Mr. Moss. Is there objection to having this included in the record at this point? Hearing none, that will be done.

(The information referred to follows:)

The Broad Street Group: A Case Study of Economies of Scale in Mutual Fund Management

The Broad Street Group is a complex of investment companies affiliated with and sponsored by a New York Stock Exchange member firm, J. & W. Seligman and Company. At 1966 year end, total assets of the groups's investment companies were $1,460 million.

The members of the Broad Street Group include:

(1) Tri-Continental Corporation, a closed end investment company formed in 1929 with 1966 year end net assets of $508 million.

(2) Broad Street Investing Corporation, an open end investment company which became affiliated with The Board Street Group in 1932, with 1966 year end net assets of $353 million.

(3) National Investors Corporation, an open end investment company which became affiliated with the Broad Street Group in 1942, with 1966 year end net assets of $555 million.

(4) Whitehall Fund, an open end investment company organized in 1947 with 1966 year end net assets of $15 million.

(5) Tri-Continental Financial Corporation, a wholly owned subsidiary of Tri-Continental, acting as a special situation investment company.

(6) Broad Street Sales Corp., a wholly owned subsidiary of Tri-Continental Financial Corporation, which acts as wholesale distributor of the three open end funds.

(7) Union Service Corporation, which acts as investment adviser to all the above investment companies. Union Service provides investment research, economic analysis, and supervison of the execution of purchases and sales of securities *at cost*. In 1963 it employed 92 persons of whom about half were economists or financial analysts.

Pursuant to an arrangement made in 1931, all of the above funds conduct most of their brokerage business thru the New York Stock Exchange firm of J. & W. Seligman. The principals of J. & W. Seligman and all of the above named companies (with the exception of Broad Street Sales) are, with some exceptions, the same persons. The major remuneration to these men comes from J. & W. Seligman and not from the investment companies listed above.

The nature of the organizational structure of the Broad Street Group in which management services are performed at cost affords an excellent opportunity to study the true cost of managing a mutual fund.

The shareholders of the Broad Street Group are able to enjoy a low, and decreasing expense ratio, as shown in Table I.

TABLE I.—EXPENSES OF BROAD STREET GROUP

	Average net assets of Broad Street Group (thousands) (1)	Management expenses (2)	Management fees as a percent of average net assets (2)÷(1) (3)	Total expenses (thousands) (4)	Expense ratio (4)÷(1) (5)
1966	$1,460,807	$1,602	0.11	$2,564	0.17
1965	1,411,438	1,543	.11	2,358	.17
1964	1,254,184	1,432	.11	2,263	.18
1963	1,085,623	1,378	.13	2,261	.21
1962	1,029,330	1,302	.13	2,092	.20
1961	939,492	1,208	.13	1,948	.21
1960	770,980	1,182	.15	1,856	.24
1959	681,008	(1)	(1)	1,633	.24
1958	552,144	(1)	(1)	1,497	.27
1957	474,047	(1)	(1)	1,415	.30
1956	451,979	(1)	(1)	1,207	.27
1955	388,590	(1)	(1)	1,085	.28
1954	301,144	(1)	(1)	997	.33
1953	253,357	(1)	(1)	912	.38

[1] Not available.

Note.—While data is available from 1940 to 1953, Union Service Corp. managed other portfolios in addition to the Broad Street Group prior to 1953 and the data is therefore not comparable.