

able to use the profits on running the fund to pay for a sales force to go out and bring more money in to be managed.

Mr. KEITH. In an internally managed company, that is what you have.

Mr. DAY. Well, they couldn't pay commissions and pay these loadings to salesmen to keep the salesmen actually going around calling on the customers. There wouldn't be enough money for it in there.

Mr. KEITH. If you have got a billion dollar fund, and you get investment income on it, the expense for advising Massachusetts Investors Trust, is 0.18.

Mr. KOSTMAYER. It is in that range, I know.

Mr. KEITH. And you take that figure and contrast it with, we will say, 0.50, what could you have for a sales force?

Mr. KOSTMAYER. Mr. Keith, may I make one point in this connection?

Mr. KEITH. Yes.

Mr. KOSTMAYER. There is no necessary connection between a contractual plan company and a fund under management. Not all contractual plan companies are adjunct of mutual fund operations, and it is particularly true that new companies coming into this business frequently enter as sales organizations and contractual plan companies only, and have no other resources on which to call.

Mr. KEITH. Yes, I can see that; but it is one big ball of wax, nonetheless. We don't find at this table salesmen. We find at this table people speaking for the investment companies, really, and it might be interesting, Mr. Chairman, to have a salesman appear here. These gentlemen are speaking for the salesmen, but they are also speaking for the management companies as well.

Mr. KOSTMAYER. In the case of my own company, Mr. Keith, I suppose that 80 or 85 percent of our revenues are derived from sales commissions on the contractual plans and mutual fund shares, so that when we talk about changing the front-end load, we are talking about changing practically all of our income.

Mr. MOSS. Would you yield at that point?

Mr. KEITH. Certainly.

Mr. MOSS. How many of your member groups are exclusively sales organizations?

Mr. KOSTMAYER. I do not know, Mr. Chairman. We can find out for you.

Mr. MOSS. I think it would be very interesting.

Mr. KOSTMAYER. Certainly of the smaller ones, I think a high percentage would be.

Mr. MOSS. Well, that is one of the facts I think we would be interested in, how many of the large ones are exclusively sales.

Mr. KOSTMAYER. We will certainly find out and report to you.

(The following letter was received by the committee:)

ASSOCIATION OF MUTUAL FUND PLAN SPONSORS, INC.,  
New York, N.Y., November 6, 1967.

HON. JOHN E. MOSS,  
House of Representatives,  
Washington, D.C.

DEAR MR. MOSS: During the testimony presented by the Association of Mutual Fund Plan Sponsors, Inc., at the hearings held on October 16, 1967, before your sub-committee on Commerce and Finance with respect to H.R. 9510 and H.R.