

Other evidence of this more aggressive attitude is to be found in a widening of the range of companies selected for equity investment, greater concentration in directly placed corporate bonds, mortgage lending, and real estate investing. The stimulus of competition between trustees, always active, has been reinforced by competition from life insurance companies. As a result, there have been more imaginative approaches to investment management and many innovations in handling special types of assets. Special funds are established to hold mortgages and real estate, for example, in order to provide economical administration and diversification for the participating pension trusts. The use of commingled funds permits smaller accounts to share in the experience of a large and diversified portfolio.

Another technique for stimulating competition among portfolio managers is the practice of splitting among several bank trustees a large fund such as that of General Motors, Eastman Kodak, or constituent companies of the Bell System. The right to replace the trustee on short notice, normally reserved in the trust agreement, also militates against complacency. Some companies have established their own investment management organizations (General Electric, United States Steel, and Bethlehem Steel are examples) to assure the full attention of qualified personnel.

The consequences of this greater emphasis on efforts to improve realized yields have included the higher turnover in common stock portfolios noted above as well as interest in a much wider diversity of investment opportunities. Somewhat greater attention to the timing of commitments in both fixed-income securities and equities, a very difficult undertaking, has become evident with the passing of time. This trend represents a departure from the kind of dollar-cost-averaging approach which predominated during earlier years.

Flexibility

Data are not available to show the extent to which pension fund managers shift among different segments of the market for fixed-income investments, but observations of the writer suggest that flexibility is becoming increasingly required by competitive forces. Willingness to realize gains and losses has increased with greater recognition of the fact that they are not really relevant to long-term performance. Possibly this diminished "lock-in effect" has contributed to the narrowing yield differential between discount corporate bonds and current coupon issues in the most recent period of high interest rates.

Comprehensive and detailed information about asset management policies is not available on a continuous basis, but it is possible to document the changes which have taken place in the management of common stock portfolios. From the investigation of the Fulbright committee, completed in 1956,⁸ portions of the study made of the New York State Banking Department in 1955,⁹ and our analysis of representative portfolios in 1958 and 1959, we can piece together a general picture of how pension fund trustees managed their equity

⁸ U.S. Senate, Committee on Banking and Currency, *Institutional Investors and the Stock Market, 1953-1955*, Washington, 1956.

⁹ George A. Mooney, *Pension and Other Employee Welfare Plans*, New York State Banking Department, 1955.