

2006 General Membership Meeting: Welcome Remarks

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Welcoming Remarks by

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GMM Chairman

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Thank you and welcome to the Investment Company Institute's 48th General Membership Meeting.

My name is John Murphy and I am Chairman, President, and CEO of OppenheimerFunds. I have been a member of the Board of Governors of the Investment Company Institute for five years. I am pleased to serve as Chairman of this year's General Membership Meeting.

The GMM provides an excellent opportunity for ICI members to come together annually to review how our industry is doing in advancing the goals of mutual fund investing – and to consider where we go next. I think you will find that this year's program makes the most of that opportunity. While we will recognize them individually tomorrow, I ask that you please join me in thanking the people who worked so hard to put together an excellent and entertaining program for this meeting.

The theme of this conference is "Creating Shareholder Value." In the final analysis, there is no more important measure on which to judge the industry's record. And on this measure, we can take pride in what mutual funds accomplish. Mutual funds can boast of a long history of creating value for shareholders. But what does creating value for the shareholder REALLY mean?

- First and foremost, it means offering competitive investment returns at an appropriate level of risk.
- Secondly, it means providing the wide range of choices that investors and their advisers need to meet a variety of goals – as we all know, one size does not fit all.
- And finally, it means supplying the clear, concise, and relevant information and tools that investors need to make informed investment decisions.

For tens of millions of Americans, mutual funds have helped unlock the power of the markets. We have opened the door for a broad range of investors, even those of limited means, to participate in the growth of our vibrant economy, build long-term security, and meet their financial goals. We must continue to do that even more effectively. That is the bedrock mission of our business.

Just ask yourself: How many Americans are in the market today through mutual funds? Or, were it not for funds, how many would still be on the investment sidelines? The average American needs what we provide: a low-cost option to obtain diversification, professional investment management, and liquidity.

And today, they need it more than ever. [There are serious questions about the ability of Americans to afford retirement](#)

The notion that a paid-off mortgage is the best retirement policy has been diminished – if not disproven. We all know that retirement is a hot topic these days as we see the first set of Boomers – who make up the most significant group in our industry's client base -- begin to retire. Part of our mission during this conference is to further the discussion on how to create more value for them as they begin this next life phase and grapple with its special investment needs. Over the next few days, you'll have the opportunity to attend several panels and discussion groups on how we can help investors prepare for and live in retirement.

Beyond the [retirement savings issue](#), there are other life topics we need to help investors address:

[The cost of health care is rising](#). Baby Boomers not only have to worry about their own healthcare but, in many cases, their parents' as well.

At the other end of the spectrum, [the cost of educating our children continues to rise](#). As those of us with college age children know, leading universities are charging up to \$160,000 in tuition and fees over four years.

There is no winner if this becomes a tug of war between competing needs. That is why it is crucial for everyone not only to save, but also to invest wisely for the future. We must help investors do that by offering innovative products and services to meet their changing needs.

Our industry is not typically thought of as the most innovative, but the reality is that one of the best things about this industry is the dynamic, continuous evolution of our business: We are an industry of hundreds of competing companies, each coming up with new products to respond to changing markets, demographics, and investor needs.

Mutual funds are arguably the most scrutinized, regulated, and transparent products in financial history. Our industry features a large number of firms, all competing for investors' loyalty. Barriers to entry are low and information to compare competing products is widely available. Some have said this has commoditized our business, but the truth is that competition has fueled innovation that has kept our industry vital.

Innovation in a growing array of services, such as: sophisticated retirement planning models, a wider range of investment structures and objectives—from exchange-traded funds to target-date funds—and more.

Mutual fund firms have also been innovators in the retirement and education savings markets. Yes, Congress passed the legislation that allowed for the creation of 401(k)s, IRAs, and 529 plans. But those dry lines in the tax code would never have come to life so vibrantly without our industry. We transformed those ideas into services that empower millions of Americans to save for long-term goals.

Here's the most important point: All of this innovation is driven by the needs of the market. Customers' needs and preferences form the basis of the mutual fund industry's offerings and innovations. We'll continue on the innovation theme in a few minutes when we hear from one of the leading thinkers and practitioners of innovation techniques who will be joined by some of our colleagues to discuss how ideas turn into actions at their firms.

Responsiveness to investors is one part of the formula for success for mutual funds. Another key part is accountability – which comes through stringent regulation and vigilant independent directors.

Mutual funds have always been subject to a comprehensive framework of laws and regulations and our industry continues to advocate for informed regulation that is driven by a benefit to investors. Directors and fund advisers work together to advance shareholder interests -- including setting standards of governance that exceed anything required of public companies and providing accessible information that is thorough and reliable. To that end, tomorrow we'll hear from Bob Glauber, Chairman and CEO of the NASD, and from a panel of design and communication experts on their thinking about our industry, regulation, and how we can be even more accessible to investors.

But the free market still reigns as the most powerful source of accountability. Market competition offers a strict, comprehensive, and daily form of discipline. The score on funds is printed in the paper and on the Internet every day. Mutual fund managers know that unhappy investors are never more than a phone call or mouse click away from switching to another provider. And our actions are closely watched by a vigilant media. Tomorrow, we'll have a chance to hear their views – good and bad – as we are joined by a group of leading journalists and analysts covering our industry.

No matter how strict the scrutiny, mutual funds have delivered an exceptional record of integrity, innovation, performance, and service. We have an outstanding story to tell: mutual funds are the most effective and practical way for millions of Americans to achieve financial security. No, the industry is not perfect. If it was, we wouldn't be here discussing ways to serve our clients even better. But we have made and consistently lived up to a simple bargain. We have invited millions of families to invest through us, and, in turn, have assumed a responsibility to create value for them on many levels. They have responded and so have we.

The proof is in the numbers. We have more than 91 million mutual fund shareholders — one in three Americans. Almost half of all American households own mutual funds. Investment companies of all forms hold more than \$10 trillion in assets. We have helped our friends, neighbors, and colleagues accumulate savings to purchase a home, educate their children, and prepare for retirement.

Americans have never believed that wealth is a privilege – but have always believed that wealth should be within everyone's reach. The role of mutual funds is to help make that belief come true. We do that – and we will continue to do that – by creating more value for many more shareholders than ever before. That is our theme for this week – and that is our mission, ALWAYS.

Now, it is my pleasure to introduce the President of ICI, Paul Schott Stevens.

In just over two years, Paul has proven to be an effective leader, known for his energy, insight, and ability to create a policy-driven agenda for the mutual fund industry. Being well respected and well liked on the Hill doesn't hurt either – he's just the kind of leader we need to get the important issues in front of Congress. It's my great honor to introduce to you, Paul Stevens.

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