

The preceding table and chart illustrate the trends of the past decade for which good data are available. In contrast to life insurance companies during the same period, pension fund trustees were not active in the mortgage market, but, were in a position to expand their common stock holdings at a rapid pace. Although it is not possible to identify dollars, it is a fair statement that these stocks were largely acquired with either incoming cash from contributions and interest earnings or from temporary investments of new money. In any event, net purchases of common stocks have not exceeded 60 percent of net receipts.

One of the problems of obtaining good results from equity investment is, of course, the matter of timing purchases to avoid a concentration in periods of high prices. This can be done by a strict dollar-cost-averaging program or a modification of one employing some sort of a range concept. In the early stages of programs of accumulation, the pattern appears to have been one of regularly allocating a substantial fraction of new money to equities. As funds grew in size and as initial objectives were achieved, the place of discretionary, as distinguished from programmed, purchasing has increased.

In the trends of recent years, certain possible implications for the future are evident. First, it seems clear that common stocks will continue to be a major outlet for investment even if they do not prove to be quite as profitable as during the 1947-65 period of major upward revaluation of corporate earning power. Whether the proportion in equities eventually settles down at 40, 50, or 65 percent will depend upon comparative yields in all areas of the capital markets.

In any event, it appears that there will still be a substantial volume of business lending in the form of corporate debt, with a major fraction of it placed directly rather than through public offerings. Concurrently, we may expect a relatively great increase in mortgage lending and real estate investing. All of these trends are discussed in more detail below as part of an analysis of the participation of private pension programs in various sectors of the capital market.

Competitive Influences

Bank and company trustees have responded to the competitive drive of life insurance companies by seeking higher yields on fixed-income investments and by seeking to improve performance in managing stock portfolios.⁷ The evidence of a more aggressive attitude is found in the record of sales of common stocks as a percentage of the average market value of holdings in corporate pension trust.

	Percent		Percent
1957.....	3.8	1962.....	4.6
1958.....	4.6	1963.....	6.3
1959.....	4.7	1964.....	7.2
1960.....	4.5	1965 ¹	7.1
1961.....	6.1	1966 ¹	7.8

Source: Securities and Exchange Commission.

¹ All private noninsured pension funds, including corporate.

⁷ Evidence of this intensification of interest in investment management performance is to be found in the number of studies on the subject. See, for example, Peter O. Dietz, *Pension Funds: Measuring Investment Performance*, New York, 1966.