules of the stock exchanges and of the N.A.S.D. relative to the protection of investors. At the conclusion of these hearings, the President of the Association filed a statement with the subcommittee on behalf of the Association describing the protections afforded investors in the marketing of open-end investment company shares. This statement clarified and placed in perspective certain references to investment companies in the testimony.

The Mack Joint Resolution was acted upon favorably by the Senate and House and was signed by the President in 1961.

Dividend Withholding and Taxpayer Account Number System. Representatives of the Association's Tax Committee conferred with officials of the Treasury Department in March of this year with respect to a proposal for the withholding of taxes on dividends. The basic purpose of the meeting was to discuss technical problems which dividend withholding would present for publicly owned corporations with particular emphasis on investment companies.

The Ways and Means Committee of the House of Representatives spent the four months from May through August on the Administration's tax recommendations, including dividend withholding, but did not report out a bill. In May, counsel for the Association testified before that Committee pointing out the various difficulties and complications that would result from dividend withholding.

The Congress passed a so-called account num-

bers bill which provides that persons will be required to record their account numbers on their tax returns. The bill also requires that those filing information returns reporting dividends or interest paid are to request the account numbers of persons with respect to whom information is supplied and include those numbers on such returns.

An Amendment to Regulation "F". The Board of Governors of the Federal Reserve System proposed an amendment to Section 17 of the Regulation "F" which pertains to common trust funds. This regulation emphasizes the prohibition against the operation of common trust funds for other than strictly fiduciary purposes. The amendment would prohibit the investment in common trust funds of the assets of a revocable trust where the remainder interest is payable to the settlor's estate.

The Association supported the proposed amendment in a joint statement with the N.A.S.D. filed with the Board of Governors of the Federal Reserve System.

Extension of Wharton School Questionnaire. In December, 1960 the S.E.C. sent out to investment companies, their investment advisers, and their principal underwriters, a questionnaire extending the S.E.C. Wharton School inquiry into the size of investment companies. The inquiry is being undertaken pursuant to the authority of Section 14(b) of the Investment Company Act of 1940. The information supplied by individual investment companies in response to this supplementary request added additional data to the already extensive information provided by the industry in cooperation with the broad study.



Two meetings of the Law Committee composed of legal representatives of members were held during the year and legal developments of interest to all members were reviewed. More than 60 attorneys were in attendance evincing the wide representation and interest in the committee.

Twenty Years of Service

Development of the Investment Company Industry in the United States

While the first organization to apply the basic principles underlying the investment company concept — diversification of investment under supervision of professional management — had its historic beginnings in Europe over one hundred years ago, it was just before the turn of the century that the earliest American investment company was formed. The establishment of such pioneer companies was based then, as it is today, on the fundamental premise that by combining the capital of many persons, these basic investment principles could be provided at reduced cost to the individual.

Most of the early investment companies in the United States were of the closed-end (fixed capitalization) type. The first investment company with an open-end capitalization — the so-called mutual fund — was established in 1924.

The great advances made by the American investment company industry in attaining broad public acceptance is most effectively demonstrated by the facts and figures covering the Association's members during the past 20 years:

In 1941 shareholder accounts of closed-end and open-end investment companies totaled 743,000. By late 1961 they had increased to 5,563,000. Assets of investment company members during the same period rose from \$925 million in 1941 to more than \$23 billion on September 30, 1961.

During the first part of this period, because of World War II, the nation's investment emphasis was on war bond purchases and savings. Nevertheless, the investment company industry continued to flourish. At the close of the war years in 1945, investment company assets had reached \$2,255,000,000, and shareholder accounts had increased to 865,000.

The years following the war saw the industry continue to expand so that by 1950, assets had reached \$3,374,000,000, and shareholder accounts totaled 1,222,000. During the next five years assets soared to \$9,037,000,000, and shareholder accounts to 2,273,000.

Back in 1941, purchases of shares of mutual funds by investors totaled \$53 million for the entire year. The great growth in the use of investment company shares by investors is illustrated by the fact that today, monthly figures are about four times that yearly amount. In calendar 1961, it is estimated that purchases will total \$2.9 billion.

This record could not have been attained without the leadership of many dedicated men within the industry. The organization and development obligations assumed by these leaders in the early days are facts which may tend to be forgotten. Necessarily, however, these founders were involved in personal business risks of sizeable proportions as they sought to develop the industry in which they had such strong faith. Clearly, they succeeded, and in doing so, were instrumental in significantly broadening the base of share ownership, particularly among persons of modest means.

Governmental Regulation

Investment Company Act of 1940

Coincident with the beginning of the greatest period of growth in the history of the American investment company industry was the enactment by Congress of the Investment Company Act of 1940. This Act, primarily a regulatory statute, was developed through a cooperative effort of leaders of the investment company industry with Congress and with the Securities and Exchange Commission. The result of this cooperative effort was an Act, designed to protect the investing public while preserving the free exercise of investment judgment by those responsible for the management of the portfolios of investment companies.

Among the basic provisions of the 1940 Act, are requirements for registration of investment companies with the S.E.C., shareholder approval of a number of important actions of such companies and requirements as to the composition of their boards of directors.

Other Laws—Regulations

The Investment Company Act of 1940, however, is not the only law with which investment companies must comply. In the Federal area, the provisions of the Securities Act of 1933 apply to the shares issued by investment companies. That Act, primarily a disclosure statute, requires the registration of securities intended to be offered publicly. The Securities Exchange Act of 1934 also regulates the activities of brokers and dealers engaged in the sale of securities issued by investment companies and also contains provisions with respect to the solicitation of proxies with which investment companies must comply pursuant to the provisions of the rules promulgated under the 1940 Act.

The Securities and Exchange Commission administers these two earlier Acts as well as the Investment Company Act of 1940, and has authority to promulgate rules and regulations under them. In addition, all sales literature with respect to open-end investment company shares must meet the requirements of the Statement of Policy of the S.E.C.

State laws, known as "Blue Sky" laws, also affect activities of and securities issued by investment companies. Regulations promulgated under these laws by the state securities authorities provide additional requirements with which investment companies must comply.

Of particular significance to investment company shareholders are the provisions of law and regulations which require the furnishing of extensive and detailed information. A prospectus describing investment company offerings is provided to investors and periodic reports are also furnished at least semi-annually to shareholders.

These statutes and regulations have provided a sound framework within which investment companies have developed to the important status they enjoy today.

N.A.I.C. Participation

The investment company industry executives who took part in the cooperative effort with the Securities and Exchange Commission in the formulation of the 1940 Act determined to organize a committee to continue this work in the interests of the shareholders and the investing public generally.

Thus, on October 1, 1940, ten investment company executives met in New York. At this initial meeting the chairman told the small group that 33 executives of various investment companies had agreed to sign a proposed letter to other management investment companies inviting them to participate in the work of the committee. As a result a special organization was established with the title "National Committee of Investment Companies."

The early activities of the organization were devoted primarily to cooperation with the Securities and Exchange Commission in the drafting of forms, rules and regulations as authorized under the Investment Company Act of 1940.

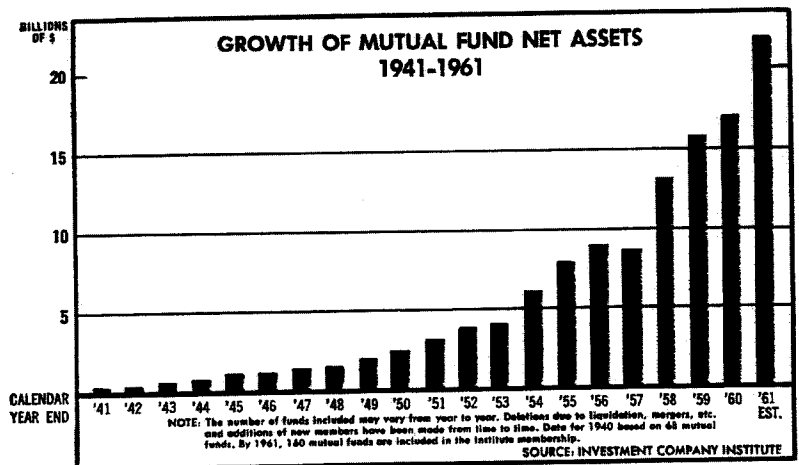
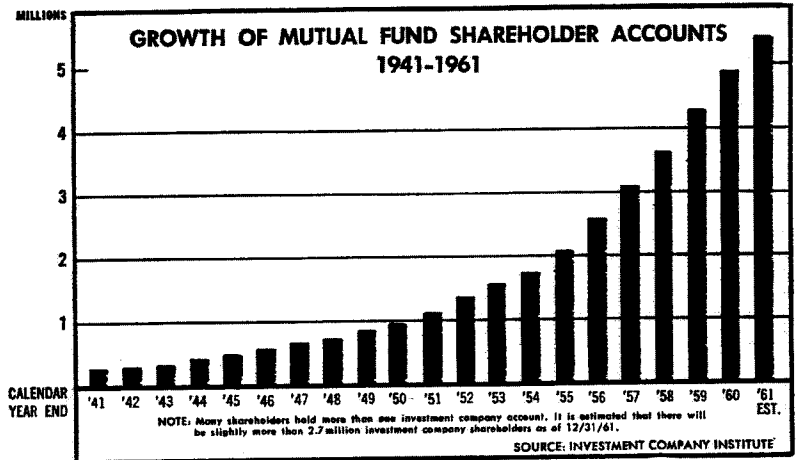
In late 1941 the organization was set up on a full-time basis under the name, National Association of Investment Companies. The Association began operations as such, with a membership of 43 closed-end and 68 open-end investment companies.

Public Information Program Established

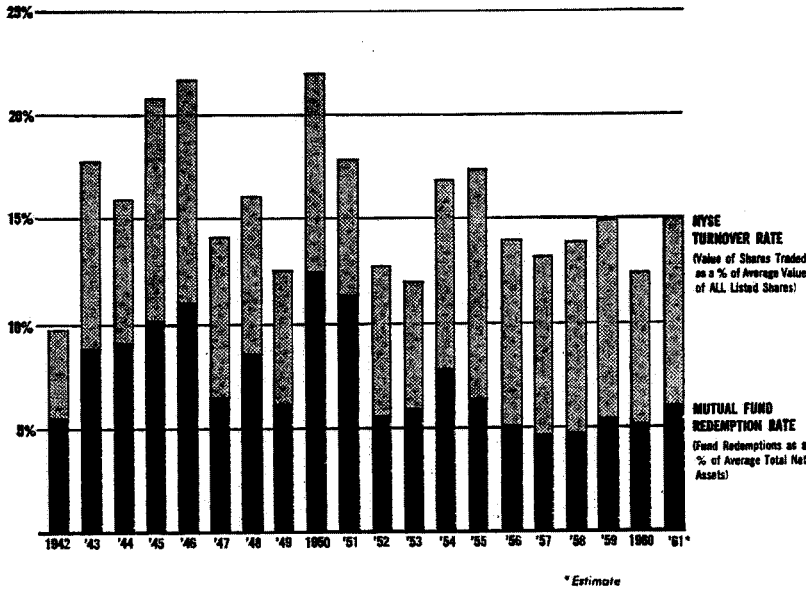
At the time of the Association's founding, people who had never before owned securities were be-

coming increasingly interested in finding out about common stocks; the opportunities they offered for income and for capital appreciation. Thus, as early as 1942, members of the new Association recognized the importance of a program of public education explaining the function of investment companies in providing diversified equity investment under continuous professional management to all investors, however moderate their means. Accordingly, in 1943 the Association embarked upon a program of public information activities.

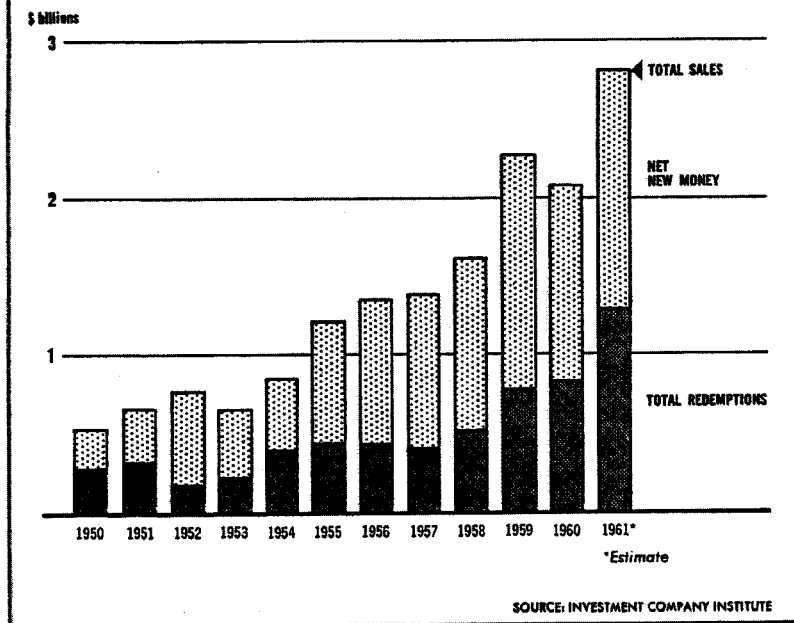
The public information effort undertaken by the Association in that year continued to grow during the postwar period and meanwhile, public interest widened. This increased public interest resulted in the establishment in 1954 of a formalized, full-



**MUTUAL FUND REDEMPTION RATE AND
NEW YORK EXCHANGE TURNOVER RATE
1942-1961**



**MUTUAL FUND SALES, REDEMPTIONS AND
NET NEW MONEY RECEIVED, 1950-1961**



scale Public Information Program under the direction of a Public Information Committee. This program has continued to develop and now constitutes one of the Association's most important activities.

Research Studies Broadened

From a modest beginning, research activities of the Association also became an important service performed for member companies and their shareholders. The gathering and publishing of key statistics by the Association now spans a period of more than two decades.

Originally, data were collected on an annual basis. Beginning in 1944, however, industry figures were developed more frequently by shifting to a quarterly basis. Later, in 1954, a major change in the extent and frequency of fact and figure collections was made in support of the increased Association activities in the field of public information. Initially, this expansion resulted in the compilation of monthly statistics of assets, new share sales, redemptions, etc. The program has since been further expanded to include regional sales surveys, surveys of the holdings of mutual fund shares by institutional investors, and the preparation of other special material of various types.

Today, the Association maintains and reports—monthly, quarterly and annually—on some 40 different trend series. These periodic reports help meet the needs of educators, financial services and the financial and general press in their studies of the industry.

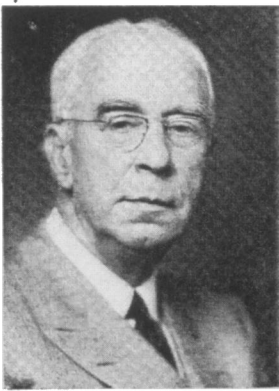
Legal Coverage Expanded

The early legal activities of the Association were pursued through special counsel retained by the Association. These activities were primarily concerned with Federal legislative and regulatory matters. State "Blue Sky" developments, on the other hand, were not within the scope of Association activities during the early years but were followed by companies on an individual basis.

With the growth of the industry, the activities of the Association expanded to provide more service to members in the legal field. Accordingly, in 1956 these activities were coordinated under a General Counsel within the Association's staff structure. Today the Legal Department of the Association is active in the interests of members not only in the Federal area, but also in the state field. In addition, special counsel are also utilized from time to time for specific projects.

Executive Director Appointed

With the greatly increased activities of the Association came a necessary expansion of ad-



Dorsey Richardson



Robert E. Clark



Joseph E. Welch



Herbert R. Anderson

Past Presidents of the National Association of Investment Companies who have devoted their time and talents over the years to the development of the organization and the industry which it represents.

ministrative responsibilities. Thus, in 1956 the over-all direction of the various functions of the Association was coordinated in the office of an Executive Director. The Executive Director is responsible for the implementation of all Association programs as authorized and directed by the Board of Governors.

The Years Ahead

The size of the investment company industry during the past two decades, increasing as it has from approximately \$1 billion to nearly \$23 billion in total assets, is evidence of the extent of the industry's public acceptance. While this past growth is impressive, the potential of the future is indicated by a look at some of the older segments of the financial community. Thus today, assets of life insurance companies amount to approximately \$125 billion; deposits in mutual savings banks \$38 billion; time deposits in commercial banks \$74 billion and savings in savings and loan associations \$68 billion.

For participation in equities, investment company shares increasingly are being used by individuals, in conjunction with savings and insurance, as a cornerstone in building a conservative long-

term financial program. In the future it seems certain that more and more people will utilize this conservative method for equity investment.

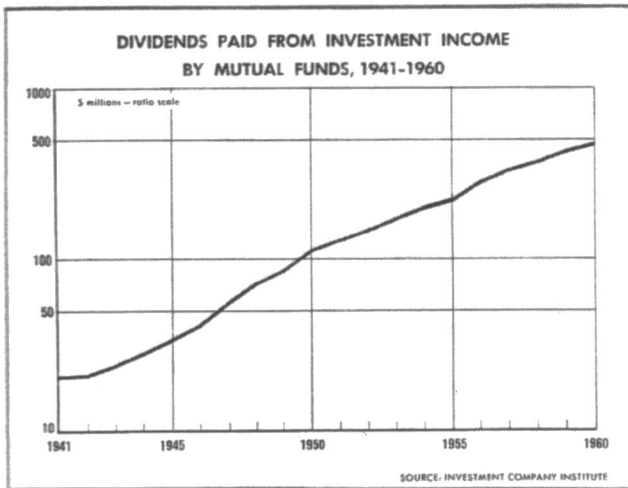
Common stocks listed on the New York Stock Exchange make up an estimated 84 per cent of total investment company stock holdings. Currently, this represents approximately 4.4% of the total of \$306 billion in shares listed on the "Big Board." Reflecting the broadened base of share ownership, particularly among investors of modest means, investment company shares are now estimated to be held by one in five stockholders in the United States.

Meanwhile, investors in increasing numbers are adding to their investment company holdings on a periodic basis through accumulation plans and automatic dividend investment plans.

By September 30, 1961, the number of plans for accumulation of shares in open-end investment companies had grown to 1,615,000. In addition, there were 907,000 other accounts which provided for automatic investment of all dividends and distributions in additional shares.

The long-term nature of the method of participation in equities through investment companies makes these shares particularly suitable as investments for fiduciaries and institutional investors. As of September 30, 1961, investment company shares were held in more than 280,000 institutional and fiduciary accounts. Such acceptance by investors of large as well as those of limited means is clear evidence of the general endorsement of the investment company concept.

With the close of fiscal 1961, the Association, on behalf of the industry which it represents, faces the future with great confidence. The industry, especially because it enables millions of shareholders with moderate incomes to participate through equity ownership in the industrial expansion of the country, has materially added to the economic strength of the nation. The Institute looks forward to the continued opportunity of furthering these interests on behalf of its members, their shareholders and the public at large.



INVESTMENT COMPANY MEMBERS

ABERDEEN FUND
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AFFILIATED FUND, INC.
AMERICAN BUSINESS SHARES, INC.
AMERICAN ELECTRIC SECURITIES CORP.
AMERICAN EUROPEAN SECURITIES CO.
AMERICAN INTERNATIONAL CORP.
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AMERICAN RESEARCH AND DEVELOPMENT CORP.
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AXE-HOUGHTON FUND A, INC.
AXE-HOUGHTON FUND B, INC.
AXE-HOUGHTON STOCK FUND, INC.
AXE-SCIENCE & ELECTRONICS CORP.

BLUE RIDGE MUTUAL FUND, INC.
BOSTON FUND, INC.
BOSTON PERSONAL PROPERTY TRUST
BROAD STREET INVESTING CORPORATION
BULLOCK FUND, LTD.

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CANADA GENERAL FUND, LTD.
CANADIAN FUND, INC.
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CARRIERS & GENERAL CORPORATION
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CENTRAL SECURITIES CORP.
CENTURY SHARES TRUST
CHASE FUND OF BOSTON, THE
CHEMICAL FUND, INC.
COLONIAL GROWTH & ENERGY SHARES, INC.
COLONIAL EQUITIES
COLONIAL FUND, INC., THE
COMMONWEALTH INCOME FUND
COMMONWEALTH INVESTMENT COMPANY
COMMONWEALTH STOCK FUND
COMPOSITE BOND AND STOCK FUND, INC.
COMPOSITE FUND, INC.
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CONSOLIDATED INVESTMENT TRUST
CONTINENTAL AMERICAN FUND
CROWN WESTERN INVESTMENTS, INC.

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DELAWARE INCOME FUND, INC.

DE VEGH INVESTING COMPANY, INC.
DE VEGH MUTUAL FUND, INC.
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DIVERSIFIED INVESTMENT FUND, INC.
DIVIDEND SHARES, INC.
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DOMINICK FUND, INC., THE
DREYFUS FUND, INC.

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EATON & HOWARD STOCK FUND
ENERGY FUND INCORPORATED
EQUITY FUND, INC.
EUROFUND, INC.

FEDERATED GROWTH FUND
FIDELITY CAPITAL FUND, INC.
FIDELITY FUND, INC.
FIDELITY TREND FUND, INC.
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FLORIDA MUTUAL FUND, INC., THE
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FUND OF AMERICA, INC.

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IMPERIAL FUND, INC.
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INVESTMENT TRUST OF BOSTON
INVESTORS MUTUAL, INC.
INVESTORS SELECTIVE FUND, INC.
INVESTORS STOCK FUND, INC.
INVESTORS VARIABLE PAYMENT FUND, INC.
ISTEL FUND, INC.

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KEYSTONE INTERNATIONAL FUND, LTD.
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KNICKERBOCKER GROWTH FUND, INC.

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LEHMAN CORPORATION, THE
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LIFE INSURANCE INVESTORS, INC.
LOOMIS-SAYLES MUTUAL FUND, INC.

MADISON FUND, INC.
MANAGED FUNDS, INC.
MASSACHUSETTS INVESTORS GROWTH STOCK FUND, INC.
MASSACHUSETTS INVESTORS TRUST
MASSACHUSETTS LIFE FUND
B. C. MORTON FUND, INC.
MUTUAL INVESTING FOUNDATION
MUTUAL INVESTMENT COMPANY OF AMERICA
MUTUAL INVESTMENT FUND, INC.
MUTUAL SECURITIES FUND OF BOSTON
MUTUAL SHARES CORP.
MUTUAL TRUST

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NATIONAL INVESTORS CORPORATION
NATIONAL SECURITIES SERIES
NATION-WIDE SECURITIES COMPANY
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PEOPLE SECURITIES CORP.
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PINE STREET FUND, INC.
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PURITAN FUND, INC.
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PUTNAM GROWTH FUND, THE

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SCUDDER SPECIAL FUND, INC.
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SOVEREIGN INVESTORS, INC.
STATE STREET INVESTMENT CORP.
STEIN ROE & FARNHAM BALANCED FUND, INC.
STEIN ROE & FARNHAM STOCK FUND, INC.
STERLING INVESTMENT FUND, INC.
SUPERVISED SHARES, INC.

TELEVISION-ELECTRONICS FUND, INC.
TEXAS FUND, INC.
TOWNSEND GROWTH FUND, INC.
TRI-CONTINENTAL CORPORATION

UNITED CORPORATION, THE
UNITED FUNDS, INC.
UNITED STATES & FOREIGN SECURITIES CORP.

VALUE LINE FUND, INC., THE
VALUE LINE INCOME FUND, INC., THE
VALUE LINE SPECIAL SITUATIONS FUND, INC., THE

WALL STREET INVESTING CORPORATION
WASHINGTON MUTUAL INVESTORS FUND, INC.
WELLINGTON EQUITY FUND, INC.
WELLINGTON FUND, INC.
WHITEHALL FUND, INC.
WINFIELD GROWTH INDUSTRIES FUND, INC.
WISCONSIN FUND, INC.

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"It is essential, if we are to prevail in our battle for men's minds, that this country's commitment to the free enterprise system be made manifest by a greatly broadened level of equity ownership of our means of communication, production and distribution among all levels of our citizenry.

"The investment company industry will necessarily serve as one of the basic media through which such broadened ownership will thus be made manifest.

"I believe it is inevitable, if you continue through the coming twenty years the service which the public has marked in the past two decades, that 1960 will indeed prove to be, in retrospect, a milestone and a threshold to greater days ahead. . . ."

*United States Senator Harrison A. Williams, Jr., of New Jersey
before the 1960 General Membership Meeting of the
National Association of Investment Companies.*