

SPEECH

September 28, 1998

Institute President Discusses Fund Fees

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Washington, DC, September 28, 1998 – At a press briefing via conference call, Investment Company Institute President Matthew P. Fink discussed competition in the mutual fund industry and the role fees play in mutual fund investment decisions. Tomorrow, Tuesday, September 29, Fink will testify at a House Commerce Committee hearing on "improving price competition for mutual funds and bonds." In addition to fund competition and fee levels, ICI's testimony (which will be posted to this website tomorrow) will address disclosure, regulation, fund governance, economies of scale, shareholder education, and retirement plan fees.

Most Shareholders Pay Less Than the Industry Average

Text of sound bite [Institute President Matthew P. Fink]:

"The vast majority of shareholders in equity mutual funds are paying less than the expense ratio of the average fund: 77% of shareholder accounts are in stock mutual funds that have average expense ratios that are less than the 1.5% average. Second, the average dollar invested in equity mutual funds accrues an annual fee at the rate of 0.97 percent a year – which is over 30% less than the simple average. Third, almost 85% of all equity fund investments are in funds that are below the 1.52% simple average."

Competitive Pressures Keep Fees Down

Text of sound bite [Institute President Matthew P. Fink]:

"Performance is probably the most important competitive aspect of the industry. And, when a fund computes its performance, it must take out fees. That puts the pressure on people in the industry to keep their fees down, because otherwise it would hurt their performance."

Total Costs Are Declining

Text of sound bite [Institute President Matthew P. Fink]:

"When you sit back and look at the total costs of acquiring and owning a mutual fund, they're declining – because front-end loads are down, and expense ratios are up slightly, down slightly, or flat. But, net-net, the two elements show that total costs are lower than

before."

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