

Lasting Values—Challenging Times

“Lasting Values—Challenging Times”

Chairman's Address

54th Annual General Membership Meeting

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As prepared for delivery.

Good afternoon. It is my great honor and privilege to welcome you all to ICI's 54th Annual General Membership Meeting.

I'm Melody Hobson, president of Ariel Investments, and for the past eight months, it has been my pleasure to chair the GMM Planning Committee, working with a dedicated and talented group of individuals to organize this meeting.

We'll recognize the committee formally at lunch tomorrow—but for now, let me thank them for all their efforts.

We also want to recognize companies from all areas of the investment management industry that are sponsoring key events for this year's GMM.

I'd like to thank:

- PricewaterhouseCoopers;
- State Street;
- DST Systems;
- Boston Financial Data Systems;
- J.P. Morgan;
- SunGard, and
- Lipper.

The generous support of these firms helps ICI continue to offer high-quality conference programming.

Once again this year, we've combined the broad industry and policy perspectives of the GMM program with specialized programming from three other conferences—Compliance, Operations & Technology, and the Directors Workshop. It's a unique opportunity to build your own program—while you network with the most diverse audience of fund executives and directors available.

It's great to be here, and to see the results of eight months of work—work that all started with the first agenda item at the first planning committee meeting:

What's our theme?

At first blush, it seems like a simple question; but we had many long and intense discussions to define a simple phrase that would capture the mood of the moment and set the tone for our meeting.

After much deliberation, we decided on this year's theme: "Lasting Values—Challenging Times."

The last four years have certainly been challenging—especially for our investors. The turmoil in our markets and in our economies—both here and around the world—have affected our investors. They were challenged to stay on course toward their financial goals even as the markets twisted and turned.

Fortunately, we've bounced back from the worst. Tough times come—but they don't last. And investors are optimists by nature. You cannot set your money aside today—no matter what the investment—unless you believe in tomorrow. We have 90 million shareholders, and the vast majority are believers in America who expect the future will be better...healthier...and more prosperous. We don't serve 90 million gold bugs, or 90 million survivalists. If anyone here today has a bomb shelter, I suspect you're in the minority.

How do you face challenging times? That brings us back to the first part of our theme. You need lasting values.

We've certainly told our investors that. We've encouraged them to stick to the time-honored principles of investing.

It starts with thrift. ICI's surveys of retirement plan participants tell us that Americans recognize that they need to set aside more money to meet the challenges of retirement security—and they're doing it.

What else are we telling our shareholders? Invest for the long run—not for the quick score. Patience is the virtue that pays.

Invest so you can sleep at night. Know your risk tolerance, and work with your financial adviser to build a portfolio that lets you enjoy peace of mind.

Don't be an emotional investor. Today's investors are bombarded 24/7 by news that could rock their worlds and shake their confidence—a topic we'll explore tomorrow with a panel on "The Media, the Medium, and the Message." But smart investors don't overreact to short-term events; They make a plan and stick with it. ICI research tells us that most investors never lost their commitment to funds as their tool for saving and investing for the long term.

Finally, be a good corporate citizen. At lunch tomorrow, Howard Schultz, the CEO of Starbucks, will remind us that business leaders—all of us, in fact—have a responsibility to serve our communities and help others. He'll also remind us that "value" goes beyond stock price. I'm looking forward to hearing his talk.

Those are the lasting values we've shared with our investors. But we need to challenge ourselves to renew our faith in lasting values as well.

We need to remind ourselves about the danger of overreacting to events. The more our world is shaken, the more we need to adhere to our time-tested principles.

For us, that means keeping our investors' needs and interests clearly in the forefront of everything we do. Putting investors first has always been the key to our businesses' success. It is the core of our culture as fiduciaries to our funds and our shareholders. Tomorrow, we'll hear more about that from a panel of industry leaders led by a man who has dedicated his life to those values—Paul Haaga of Capital Research and Management.

We need to continue to innovate. From their beginning, mutual funds have had a distinct mission—to bring the best of investment management to the investor of moderate means. That means new products and services that apply the best financial thinking to the needs of average families and retirement savers.

The 401(k) system is a key example of how we have innovated on behalf of retirement savers. Within that arena, we created target-date funds to encompass the principles of lifecycle investing in a simple, accessible and easy-to-use product.

We've offered investors a wide array of choices, both actively managed funds and index funds.

We've opened new asset classes and avenues for investors. Years ago, it was money market funds—an innovation that gave investors the market returns they needed to protect themselves from raging inflation, in a stable, liquid, and convenient product. Today, we're bringing fund investors the benefits of another inflation hedge and tool for diversification—commodity mutual funds.

Now, some people in policymaking circles may see these products as controversial. We'll hear some views on that from Mary Schapiro, Chairman of the SEC, on Friday morning. But we see these products as fulfilling our mission to investors.

Innovation requires creativity—and we'll hear more about how to awaken the creativity in all of us on Friday, when I interview George Lucas, founder of Lucasfilm Ltd., director of Star Wars and executive producer of Red Tails, among many other films.

In the wake of the financial crisis, we also need to renew our commitment to a cause that's near to my heart—the challenge of financial education for all Americans.

The recent financial turmoil only exacerbates the daunting questions investors face today. Should we bank down on the corner, or on the Internet? Should we take a fixed-rate mortgage—or an adjustable rate, and is it a two-year ARM, a three-year, or a five-year? Should we invest in growth funds or value funds or domestic or international or emerging markets? Mutual funds or ETFs? Leveraged or inverse ETFs? And what is an ETF again?

We need to help Americans understand these questions and navigate their solutions. Ultimately, we want our users to be informed and understand our products, so it is our responsibility to contribute to their education.

Shortly, we'll have the Secretary of Education, Arne Duncan, here for a dialogue on that topic. Personally, I have dedicated much of my life to financial education. It is my mission to make the stock market a topic of conversation at every dinner table in America. It starts with our children. Why do we not teach investing in schools? It continues to baffle me that most of our children graduation from high school and even college without knowing what a bond is or how the stock market works. I have spent countless hours giving a rote "Investing 101" lesson to groups as small as seven people, because I believe everyone should have the opportunity to learn about investing and take advantage of the market. I also try to literally step into people's living rooms as a financial contributor for Good Morning America, helping to define the changing financial environment and demystify our economy.

With efforts like these, we can give our fellow citizens a firm foundation in financial literacy. And on that foundation, we can build a stronger, more secure nation.

These are challenging times. But ours is an optimistic industry. We can meet the challenges, so long as we are constantly guided by the values that serve investors ... the values that build our economy and our nation ... the values that are lasting.

Thank you, and I hope you'll have a great three days with us.

It now gives me great pleasure to introduce Paul Schott Stevens, the President and CEO of ICI, to address how the fund industry serves investors through our policy advocacy. Please help me welcome Paul Stevens.