Absence ownership of stocks, 160–163
Abuses of funds:
agency costs, 33
BISYS Fund Services, 160–161
Citigroup and Smith Barney fund management, 160
directed brokerage, 63, 153–154
first-preferred versus second-preferred stocks (1924), 10
market-timing, 63, 112–113, 127, 133, 158, 162
Massachusetts Financial Services (MFS), 63
NYSE committee (1928), 145–146
revenue sharing, 111, 116–117, 156–159
self-dealing, 7, 9, 10
trust mania, 1890, 8
12b-1 (management) fees, in lieu of “front-end” fees, 148
Ackerley, Anne, 115, 167
Advertising:
frequency linked to poor performance, 110
to promote brand names of funds, 110–111, 139
revenue sharing, 156–159
12b-1 (marketing) fees, 147–149, 157–159
AIM Advantage Health Sciences fund, 114
Alliance Bernstein, 119
Alliance Capital, 33, 70
Amazon, 50, 110
American Century Growth Investors, 60, 129
American Century Ultra Investors, 60
American Funds Group, 60, 65, 120, 121, 153–154
American Mutual Fund, 82
Amerind Technology, 113
Ameriprise Financial, 70, 162–164. See also RiverSource
Analog Devices, 90
Analysis:
company-by-company, 35–36
security, versus benchmarking, 130–132
Annual reports, 60
Arbitrage, 23, 31, 37, 55
Asset allocation, 129, 132–133
Assets under management (AUM):
focus on, versus performance, 65, 75, 139–140
shareholder reports of, 64
T. Rowe Price Group, 71, 72, 74–75, 79
Baker, Russell, 15
Barron’s, 111
Battle for the Soul of Capitalism (Bogle), 64
Behavioral finance, 29, 30, 36–41, 104, 106, 176
Belgian chocolate theory of financial markets, 107
Benchmarking:
against market versus competitive funds, 162–163
performance relative to a market index, 78
ratings based on near-term results, 138–140
risk-adjusted, 137
versus security analysis, 130–132
Berkshire Hathaway, 21, 35, 56, 190
Bernard, Edward, 76
Bertelson, Bob, 124
Big Bang (Britain), 54
Biotech stocks (1990s), 108
BISYS Fund Services (SEC), 160–161
Black Rock fund family, 115, 120, 121, 167
Black swan event (late 1990s), 108–117
Boards of investment companies:
conflicts of interest, 73, 75–76
directors not invested in funds, 163
directors serving multiple boards, 81, 163
independent audits mandated, 11
interests of investors versus interests of stockholders, 73
role of directors, 166–169
turnover rates, 167
12b-1 fees, approval by, 166
Bogle, Jack, 64, 74, 79, 92, 187–189
Boston-type open-end funds, 11–15
Bottom-up investing, 80, 144, 184
Broadcom, 22, 114
Broad market index funds, 66–67
Bubble, stock market:
of late 1990s, 45–47, 110–111, 113, 115
advertising of funds in, 110–111
and “black swan” event, 108–117
effect on Dow Jones Industrials index, 141
financial advisers and brokers, 109–110, 134–135
investor, individual, 108–117
media recommendations, 112–116
real estate (up to 2007), 46
recovery after 1990s, 66–67
Southwest real estate (1980s), 29, 108
Buffett, Warren, 8, 20, 30, 31, 32, 35, 38, 39, 41, 56, 105, 114, 129, 134, 136, 175, 178, 183, 186
Bull market, 8–10, 110–111
Buy-and-hold strategy, index funds, 66–67
Buying on margin, 48
Byllesby & Co. investment bank, 10
Cabot, Paul, 15, 145, 146
Canary Capital, 113
Carry trade, 8
Cash, holding, 30–31
Center for Retirement Research at Boston College, 100
“Churning” of stocks, 63, 137
“Circuit breakers,” 55
Cisco Systems, 24, 46, 47, 50, 51, 62, 90, 110
Citigroup, 45, 120
Classes of shares, 149–152
Clipper Fund, 21, 23, 26, 30, 34, 38, 61
Closed-end funds, 20, 187
Closed indexing versus bottom-up investing, 80, 144
Coehnour, Elizabeth, 189
Commissions:
American Funds Group and “directed brokerage,” 153–154
inflated, as marketing device, 153
liquidity, excessive, 54
versus management fees and expenses, 151
“soft dollars” for research services, 155–156
“stepped-out” (passed on) to advisory firm, 154–155
Commodities market, 50–51
Common stock, 11–12
Common Stocks and Uncommon Profits (Fisher), 35
Conflict of interest. See also “Consistent style discipline”
compensation for board members, 80–81, 163, 168
adding new investors, 79
investors versus management company stockholders, 73, 126
management fees versus investor’s returns, 83–84, 146–149, 165–166
publicly owned management company and its funds, 79
“revenue sharing” or “pay to play,” 111, 116–117, 156–159
“Consistent style discipline,” 78, 127, 132, 142–144
Consulting Group Large Cap Growth, 60
“Cooling-off” period, 55
Corporate retirement plans, 14, 58
“Corporate veil, piercing the,” 86
Critical analysis and judgment, 142–144. See also Value investing
De Grauwe, Paul, 107
Deregulation of stock market (1975), 54, 155–156
Dillon, Read (1920s), 10
Dillon, Clarence, 10
Directed brokerage, 153–154
Directors, independent, of funds, 80–82
Disclosure:
accessible and useful information, 161–163
Ameriprise Financial, example, 164
board members’ investments in funds, 163
burden on investors to investigate funds, 85
candor toward investors, 89
full, by MIT fund (1920s), 12
multiclass stocks, 149–152
“corporate veil, piercing the,” 86
free market conditions versus minimum required, 85, 147
high degree of, 51
investors versus management, T. Rowe Price Group, 81, 85, 86
no-load funds versus load funds, 150
at Oakmark Select, 81
12b-1 (management) fees, 146–159, 165–166
watchdogs, 161, 166–169
Discount rate, 21, 24
Diversified International Fund, 144
Diversified versus concentrated portfolios, 29
Dodd, David L., 21, 38, 52–53, 66, 108
Domestic equity funds, 27–28
Donohue, Andrew, 148–149, 152
Dow Jones Industrial Average, 40, 54, 140, 141
Drew, Daniel, 49
Duer, Martin, 48
Duke Energy, 114
DuPont pension plans, replaced by 401(k) plans, 97–98
Earnings, focus on, 46
Eaton Vance, 70
Economic theory and scholarship:
behavioral finance, 29, 104, 106, 176
Belgian chocolate theory of financial markets, 107
capital asset pricing model, 38
efficient market theory (EMT), 18
feedback loop (influence of group), 106
market fluctuation risk, 32
“noise” (chatter of the market), 106
rational markets, 41
role of rational investors, 19–20
Economies of scale:
directors serving on multiple boards, 81, 163, 168
Franklin Resources, case study, 125–127
fund management companies, 14, 125–127
fund managers’ interests versus investors’ interests, 81, 84
lower fees for investors, 121, 170
outsourcing, 124
T. Rowe Price Group, case study, 74
Edward Jones, 116, 157–158
Efficient market theory (EMT), 18, 28, 29, 37–38
18f-3 (multiclass shares in same fund), 149–152
Emerging markets index fund, 66–67
EMT. See Efficient market theory
Energy stocks (late 1970s), 29, 108
Enron, 22, 23, 28, 39, 112, 113
Erie Railroad, 49
Eveillard, Jean-Marie, 21, 24, 39
Exchange-traded funds (ETFs), 187
Expense ratio: need for transparency, 165
T. Rowe Price Growth Stock Fund, 71, 84
Vanguard 500 Index Fund, 71
Exxon Mobil Corporation, 50
Fairholme, 189–192, 190
Federal Public Service, 10
Federated, 70
Fees and expenses of funds: advent of mutual funds, 1950s, 88
classes, multiple, of shares, 149–152
increasing, at investor’s expense, 146–149
T. Rowe Price (case study), 71, 72–93
12b-1 (management) fees, 146–149, 166
Fidelity, 33, 69, 110–111, 119, 120–122, 139, 140, 159, 167
Fidelity Advisor Equity Growth, 60
Fidelity Advisor Fifty, 129–130
Fidelity Fund, 82, 95–96
Fidelity Growth Company Fund, 65
Fidelity Magellan Fund, 103
Fiduciary duty and integrity: agency costs, 33
disclosure of management fees and expenses, 146–149, 157–159, 166–168
fund managers investing in own funds, importance of, 33–34
management fee schedules, 83, 146–149
multiclass structure of stocks, 149–152
and “new economy” of 1990s, 89–90, 107
owed to investors, 79–80
revenue sharing, at expense of investor’s assets, 156–159
roles of directors of funds, 166–169
sale of fund management companies, 15
T. Rowe Price (case study), 70–93
value managers and, 39
Financial advisers and brokers: Ameriprise Financials and number of, 134–135, 164
as customers of fund managers, 129
choosing, 177–178
guidance sought from, 116–117, 128–129
multiclass stock structures and advising investors, 151–152
payments from fund complexes, 170
Financial Research Corporation (FRC), 130, 131, 133
Financial Times, 84
First Eagle Global Fund, 21, 24–25, 26, 28, 30, 32, 34, 37, 39, 41, 61, 66, 142, 144, 180
Firsthand Technology Innovators, 113, 114
Fisher, Philip, 35, 135
Five-sigma event, 26
Flipping. See also Turnover carry trade, 8
current practice, 13
portfolio rebalancing, 136–137, 170
real estate market, 54
Foreign and Colonial Government Trust, 8
Foreign funds, 111
Fortress Investment Group, 10
Fortune magazine: “10 Stocks to Last the Decade,” 22–24, 27–29, 32, 41, 112
reliance on experts for recommendations, 114–116
report on MIT fund (1949), 12
401(k) plans, 97–102
FPA Capital Fund, 21, 23, 25, 26, 30, 32, 34, 61, 79, 138, 180, 185
Franklin Biotechnology Discovery fund, 112
Franklin Resources, 70, 120, 125–127, 132–133
Franklin Templeton, 119
Fund management companies: assets, emphasis on, 64–65
assets under management (AUM) versus fund performance, 75, 139–140
economies of scale, 14
Franklin Resources, case study, 125–127
investing in versus investing in mutual funds, 69
publicly traded, list of top 10, 69–70
shareholders versus funds’ investors, 73
“soft dollars” for research services, 155–156
“stepped-out” or passed on, portion of commissions, 154–155
Sun Life, 14, 64
trafficking of management contracts, 87
T. Rowe Price Group, case study, 70–93
Fund managers: benchmarking versus analysis, 130
financial advisers and brokers as customers, 129
full-time management recommended in 1954, 64
generalists, 184
inner-directed, 39
investing in own funds, 33–34, 124, 167, 183
long-term perspectives, 38
moved from fund to fund, 124
replaced by team management, 81, 132
role of, important, when choosing funds, 174–176
stewardship versus salesmanship, 64–65, 177–178
Futures (“time bargains”), 48
Galbraith, John Kenneth, 9, 27
Genentech, 22
General Motors, 9, 12, 79
Gipson, James, 26, 38
Global Crossing, 51, 109
“Goldfarb 10”:
  compared to “Group of 15,” 59, 66
  list of top ten funds, 20–41, 26
Goldfarb, Bob, 20
Google, 45
Graham, Benjamin, 8, 21, 31, 34–35, 38, 51–53, 66, 88, 185
Grantham, Jeremy, 183
Greed:
  case study of T. Rowe Price, 69–93
  versus panic, as impetus in choosing stocks, 175
“Group of 15”:
  average returns compared to S&P 500, 59, 60, 61
  compared to “Goldfarb’s 10,” 59
“Guide to Asset Allocation, A” (Franklin Resources), 132
Hamilton, Alexander, 48
Harbor Capital Appreciation, 60
Harlem Railroad (1830s), 49
Havel, Vaclav, 44
Hawkins, Mason, 30
Health care index fund, 66–67
Hedge funds, 10, 37, 178
“Herding” (momentum investing), 36–37, 105
Index-arbitrage market and “circuit breakers,” 55
Index funds, 58, 66–67, 186–189
Indexing:
  Black Monday (Oct. 19, 1987), 54
  closet indexing versus bottom-up investing, 80
  and importance of timing, 28
  Lipper index, tech stocks in 1990s, 90
Individual retirement account (IRA), 99
Initial public offerings (IPOs), 114
Insurance, portfolio, and Black Monday (Oct. 19, 1987), 54
Insurance Securities, 86–87
Intangible assets, T. Rowe Price (TROW), 72
Intel, 24
Intelligent Investor, The (Graham), 21, 88
International equity funds, 142–144
Internet, 113
Invesco Leisure funds, 112
Invesco Telecommunications, 112
Investment:
  interests of the small investor versus interests of fund managers, 15
  risk, as defined by price volatility, 39
Investment companies:
  American (1920s to 1930s), 8–12
  British trusts (1800s), 8
  closed-end companies (1920s), 11
  Dutch trusts (1700s), 8
  trusts for “self-dealing” (1920s), 9
Investment Company Act of 1940, 11, 79, 83–84, 87, 161, 179
Investment Company Institute, 81
Investor, individual:
  absentee ownership of stocks, 160–163
  bubbles and swan events, 107–117
  burden on, to investigate funds, 85, 127
  candor toward, 87–92
  confidence, fluctuating, 95–96
  disclosures, needed, 180
  dividend yields, 96–97
  financial advisers and brokers, 129, 134–135, 151–152, 177–178
  following the herd, 176–177
  funds and stocks, switching, 89, 104, 133–137
  Harris poll in late 1990s, 115
  individual retirement account (IRA), 99
  interests of, 173–192
  life expectancy and effect on retirement, 99–101
  multicash stock structures and different fees, 149–152
  mutual funds, choosing, 173–192
  naivité in portfolio decisions, 73
  pension plans, replaced by 401(k) plans, 97–98
  prey for “marketing machine,” 127
  protections, 179
  “rational,” 17–41
  retirement, 401(k) plans, 97–102
  United Airlines bankruptcy and effect on pension plan, 98
  wisdom of, versus Wall Street, 109–117
Investor's Diversified Services, 162
“Invisible hand of” stock market, 45
Irrational exuberance (overpricing), 38–39
Irrational Exuberance (Shiller), 24
Jacob Internet fund, 110, 113, 139
Jacob, Ryan, 113, 115
Janus fund, 47, 48, 70, 112, 129, 185
Janus Growth & Income, 60
Janus Twenty, 60
JDS Uniphase, 47
Jefferson, Thomas, 47
Johnson, Abigail, 144
Johnson, Edward, 144
JP Morgan, 120
Junk bonds (1980s), 108
Kettering, Charles, 9
Klarman, Seth, 30
Large-cap growth funds:
  average annual total returns, 5-year and 10-year (ended 2005), 27
  emphasis on growing assets versus performance, 65
Jefferson, Alexander, 48
Harbor Capital Appreciation, 60
Harlem Railroad (1830s), 49
Havel, Vaclav, 44
Hawkins, Mason, 30
Health care index fund, 66–67
Hedge funds, 10, 37, 178
“Herding” (momentum investing), 36–37, 105
Index-arbitrage market and “circuit breakers,” 55
Index funds, 58, 66–67, 186–189
Indexing:
  Black Monday (Oct. 19, 1987), 54
  closet indexing versus bottom-up investing, 80
  and importance of timing, 28
  Lipper index, tech stocks in 1990s, 90
Individual retirement account (IRA), 99
Initial public offerings (IPOs), 114
Insurance, portfolio, and Black Monday (Oct. 19, 1987), 54
Insurance Securities, 86–87
Intangible assets, T. Rowe Price (TROW), 72
Intel, 24
Intelligent Investor, The (Graham), 21, 88
International equity funds, 142–144
Internet, 113
Invesco Leisure funds, 112
Invesco Telecommunications, 112
Investment:
  interests of the small investor versus interests of fund managers, 15
  risk, as defined by price volatility, 39
Investment companies:
  American (1920s to 1930s), 8–12
  British trusts (1800s), 8
  closed-end companies (1920s), 11
  Dutch trusts (1700s), 8
  trusts for “self-dealing” (1920s), 9
Investment Company Act of 1940, 11, 79, 83–84, 87, 161, 179
Investment Company Institute, 81
Investor, individual:
  absentee ownership of stocks, 160–163
  bubbles and swan events, 107–117
  burden on, to investigate funds, 85, 127
  candor toward, 87–92
  confidence, fluctuating, 95–96
  disclosures, needed, 180
  dividend yields, 96–97
  financial advisers and brokers, 129, 134–135, 151–152, 177–178
  following the herd, 176–177
  funds and stocks, switching, 89, 104, 133–137
  Harris poll in late 1990s, 115
  individual retirement account (IRA), 99
  interests of, 173–192
  life expectancy and effect on retirement, 99–101
  multicash stock structures and different fees, 149–152
  mutual funds, choosing, 173–192
  naivité in portfolio decisions, 73
  pension plans, replaced by 401(k) plans, 97–98
  prey for “marketing machine,” 127
  protections, 179
  “rational,” 17–41
  retirement, 401(k) plans, 97–102
  United Airlines bankruptcy and effect on pension plan, 98
  wisdom of, versus Wall Street, 109–117
Investor's Diversified Services, 162
“Invisible hand of” stock market, 45
Irrational exuberance (overpricing), 38–39
Irrational Exuberance (Shiller), 24
Jacob Internet fund, 110, 113, 139
Jacob, Ryan, 113, 115
Janus fund, 47, 48, 70, 112, 129, 185
Janus Growth & Income, 60
Janus Twenty, 60
JDS Uniphase, 47
Jefferson, Thomas, 47
Johnson, Abigail, 144
Johnson, Edward, 144
JP Morgan, 120
Junk bonds (1980s), 108
Kettering, Charles, 9
Klarman, Seth, 30
Large-cap growth funds:
  average annual total returns, 5-year and 10-year (ended 2005), 27
  emphasis on growing assets versus performance, 65
“Group of 15” and average returns, 59, 60, 61 versus index funds, 66–67
look-alike variety of, 122
T. Rowe Price Group, case study, 70, 77, 78–80
Laughlin, Kevin, 137
Leffler, Edward, 12, 178, 179
Legg Mason Value, 21, 22–23, 26, 28, 30, 32, 61, 70, 120
Leveraging of capital structures, outlawed, 11
Lipper Large Cap Growth index, 78, 90, 92, 140, 141, 169
Liquidity:
assets, available, and T. Rowe Price Group, 72 continuous, and MIT fund (1920s), 13 excessive, and rise in turnover rate, 53–56
Longleaf Partners, 21, 25, 26, 28, 30, 34, 61, 66, 159, 180–181, 182
Long-Term Capital Management, 143, 178
Lowenstein, Roger, 47
Lucent, 114
Lynch, Peter, 103
Macroeconomic trends, 29–30
Madison, James, 47
Magellan Fund, 140
Mainstay Capital Appreciation, 60
Management fees. See also 12b-1 (marketing) fees
Advisor Class of stocks, 91
conflict of interest with investor’s returns, 83–84
fifty years ago, compared to today, 82–84 increasing, at investor’s expense, 146–149
“Margin of safety,” 21, 32, 35, 37, 51, 107, 120–121
Marketing and brand identification of funds, 81, 84, 121–124, 147–149, 156–159
Markets. See also Market trends
behavior of, 56 bubble, late 1990s, 45–47, 92, 110–111, 113, 115 bull, 8–10, 110–111 commodities, 50–51 fluctuation risk, 32 frenzies, 20, 29 grain, 52
index, outperforming, 28
lack of major developments in 2004, 40 manipulation in 1920s, 9 manic versus depressed, 39 not used for benchmarking, 162–163 risk versus business risk, 32, 186 secondary, 52–53, 55–56 securities, 53
Market-timing scandal, 7, 63, 127, 158, 162
Market trends:
closet indexed funds versus bottom-up investing, 80 “consistent style discipline,” 78, 127, 132 trading in and out of stocks, 15
Massachusetts Financial Services (MFS), 14, 61–65
Massachusetts Investors Growth Stock Fund, 60, 61–65, 108
Microsoft, 90
Mid-cap funds, T. Rowe Price Group (TROW), 70
Mid-cap stocks, 35
Miller, Bill, 30
MIT. See Massachusetts Investors Trust
Money magazine, 110–114
Morgan Stanley, 22, 110, 143–144, 151
Morningstar:
appraisal of T. Rowe Price, 74–76, 82, 83
comments on Invesco funds, 113 “Group of 15” average returns compared to S&P 500, 59, 60, 61
index based on funds, 141
management expense ratio, 146
rating categories for funds, 130 “styles” of mutual funds, 127–128, 130
Morningstar Funds 500, 181
Morris, Charles “Chip,” 90–91
Multiclass stock structures, 149–152, 170
Munger, Charles, 21, 28, 35
Munnell, Alicia, 100
Mutual Beacon, 21, 23, 24, 26, 28, 39, 61
Mutual funds:
advant of, 7–15
bond and money market funds, 57
bubble of late 1990s, 45–47, 92, 110–111, 113, 115 choosing, how to, 173–192
merging to new investors, 139, 183–184
opening, 57–58
bond and money market funds, 57
Multiclass stock structures, 149–152, 170
knowing how to, 173–192
merging to new investors, 139, 183–184
opening, 57–58
bond and money market funds, 57
Multiclass strategy, 149–152, 170
Sales of, 146
selling short, as rare, 37
size as not advantageous, 183–184
stock funds, 58
“style consistency” versus value investing, 78, 127, 132, 142–144
styles of, defined by Morningstar, 128
team management, 81
Mutual group of funds, 125, 126, 132
Nardelli, Robert, 168  
NASDAQ Composite index, 18, 108, 109  
National Association of Securities Dealers (NASDAQ), 153  
National Semiconductor, 101  
Net asset value (NAV), 12  
Nevis fund, 113, 114  
“New economy” of 1990s, 50, 89, 107–108  
New York Stock Exchange (NYSE), 53–55, 145  
New York Times, 136  
Nifty Fifty (1970s), 29  
Nokia, 22, 23, 29, 32, 112  
No-load funds, 70, 114, 148–150, 186–187  
Norfolk Southern, 110  
Nortel Networks, 22, 29, 112  
Nuveen, 70  
Nygren, Bill, 104, 139, 185–186  
Oakmark Select, 21, 26, 28, 34, 61, 66, 75, 81, 104, 139, 185–186  
Oak Value, 21, 23, 26, 31, 61  
Old economy stocks (late 1990s), 18  
Open-end fund, 11–12, 88  
Oracle, 22, 23, 24, 41, 90, 112  
Oversight by independent directors of funds, 80–82  
Pension funds:  
consultants and consistency, 78  
portfolio insurance of, contributing cause of Black Monday, 54  
replaced by 401(k) plans, 97–102  
United Airlines bankruptcy; effect on, 98  
Pension Protection Act of 2006, 99  
Performance:  
five-year and 10-year, when choosing fund, 182–183  
pressure on financial advisors and brokers to act, 134–135  
punishment of, in groups of funds, 134  
as small portion of fund management, 140  
Phillips, Don, 58  
Portfolio:  
concentrated, 29, 32  
diversification, 9, 19  
of MIT fund, 1920s, 12  
selective, 79  
rebalancing, 133–137, 170  
small, 182  
“spinning,” 92  
turnover, costs of, 62, 142  
volatility of, 32  
Portfolio insurance computer programs (late 1980s), 143  
President’s Council of Economic Advisers, 100  
Price:  
-book value ratio, 35  
-earnings ratio (P/E), 35, 112  
manipulation (1920s), 11  
market, versus business performance, 105  
and value, 185–186  
volatility, as a measure of investment risk, 39  
Price, Michael, 126–127  
Profile Plus summary (under consideration by SEC), 164–166  
Prudential Securities, 110  
“Prudent Man Rule,” 64  
Psychology of investors:  
behavioral finance, 29, 30, 36–41, 104, 106, 176  
Belgian chocolate theory of financial markets, 107  
motivations of investors, 43–47  
reason versus emotion in investing, 53  
Putnam, 47  
Qualcomm, 47, 114  
Quality of earnings, 35–36  
Quantitative tests, low price-earnings ratio, 35–36  
Ratings of funds, 138–140  
Rational investors:  
and undiversified, long-term portfolios, 20  
reason versus emotion in investing, 53  
reason not to invest versus reason to invest, 28  
Real estate market bubble (up to 2007), 46  
Regulation and deregulation of stock market, 48–56  
Retirement:  
401(k) plans, 97–102  
life expectancy, 99–101  
long-term, patient investing, 135  
Revenue sharing (“pay to play”), 111, 116–117, 156–159  
RiverSource, 60, 162–166. See also Ameriprise  
Robinson, Dwight, 64  
Rodriguez, Bob, 32, 79, 139, 144  
Rogers, Brian, 75, 76  
Ruane, Bill, 36  
Rubin, Robert (former Treasury Secretary), 29  
Russo, Tom, 186  
SAI. See Statement of Additional Information (SAI)  
Sales commissions, 12, 153–156  
Sales of funds, 146  
Samuelson, Paul, 69, 70, 74, 77, 125  
Schwab, 22, 110–111, 116, 119, 129, 159  
Scioto Company, 48  
Scottish American Trust Company, 1875, 8  
Secondary markets, 52–53, 55–56  
Second Bank of the United States (1818), 48, 49  
Securities, 49–50, 53  
Securities and Exchange Commission (SEC):  
advisory fees, comments on, 81
Index

BISYS Fund Services, 160–161
board members and disclosure of investments, 163
charges against MFS for “directed brokerage,” 63
Citigroup and Smith Barney fund management, 160
collision of interest at Insurance Securities (1956), 86–87
“cooling-off” period, 55
Division of Investment Management, 148–149, 165
Division of Market Regulation, 163, 165
economies of scale, comments on (1961), 74–75
Edward Jones brokerage censured by, 158
failure to require adequate disclosure, 72
fraud charges against Nevis, 114
marketing expenses (12b-1), 147–149, 156–159
multiclass shares in same fund (18f-3), 149–152
Profile Plus summary (under consideration), 164–166
report to Congress on crash of 1929, 9–11
requesting SAI from, 183
role of boards in controlling fees, 84
“soft dollars” for research services (Section 28[e]), 155–156
Statement of Additional Information (SAI), 85, 153
transparency and integrity, efforts to improve, 171
Securities market, 1790s, 48, 53
Security analysis:
Benjamin Graham, 88
complexity of, 50–51
“death of,” 129–132
Security Analysis (Graham and Dodd), 21, 38, 52–53
Selling of the President 1968 (McGinnis), 119
Sense and Nonsense in Corporate Finance (Lowenstein), 27
Sequoia Fund, 20, 36, 140, 175
76th Congress, Investment Company Act of 1940, 11
“sheep index,” 144
Shiller, Robert, 24, 28
Short-term investing, 19, 53–56, 137
Small-cap stocks, 35, 70
“smart money,” 18–19, 105, 109
Smith Barney, 136, 153
Social Security, 58, 100–101
Society for Useful Manufactures, 48
“soft dollars” for research services, 155–156
SoGen (Société Générale), 40–41
Soros, George, 136
Source Capital, 20, 21, 26, 34, 61
Southwest real estate bubble (1980s), 29, 108
Speculating versus investing:
in 1990s, 18, 89
liquidity, excessive, 55
portfolio rebalancing, 136
securities markets, 53
Standard & Poor’s 500 index (S&P 500):
average returns compared to “Group of 15” mutual funds, 59, 60, 61
“black swan” event of late 1990s, 108–109
closet indexed funds versus bottom-up investing, 80
dividends versus inflation, 96
market bubble of late 1990s, 24–25
long-term investing, 66
measure of broad market, 141
recovery after 1990s bubble, 66–67
returns compared to value funds, 26–27
returns compared to “Group of 15” large-cap mutual funds, 59–60
returns compared to “Goldfarb 10,” 60, 61
Sequoia Fund compared to, in annual reports, 140
Statement of Additional Information (SAI):
filed with Securities and Exchange Commission, 85
requesting, when choosing a fund, 183
single, filed for multiple RiverSource funds, 163
State Street Investment Corporation, 14–15, 145
Stewardship versus salesmanship, 64–65, 177–178
Stock funds, 14, 58
Stock market:
assets of, 43–56
“black swan” event (late 1990s), 108–109
boom and crash of 1792, 47–48
bubble of late 1990s, 45–47, 92, 110–111, 113, 115
“churning” of holdings, 63
“Class B” stocks in 2007, 10
annual reports, 140
deregulation (1975), 54
distortion of prices, in late 1990s, 17–18
effect on CEO accountability, 45
“first preferred” versus “second preferred” in 1920s, 10
“invisible hand of,” 45
movements of investors, 43–47
penny stocks (“fancies”), 48
price and value of stocks, 185–186
regulation, 48–56
secondary markets, 52–53, 55–56
Second Bank of the United States (1818), 48
Style of mutual funds:
defined by Morningstar, 128
marketing construct, 129
“style consistency,” 78, 127, 132
Subprime mortgages, 178
Sun Life (Canada), 14, 64
Sun Microsystems, 62
“Superinvestors of Graham-and-Doddsville, The” (Buffett), 186
Sutton, Willie, 75, 76
Swensen, David, 36, 74, 135, 141

TD Ameritrade, 159
Team management, 81
Templeton funds, 125
Thakore, Nick, 163
Third Avenue Value Fund, 31, 129, 134, 179
Third World debt (late 1990s), 108
Tobin, James, 53
Tracking error (underperforming), 24, 33, 142
Trading costs and taxes, 31, 40
Transparency, 87–92, 165–166. See also Disclosure
Treasuries, 30–31
Trusteeship 13, 92, 138
Trust mania (1890), 8
Turnover:
  at Ameriprise, 163
  of boards of investment companies, 167
costs of, 62, 142
  before deregulation of trading commissions (1975), 176–177
Fidelity Advisor Fifty fund, excessive, 123
liquidity, excessive, 53–54
low rates of, 181–182
MFS Investment Management, 62–63
mutual funds, “churning” of, 58–61
pressure to reduce, 81–82
Twain, Mark, 136
Tweedy Browne American Value, 21, 26, 32, 34, 61
12b-1 (marketing) fees. See also
management fees
  approval by boards of investment companies, 166
Division of Investment Management (SEC), 148–149
  multiclas...