

HOW THEY ARE SOLD

Investment counsel can't give personal attention to sums so small. At the same time, they can't say "No" to Mr. Well-to-do. Decision: Put all the Aunt-Nellie money into a common pot—a no-load mutual fund. New money comes into such funds through clients with Aunt Nellies or from satisfied Aunt Nellies or recommendations of Aunt Nellies rather than door-to-door selling.

Some no-load funds advertise. They earn fees on assets—the money that goes into the mutual fund. As the fund grows, the greater the management income. Such advertising, however, is not paid for out of dividends or interest earned by no-load funds any more than the advertising of load funds comes out of earnings. The underwriters, or sponsors, of the funds pay for the advertising.

Q. How can I determine which are the load and which the no-load funds in quotations in the newspapers?

A. The no-load and the load funds are readily differentiated. Most newspapers publish bid and asked prices on fund shares. The bid price is how much the fund will pay investors for its shares. The asked quotation is the price at which the shares are sold to the investor.

THERE'S THAT SPREAD

In a load fund, there is a difference—a spread—between the bid and asked prices. Dreyfus Fund was recently quoted at \$15.13 bid and \$16.51 asked. The difference, \$1.38, is the sales commission or load. Wellington Fund was \$13.63 bid and \$14.80 asked. The load here is \$1.17 a share.

In the case of no-load funds, there is no spread between bid and asked prices. Thus, Loomis Sayles Mutual Fund was recently quoted as \$13.23 bid and \$13.23 asked; and Stein, Roe & Farnham Balanced Fund was \$22.04 bid and \$22.04 asked.

The Bulletin separates the load and the no-load funds in its tabulations. This is not the general custom.

(This is the first of three Q. and A. columns on mutual funds. The second will appear tomorrow.)

Reprinted From the Evening Bulletin, September 5, 1967

THE BUSINESS OUTLOOK—MUTUAL FUND PROMISES SHOULD BE IN WRITING

(By J. A. Livingston)

More questions and answers on mutual funds:

Q. It has been suggested that no-load funds are parasites, that people would not know about them if salesmen for the load funds did not explain the possibilities of mutual funds as long-term investments.

A. There is justice in that. Mutual fund salesmen have done an important job in selling Americans on common stocks. Many persons, who bought mutual funds ten, 15 and 20 years ago have reason to be grateful that a salesman rang the doorbell.

Some of this selling spilled over to the no-load funds—naturally. The salesman sold a no-load fund—unintentionally and without reward. That happens in every business. The salesman who persuades a customer that she needs a vacuum cleaner may discover later that she has bought another make. C'est la vie.

Q. Why do you think that it is necessary for Congress to reduce the sales commission on mutual funds? The mutual fund industry is highly competitive. It's not a monopoly. There are hundreds of funds, including no-load funds. Investors, therefore, have a wide choice. The prospectuses are explicit on the amount of the sales charge. Does the investor need more?

COMMISSION SEEMS HIGH

A. To me, the usual sales commission, which amounts to 9.3% on the money which goes to work for the investor, seems high. I grant that a salesman who spends time explaining the merits of a mutual fund is entitled to remuneration. But, no-load funds are available and the National Association of Securities Dealers has usually regarded 5% as an adequate maximum reward for selling over-the-counter securities.