

2009 GMM: Welcome and Opening Remarks

Welcome and Opening Remarks 2009 ICI General Membership Meeting

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As Prepared For Delivery

Good afternoon and welcome to the 51st Annual General Membership Meeting of the Investment Company Institute. I'm Bill McNabb, President and CEO of Vanguard, and Chairman of the Planning Committee for this event. Over the course of the past eight months, I've had the great fortune to work with a wonderful group of people in planning for this week. A lot of hard work went into this event. And I'd like to thank the team for their efforts.

And I'd like to thank *you* for being here. We're very excited for what promises to be three days of meaningful and engaging presentations and discussions. We have a tremendous lineup of speakers and panelists.

You'll hear from leaders in the mutual fund industry and the banking industry ... regulatory leaders, authors, professors, and people who will challenge our assumptions. They'll share their perspectives on where we are ... and some ideas of where we might be headed.

But, perhaps the most important input will come from *you*. We encourage your participation and hope to make this very much an "interactive" event.

The theme of our meeting is "Extraordinary Times—Steadfast Commitment." And as you know, this year's event takes place against a very different backdrop than when we last met. Certainly, last May,

there were storm clouds on the horizon. In fact, we were already five months into a recession. Bear Stearns had collapsed. And the federal government was working hard to stave off additional damage.

But few people could—or did—predict the severity of the global market downturn that we would experience starting in September.

Imagine, for a moment, if we could step back in time one year and play a word association game. And then play the same game today Think of how the associations for certain words have changed.

Words like:

- Lehman Brothers
- Fannie and Freddie
- AIG
- Madoff ... and Stanford Financial
- Detroit
- “Tarp”
- Reserve Primary Fund
- Iceland

It’s true that a picture can paint a thousand words. But *some* words can paint a very bleak picture. These are indeed, very extraordinary times. And they’ve led people to question many of the beliefs that we, as investment providers, hold dear.

- People have questioned whether mutual funds are a sound way to save for retirement—after mutual fund assets fell by \$2.4 trillion in 2008.¹
- People have questioned whether a balanced and diversified investment portfolio can insulate you from market turmoil, after the average balanced fund declined by negative 27% last year.²
- People have questioned the safety and security of money market funds, when we witnessed the first significant failure in the history of money market funds.

Those are challenges we’ve faced individually—*and*—as an industry. Collectively, our response has been one of Steadfast Commitment to our shareholders. As we’ve seen in the past, the industry has rallied together—through ICI—to address these questions and challenges. Quite frankly, this commitment is what sets our industry apart from the rest of the troubled financial sector. We are committed to the best interests of our shareholder not only by code, but by culture. It’s evidenced in the work that we’ve done together over the past year. It’s evidenced in your membership in ICI. It’s evidenced in your attendance here today. And it remains our great strength.

I’d like to share a story about a Vanguard fund. You might think that a story about a Vanguard fund from the president of the company might sound—at worst—a little self-serving, and—at best—perhaps a bit dry. But bear with me.

This fund has personality.

It's the Wellington Fund. It will turn 80 years old in July, which makes it older than Vanguard, older than ICI, and, I would venture, older than most of us here today.

It's an unassuming balanced stock-and-bond fund that has been doing the same thing for eight decades. It doesn't chase fads. It doesn't change its tune. Jack Brennan, Vanguard's chairman, has said that if mutual funds had clothes, Wellington would wear a blue sport coat and gray flannel pants. I happen to have a report to shareholders from 1929, when the fund was called the Industrial and Power Securities Company. It had a few dozen holdings—largely railroad and utility companies. While Wellington's holdings have changed over the years, its simple mission has not.

As it says in its 1929 report, the fund “is designed to offer to its shareholders wide diversification of selected investments and constant supervision thereof under experienced management.”

We often talk about the Wellington fund as the embodiment of investment principles: Balance. Diversification. Low costs. A focus on the long-term.

But it serves as an equally powerful metaphor for the success of our industry, and it echoes our theme here today: **extraordinary times**, and a **steadfast commitment** to helping investors reach their financial goals through prudently managed funds.

Wellington has lived through many extraordinary times. This isn't the first financial crisis for Wellington. In fact, the fund was only a few months old when the stock market crashed in 1929. And since then, it has weathered the Great Depression, a World War, about a dozen recessions, inflation, deflation.... Yet it has maintained a consistent focus on its mission and objectives.

So yes, some people may find Wellington—the “blue sport coat and gray pants” of the mutual fund world—to be a little less than exciting. But I *like* its stubborn adherence to core principals that we *all* share.

- Reliability.
- Dependability.
- Fiduciary responsibility.
- Value.
- And through it all, a **steadfast commitment** to shareholders.

These are values that, for Wellington, have not changed since 1929. And they are values that, in a very real sense, capture why we have gathered here today.

So today, more than ever, we have many questions about how to best carry out our shared mission of serving investors. The mutual fund industry is truly unique in how we conduct business. We compete tenaciously—and then come together to find ways to improve. Together, we evolve and find new and better ways to provide value for investors. And ICI continues to be a great facilitator of that constructive ongoing dialogue. I hope you find it to be so over the next few days, and I hope you enjoy the meeting.

And now it is my great pleasure to introduce the Chairman of the ICI, John Murphy. John is the Chairman of Oppenheimer Funds, a position he has held since 2001. He was elected Chairman of ICI in October 2007 after serving on the Board of Governors and Executive Committee. Through his leadership and counsel, he has helped guide ICI—and all of us as industry participants—through these very extraordinary times. Please join me in welcoming John Murphy.

Endnotes

¹ [2009 Investment Company Fact Book](#)

² Source: Lipper. Average Balanced Fund returned –26.86 for the period 12/31/2007 to 12/31/2008.

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