more new types of investment companies coming into existence, and the advantages and disadvantages of each must be carefully weighed before an informed decision may be made. These new types of investment companies include funds with power to "leverage" by borrowing, funds having the power to sell short and to deal in puts and calls, funds which engage in relatively heavy trading to take advantage of short-term changes in market conditions, and funds which have a portion of their portfolios in unmarketable or other "restricted" securities.

In short, the decision as to which fund or funds to purchase today is not a simple one even for an informed investor.

A final important advantage of a fund which invests in other funds is that such a fund provides a medium through which investors may purchase fund shares at a lower sales load than would otherwise be available. This is even more true with funds of this type having no or a very small sales load. The SEC Report itself states on page 206 that: "The reduced loads charged on substantial purchases of fund shares benefit some investors. For a few very large investors the benefits can be substantial. However, the relatively slight reductions available at the initial breakpoints are far beyond the reach of most investors." A fund which purchases and holds shares of other funds, though, is in a position to take advantages of breakpoints not available to investors in those funds. Thus, the total overall sales loads paid by an investor in a fund of this type may be expected to be much lower than if an investor had purchased directly shares of one fund or several funds.

A careful reading of the SEC Report as to "fund holding companies" makes it quite clear that this portion of the Report is basically an attack on Fund of Funds Limited, a foreign fund of this type. It is only by a very careful reading of this section that the reader is able to understand that most of the evils attributed to this type of fund are not applicable to domestic registered investment companies or, in particular, to Pooled Funds, Inc. or First Multifund of America, Inc. We are really small innocent bystanders who may be mortally wounded by a battle between the giants. I respectfully request this Committee not recommend the enactment of the amendments to Section 12(d)1 of the Investment Company Act as proposed by the SEC, but that it enact such amendments only if there is included therein a compromise proposal relating to funds of this type (a copy of which is attached), which compromise proposal I firmly believe would fully eliminate any possible future dangers and would permit the continued existence of an investment vehicle which has great advantages to investors.

Proposed Amendment to Section 7 of S. 1659 (Committee Print) Dealing With Registered Fund Holding Companies

Section 12(d)(1) of the Investment Company Act as proposed to be amended in Section 7 of the Committee Print of S. 1659 is further amended by redesignating subparagraphs (—) and (—) thereof as subparagraphs (G) and (H) and inserting immediately after subparagraph (E) thereof a new subparagraph (F) to read as follows:

(F) The provisions of this paragraph (1) shall not apply to securities purchased or otherwise acquired by a registered investment company if—

(i) immediately after such purchase or acquisition not more than 3 per centum of the total outstanding stock of the issuer of such issuer is owned by such registered investment company and any affiliated person of such registered investment company,

(ii) such registered investment company has not offered or sold after July, 1968 and is not proposing to offer or sell any security issued by it through a principal underwriter or otherwise at a public offering price which includes a sales load of more than 1½ per centum.

No issuer of any security acquired by a registered investment company pursuant to this subparagraph (F) should be obligated to redeem such security in an amount exceeding 1 per centum of such issuer's total outstanding securities during any period of less than thirty days. No such investment company shall exercise voting rights by proxy or otherwise with respect to any security acquired pursuant to this subparagraph (F) except in accordance with instructions from its security holders or in the same proportion as all other holders of such security exercise such voting rights.