

MEMO# 10485

November 13, 1998

NEW STUDY ON MUTUAL FUND FEES

[10485] November 13, 1998 TO: BOARD OF GOVERNORS No. 79-98 PUBLIC INFORMATION COMMITTEE No. 54-98 RE: NEW STUDY ON MUTUAL FUND FEES

The Institute is releasing an important research paper at 9:30 a.m. today at the Economic Development conference in New York. I want to share this research with you because you may receive media inquiries about the Institute's findings later in the day. As I noted in the memo that was faxed to you on Friday, the study, Trends in the Ownership Cost of Equity Mutual Funds, finds that the total cost of investing in equity mutual funds has decreased by more than one-third since 1980. The study also identifies significant evidence of economies of scale that are shared with investors. Finally, the study notes that since 1980, investors have tended to purchase lower-cost funds. The study is published in the enclosed copy of Perspective. I believe this research will make a valuable contribution to the ongoing public discussion of mutual fund fees and expenses, particularly issues relating to the level and trend in the average cost of investing in mutual funds. I have included a news release, which we are distributing nationally, and talking points highlighting the study's findings. Please feel free to distribute this information to appropriate members of your firm. Should you have any questions regarding the study, please contact John Rea at 202/326-5910.

Matthew P. Fink President Enclosure

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