

ing in securities, but the 47% cut in maximum sales charges recommended by the S.E.C. would make it unprofitable to solicit the small investors who would not otherwise invest in securities. Where individual securities are often sold by telephone, mutual fund sales are sold by time-consuming personal interviews where the small sales sometimes require more of a salesman's time than larger transactions. A mutual fund investor, regardless of the size of his investment, receives many services for his sales charge including professional management.

Our particular company distributes part of the sales charges to the division manager, district manager, and the salesman, all of whom must be able to finance their operational costs and earn a profit. For these reasons it is hoped that you will not act favorably toward these S.E.C. proposals.

Sincerely,

RICHARD L. POPE.

PIERMONT, N.Y., October 23, 1967.

Representative JOHN E. MOSS,
Chairman, House Subcommittee on Commerce and Finance, Interstate Foreign
and Commerce Committee, Washington, D.C.

DEAR SIR: I would like to contribute my views on mutual funds to your committee hearings and for the record. I am an investor in mutual funds and also have done personal research in the field.

I am both pained and distressed by some of the SEC charges and proposals made before Congress and your committee. If enacted into law, they would be a major disservice for the public as a whole. They would be detrimental to many mutual fund investors, such as my family and our savings in mutual funds. Among other things, it could result in a loss of savings for my children's college in the future.

I neither work in the mutual fund business nor in any way have a vested interest in the industry (except for my relatively modest investments in a few funds). I therefore would not benefit directly as a result of legislation that would either help or hinder the mutual fund industry. I am a full-time self-employed professional writer.

I have four main points to make.

First, the much publicized but highly improbable statement made by Mr. Cohen of the SEC before your committee that a random investment in stocks in past years would have done as well as an investment in an average performance mutual fund: This is poppycock.

I personally have done much better with my savings in mutual funds than I formerly did when I invested exclusively in the stock market. In fact, I wish I had heard about mutual funds a long time ago. But I had been put off of them by, among other things, the critical University of Pennsylvania study made for the SEC back around 1961 or so. (And some of the dire things that report had to say about funds certainly didn't work out later for me.)

I used several large and well-known Wall Street brokerage houses and their recommendations when I invested in individual stocks. In 1964 I began switching from stocks to mutual funds. My fund investments have done much better than stocks ever did for me.

I enclose the record of all my actual investments in one fund since 1964. You can use it as an actual example, if you wish, of a typical investor in funds.

I have invested, all told, in four different funds. I'll be glad to show you my actual records in each of the others, too, if you wish.

In addition to my personal experience being an actual example that contradicts Mr. Cohen's statement, it simply doesn't make sense to say that any person could have done better blindfolded in the stock market than in mutual funds. Such a statement is based on a hypothetical case, and it evidently lumps the performance of all different mutual funds together (in a scrambled mix like apples and oranges compared with plums and prunes), as the mutual fund industry has surely pointed out. It therefore is a highly misleading thing to say. He really should have known better.

Besides, Mr. Cohen's statement makes no allowance for the fact that people being people often act in funny ways that are often unpredictable. Moreover, do you, for example, know of any person who would put his hard cash on the line