

ICI Chairman Urges Mutual Fund Leaders to Remain Open to New Ideas That Benefit Shareholders, May 2003

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Washington, DC, May 22, 2003 - Investment Company Institute Chairman Paul G. Haaga, Jr., today urged the nation's largest gathering of investment company executives to maintain investor confidence by remaining open to new ideas and approaches that benefit mutual fund shareholders.

"In these challenging times, we must continue to earn our shareholders' trust and maintain it every day by remaining fully committed to the principles and mission that have served mutual fund investors so well for so long. It is equally essential that we continue to be open to new ideas—from within and outside the industry—that will allow us to provide even greater service and benefits to our shareholders," Haaga, also Executive Vice President of Capital Research and Management Company, said in [remarks](#) delivered during the General Membership Meeting of the Institute, the national association of the investment company industry.

Institute Chairman Paul G. Haaga, Jr.

Haaga told mutual fund leaders that fund shareholders have long benefited from independent scrutiny of mutual funds. "Just as our message to investors has remained constant, we have never wavered in our belief that tough and meaningful investor protection is essential to investor confidence and our industry's well being," Haaga said. "We have continued to cooperate with regulators and to embrace new ideas—including some from our harshest critics—that we believe would bring about more effective oversight and better serve investors."

For example, Haaga noted, when commentators said the prospectuses offered to all mutual fund shareholders were too difficult to understand, mutual fund leaders strongly supported the [SEC's major disclosure reform initiative](#) that transformed prospectuses into readable, plain-English documents.

When observers said fund annual and semiannual shareholder reports could be enhanced to help readers make informed investment decisions, mutual fund leaders strongly endorsed the [SEC's initiative to improve the quality of information](#) about fund portfolios presented in shareholder reports.

When regulators said shareholders need more information about [fund fees and expenses](#), mutual fund leaders acted by strongly supporting the SEC's proposal to strengthen the unparalleled level of disclosure already available to America's mutual fund shareholders.

And, when the SEC challenged independent mutual fund directors to do an even better job of protecting shareholders, mutual fund leaders acted by convening a blue-ribbon industry advisory group to recommend a series of [best practices](#) to strengthen the system of governance that protects the nation's 95 million mutual fund shareholders.

Haaga said these actions reflect just some of the examples of how mutual funds and fund shareholders benefited from independent scrutiny of mutual funds. "Funds need effective critics for the same reason we need effective directors and regulators—to bring a fresh outside perspective to everything we do and enforce the very highest standards throughout our industry," he said.

Haaga questioned the value of criticism that is "unfair, uninformed or unbalanced, or when critics are motivated more by a desire to sell publications or competing products, or to gain publicity or political advantage." These critics, he said, "become too easy for us to ignore and we lose an important opportunity to listen and improve."

Reflecting on the state of the mutual fund industry, Haaga noted that the entire securities industry has faced the [harshest financial](#)

environment that most have ever seen. The bear market in stocks, combined with interest rates at their lowest levels in more than 40 years, left many investors with investment returns that were well below even the modest pace of inflation. It is in these market conditions, Haaga said, that the core features of mutual funds—diversified portfolios and professional management—best demonstrate their effectiveness.

“Despite this particularly difficult and challenging time in the history of the nation’s financial markets, I believe that our industry continues to serve America’s 95 million mutual fund investors quite well,” Haaga said. “We have never wavered in our belief that tough and meaningful investor protection is essential to investor confidence.”

“Trust is the principal reason our relationship with investors has not been broken by the bear market in equities of the past three years,” he said. “Our shareholders trust that their mutual funds are being managed with their best interests in mind.”

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