

ICI Chairman's Remarks at ICI's General Membership Meeting

Welcoming Remarks 2008 General Membership Meeting

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Good afternoon. It's my distinct pleasure to welcome you to the 50th Annual General Membership Meeting of the Investment Company Institute.

I'm Ed Bernard, Vice Chairman of T. Rowe Price Group and Chairman of T. Rowe Price Mutual Funds. More to the point today, it has been my honor for the last year to chair the hard-working committee that put together the outstanding program that you will enjoy over the next two days. We'll recognize the members of that committee individually tomorrow – but let me express my thanks to them now.

Every year, the General Membership Meeting offers our industry a chance to gather, to renew old acquaintances and meet new colleagues, and to take stock of our progress. But a 50th Anniversary – that's a special occasion, indeed.

For our committee, it posed a special challenge to capture just what it means to be a part of this business that is so central to the finances and the futures of almost 90 million Americans. And we didn't want to just focus on success – although any industry that's serving almost half the households in

America, up from just 5 percent of households in the 1980s, can surely count itself a success.

No – as we sat down to plan this special occasion, we wanted to examine our history as a whole – and then reflect on how that history will shape our future, and the future of investing. And so we have a program that we believe brilliantly reflects the theme of this meeting – “Our Foundations -- Our Future.” We are bringing together some of the best minds and strongest leaders, both within our industry and from the broader worlds of finance and technology, to help us all think about how we can build on our foundations to create a brighter future for investors.

So, what are the foundations of the fund industry? There are three I want to talk about today:

- Our fiduciary culture;
- Our embrace of regulation, and
- Our laser-sharp focus on serving investors.

These principles are always crucial – but never more so than when they are tested, as they have been lately. Clearly, our markets are facing tough conditions. Credit markets and the economy are hitting a lot of turbulence. Our investors are wondering how they’ll emerge from these troubled times.

But I would tell you this: In a market storm, there’s no better place for investors than mutual funds.

Markets are unforgiving, and our funds are not immune to the ups and downs of the markets. But when investors invest in mutual funds, they access a diversified, professionally managed portfolio

- that’s transparent;
- that’s liquid;
- that typically is not leveraged, and
- that is subject to strict pricing disciplines.

Those features means that funds are designed to weather the market storms better than most investment vehicles. Our foundations provide an anchor for our investors.

Times like these remind us to focus on our fiduciary culture. Throughout our history, the fund industry has worked tirelessly to serve and protect the interests of shareholders. Investor trust is the oxygen of our business—and we must earn and keep the trust of investors every day of every year. Nothing is more important.

In the recent past, some companies in our industry forgot that. If you look at the asset figures for those companies, you can see that the market was swift in punishing firms that neglected their shareholder’s trust. Those firms learned directly; other firms learned vicariously – but none of us missed the lesson.

Our fiduciary role is part of our culture – but it must be constantly renewed. We must always remind ourselves of our duty to investors. As individuals – as companies – as an industry – we can’t lose our way if we always put investors first.

A second foundation is the natural result of that fiduciary culture: We embrace regulation.

Back in the 1930s, the most far-sighted members of our industry worked with Congress and the new Securities and Exchange Commission to help shape the '36 Tax Act and the '40 Acts – the regulatory framework of our business.

Strong governance is built into that framework. Fund boards are at the core of our industry, and independent directors play a vital role. Investment advisers and their funds' independent directors form a fiduciary partnership to serve and protect the interests of shareholders.

But we also recognize the key role that government regulation plays in helping establish and maintain investor trust. Our industry, coming together through ICI, works closely with the SEC, the Department of Labor, and other agencies on regulations that protect investors – and that are effective ... efficient ... and even-handed.

That means rules should serve the needs of investors without burdening funds or their shareholders with excessive costs or paperwork. There's a perfect example of that pending right now at the Securities and Exchange Commission – the proposal to overhaul fund disclosure with the Summary Prospectus. This plan would give investors a short, easy-to-understand document that spells out all the information that fund buyers are most likely to need and want. At the same time, any investor who wants more information could still get the full statutory prospectus, online or on paper. ICI has worked on this idea for at least 15 years, and the SEC's proposal reflects two key lessons from our decades of experience and investor research:

- When it comes to disclosure, helping investors understand information is the real goal. Disclosure for disclosure's sake doesn't help investors. And,
- When it comes to helping investors understand, less can be more. In fact, in this case, investors can have less and more—because anyone who wants the full prospectus can have it.

The proposal isn't perfect, and ICI has offered the Commission some suggestions for improvement. But it's a huge step forward for investors and for funds – and we look forward to seeing it completed.

A third foundation for our industry is investor service. Let me take a minute to share with you a letter that one of our portfolio managers received just about a year ago from one of our shareholders – I'll call him "Walter Murphy." Coincidentally, Mr. Murphy first invested with us in 1959 – the year of the first General Membership Meeting.

"I write to congratulate you on assuming portfolio management responsibility for the Growth Stock Fund," Mr. Murphy wrote.

"As I recall, it was managed by Mr. Price [himself] when I made my first purchase with \$910. I then continued saving one dollar a day and buying shares every two months for the next 24 years – a total of \$10,746.

Mr. Murphy writes that he stopped buying shares in 1983, and in 1992, he started taking monthly withdrawals, first of \$600 per month, then \$900.

“The total withdrawal,” he writes, “now amounts to \$128,531. The balance is \$157,892. ... We will continue to receive \$900 or more [a month] for life.”

Remember, that is on an investment of less than \$11,000.

Mr. Murphy concludes:

“I wish you well, for I have just this month matched my 18-year-old grandson’s first investment in a Roth IRA, [giving him] \$500, to enable him to invest \$1,000 in [your] Fund.”

What a lucky grandson. What a testament to the powerful way that our business touches lives and builds futures. I’m sure your companies have similar stories to tell.

Mr. Murphy’s story illuminates the core of our service to shareholders. Wall Street is a rough-and-tumble place, and average Americans need help when they venture there. Funds offer that assistance – even for an investor who starts out with just \$910. Funds open markets – and not just the stock market, but the bond market and the money markets as well. Not just on Wall Street, but in London, Hong Kong, and Buenos Aires.

How do we continue to build on our service to investors going forward? Just as we have through almost 70 years of our history. One key element is investor education. If you look at our history exhibit outside this hall, you’ll see that the National Association of Investment Companies was barely two years old when it launched its first investor education outreach. Today, funds invest millions of dollars in new technology to help our shareholders gain deeper understanding and make better investing decisions.

We also build on our service by continuing our long record of innovation. We create new products, not for the sake of novelty or to capitalize on some short-term marketing opportunity, but because they can help meet investor needs. Think of the money-market fund, the emerging-market stock fund, the target-date retirement fund, the exchange-traded fund. Prudent innovation that gives investors new ways to reach the markets – that’s how the fund industry can continue to help Americans meet their long-term financial goals.

A fiduciary culture ... effective and efficient regulation, from within and from without ... and an unwavering focus on service that helps investors. Those are our foundations. And they give us a strong footing for the future.

If I were to come back to address the 60th Annual General Membership Meeting, or even the 75th, I have no doubt of what I would say. If we continue to build on our foundations; if we still believe in and follow our fiduciary duty to our clients; our future will be bright indeed. And we will help tens of millions

of investors achieve the futures that they dream of as well.

Thank you for your attention and your support. We have a great couple of days lined up for you. And now it is my pleasure to bring you Paul Stevens, the President and CEO of ICI, to address one of the key elements of our industry's future – a sound and secure retirement system for Americans. Please welcome Paul Stevens.

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