

The investors accounted for an estimated 31.4 percent of the total round-and-odd-lot share volume during that day."⁹

Without becoming enmeshed in a statistical morass let us remember one additional fact: When we speak of institutional investors, we are focusing upon relatively few mutual funds and banks. Like so many aspects of our economy, institutional investors also have a propensity toward concentration. "In the mutual fund industry * * * decision-making power is highly concentrated. Eight advisory organizations control about half of the industry's assets."¹⁰ A survey by the Commission's staff found that 20 large banks manage nearly half of all noninsured private pension fund assets.¹¹

Applied to specific issues, addressing ourselves only to investment companies, we begin to understand more fully the implications of investment company growth. Combined holdings of 425 investment companies totaled \$8 billion in 30 issues at yearend 1964. In nine of the 30 stocks investment company holdings amounted to 10 percent or more of the outstanding shares. "Trading activity of the investment companies in many of these stocks during the last half of 1964 was particularly significant with *net* purchases amounting to as much as 39.3 percent of NYSE trading volume in the shares of Southern Pacific Co. and 34.9 percent of such volume in the shares of Union Carbide Co. In 13 of the 30 stocks net purchases or sales amounted to 10 percent or more of NYSE volume during that period, and for 7 of these stocks it exceeded 20 percent or more."¹²

The special report on mutual funds conceded that not only do investment company holdings account for a substantial portion of the outstanding stock in particular issues, but their holdings in particular industries can be significant. 78 companies, representing approximately two-thirds of the assets of all investment companies, held more than 10 percent of five major aerospace companies. In Lockheed Aircraft Corporation alone their holdings amounted to 17.3 of outstanding common stock, and in Northwest Airlines, Inc., 29 percent.¹³

From what has been stated the Commission concluded that institutions can contribute to shaping the market: "The growing institutionalization of the securities markets tends to make the markets for the issues in which institutional investors are significant more susceptible to sharp, sudden and erratic price fluctuations. As the irregular and relatively infrequent transactions of institutional investors in sizable blocks of securities becomes more and more significant and the relative importance of broad streams of smaller 100-share orders from individual investors dwindles, the auction markets find it increasingly difficult to maintain the high degree of depth, liquidity, and continuity which they have traditionally sought to achieve. Even when a large institutional investor makes a conscious effort to avoid upsetting the market by adhering to gradual programs of accumulation or disposition, its activities tend to have a marked effect on the prices of the securities involved."¹⁴

It is in this setting that the Commission recommended no "major new legislation" as a result of the institutionalization of the market. Rather, the agency urged that the informational gap be closed "with respect to pension funds and other institutional investors through amendments to existing Federal regulatory statutes and through other appropriate means. * * *"¹⁵

We do not quarrel with the Commission's recommendations. We do ask, however, if the market is institutionalized, don't certain results necessarily flow immediately to investment companies?

III

Elsewhere in the Commission's report on mutual funds we are told that the larger the fund the greater is the tendency to invest in relatively few stocks."

⁹ Id. at 279. In 1965 institutional purchases and sales of common stock reached the highest volume ever recorded. Although 1965 also was a year of record trading activity in the securities markets, generally, institutional trading in recent years has increased at a much greater rate than overall trading volume. Id. at 278.

¹⁰ Id. at 301. In mid-1966 the assets managed by the three largest advisers constituted 28.5 percent of all mutual fund assets. The \$5.2 billion in mutual fund assets managed by IDS constituted 13.5 percent of total industry assets. Ibid.

¹¹ Ibid. It should be noted that these same banks manage assets for other institutional investors and for personal and common trusts.

¹² Id. at 291.

¹³ Id. at 293.

¹⁴ Id. at 301.

¹⁵ Id. at 303.