above, and the statistical appendix to ch. III.)[30] The common stock funds announcing a "growth" objective slightly increased the percentage of their total purchases effected on the New York Stock Exchange between 1953 and 1958 (from 71.7 to 75.6 percent), and diminished by a rather larger margin the share of their total purchases effected in over-the-counter markets (from 25.1 to 19.3 percent). It is in this "growth" objective group of common stock funds that the largest increase occurred in the percentage of purchases placed in other exchanges, though the rise of 2 percentage points still left the relative share quite small at 5.2 percent (table IV-43). The "mixed" objective stock funds, on the other hand, shifted their purchase transactions very slightly in the other direction between 1953 and 1958, but the change in the shares of the two principal market channels was less than 1 percentage point in each case.

The distribution of the balanced fund purchases over the same market channels has also remained fairly stable between the 1953 and 1958 periods, though in this case wider variations occurred in some of the different subgroups of this class. The balanced funds as a total class placed approximately 79 percent of their common stock purchases on the New York Stock Exchange in both 1953 and 1958. The proportion placed in the over-the-counter markets declined slightly from 18 to 15.7 percent and the proportion placed on other exchanges increased correspondingly from 2.4 to 5.1 percent of the total.

In the case of the balanced funds, as had occurred also in the common stock funds, the funds which effected the smallest share of their purchases on the New York Stock Exchange, and the largest share in the over-the-counter markets, were those which announced a "mixed" investment objective. Between 1953 and 1958 the New York Stock Exchange share of these funds' total purchases declined slightly from 78 to 76.3 percent, though this was reflected in an increase in other exchanges transactions rather than in over-the-counter purchases. The other exchanges share of their total purchases doubled from 2.3 to 4.7 percent.

As had been the case with the common stock funds also, it was the "income" objective type of balanced funds which effected the largest share of their purchases on the New York Stock Exchange, the relevant percentage actually rising from 83.9 to 87.2 percent between 1953 and 1958. Once again, however, this change was accompanied by a virtual doubling of the other exchanges share of total purchases, from 3.3 to 5.8 percent, and a reduction of the over-the-counter share by almost one-half, from 12.8 to 6.9 percent.

The apparently heavy concentration of the "growth" balanced fund transactions in the New York Stock Exchange, and the rather more marked changes in distribution between 1953 and 1958, are not as significant as might appear for purposes of examining trends of portfolio behavior, as a very small number of funds comprise this class (only four effected transactions in the 1953 period and only six in 1958).

The examination of the market distribution of the foreign security funds' purchases was restricted to their transactions in U.S. domestic

[30] Apart from the largest size class of funds, which contained only seven funds, the proportion of total purchases effected on the New York Stock Exchange appeared to be negatively related to size. See the fuller analysis below of market usage by size of investment funds.

stocks,[31] and the data do not constitute a significant part of the investment funds' total transactions.

More significant are the data relative to the specialty fund market transactions. The heavy concentration of their purchases in the over-the-counter markets, 57.1 percent in 1953 and 45.6 percent in 1958, is a reflection of the fact that in each of those years slightly more than half of their total stock portfolio was held in stocks traded only over-the-counter. In 1958 only 42 percent of their combined portfolio was held in New York Stock Exchange listed stocks and only 52 percent of their purchases was made in that market. The increase in the relative importance of the New York Stock Exchange from 40 percent of purchases in 1953 to 52 percent in 1958, however, was accompanied by a decrease from 57 percent to 46 percent in the share of the over-the-counter markets.

MARKET DISTRIBUTION OF COMMON STOCK PURCHASES BY SIZES OF INVESTMENT FUNDS

A reclassification of the foregoing data by size of investment fund (see table IV-43, pt. B) reveals that in 1958 the percentage of total purchases effected on the New York Stock Exchange was negatively related to the size of fund for the smallest three size groups of funds, those with assets of less than $300 million as of September 1958. A marked positive relationship appeared, on the other hand, between the size of fund and the percentage of total purchases effected in the over-the-counter markets. The New York Stock Exchange share declined throughout these three size groups of funds from 81.9 percent in the case of the smallest (those holding assets of less than $10 million) to 70.6 percent for the third group (those with assets between $50 million and $300 million). The over-the-counter share for these three size groups of funds increased, in the same order, from 11.3 to 25.7 percent. These relationships did not exist in the 1953 data shown in the present analysis, but it should be remembered that the size patterns are firmly established in this analysis only for the final year of the study.[32] So far as change in market distribution is observable from the present analysis, it appears that as the smallest and the largest size groups of funds grew to their present (1958) sizes they increased the percentage of their purchase transactions placed on the New York Stock Exchange (from 79.6 to 81.9 percent and from 72.3 to 83.7 percent, respectively) and reduced the percentage placed in the over-the-counter markets (from 13.5 to 11.3 percent and from 26.3 to 12.7 percent). The other two classes (1958 assets between $10 million and $300 million) demonstrated the opposite movement. They placed a smaller percentage of their purchases on the New York Stock Exchange and a larger percentage in the over-the-counter markets.[33]

The largest of the four size classes of funds, those whose assets as of September 1958 exceeded $300 million, included only a small number of funds (seven) in each of the two time periods, 1953 and 1958. But these funds together accounted for some 40 percent of

[31] See note 28 above.

[32] The size classes into which the universe of investment funds has been classified at each benchmark date include the same funds in each case; namely, those whose assets fell within the stated class limits as of the final benchmark date, September 1958.

[33] These movements were fairly consistent with the relationship observed in 1958. There was a reduction in the percentage of purchases effected on the New York Stock Exchange and an increase in the percentage placed in the over-the-counter markets as the size of fund increased. The 2 middle-size groups revealed this pattern of change between 1953 and 1958 as they increased in size. In 1958 the largest size class of funds, on the other hand, demonstrated a higher percentage of their purchases on the New York Stock Exchange, and this change came about as they reached their very large size.

the total assets of the investment funds included in the universe of this study (see chapter III), and their individual asset values ranged from $319 to $1,295 million. Two of the funds held assets in excess of $1 billion at the final benchmark date. In the second quarter of 1958, also, some 25 percent of the total investment funds' purchases of common stocks was accounted for by these seven funds. It is of some significance, therefore, for the consideration of the total market impact of investment fund trading, that these funds together should have placed as much as 83.7 percent of their total purchases on the New York Stock Exchange in the 1958 period. Two of these funds placed more than 90 percent of their purchase transactions in that market, though the largest three of the seven employed the New York Stock Exchange for only 88 percent, 74 percent, and 76 percent of their common stock purchases. Between 1953 and 1958, six of these seven largest funds increased the percentage of their total common stock purchases effected on the New York Stock Exchange.

FREQUENCY DISTRIBUTIONS OF INVESTMENT FUNDS' PURCHASES ON THE NEW YORK STOCK EXCHANGE AND IN THE OVER-THE-COUNTER MARKETS BY SIZES OF FUNDS

The analysis of the market distribution of common stock purchases by sizes of funds is carried further in tables IV–44 and IV–45. Table IV–44 contains the frequency distributions of (*a*) all funds combined, (*b*) balanced funds, and (*c*) common stock funds by sizes of fund according to the percentages of their total common stock purchases in 1953 and 1958 effected on the New York Stock Exchange. In table IV–45 comparable distributions are given relative to the funds' purchases of stocks in the over-the-counter markets. The distributions in each case include all those funds examined in the foregoing analysis which made purchases in either or both of the time periods in 1953 and 1958.

The distributions confirm the tendency for a negative relation to emerge between the size of fund and the proportion of total purchases effected on the New York Stock Exchange, and for a positive relation to exist between the size of fund and the relative importance of the over-the-counter markets. Focusing attention on the 1958 data, the distributions are summarized further in table IV–46. In 1958 (table IV–44) a total of 35 funds, including 16 balanced funds and 12 common stock funds, placed the whole of their purchases on the New York Stock Exchange. All except two of these funds (both of which were balanced funds) were of the smaller size classes, holding assets of less than $50 million. Thus 23.3 percent of all funds combined and 30.2 percent of the balanced funds were employing the New York Stock Exchange for the whole of their purchases, but only 15.6 percent of the common stock funds were concentrating their purchases in this manner. An inspection of the New York Stock Exchange data contained in table IV–46, also, confirms that the same tendency exists if 90 percent of purchases is used as the critical value. Some 56.5 percent of the funds of the smallest size class, for example, placed more than 90 percent of their purchases on the New York Stock Exchange, while the corresponding percentage of the largest and second largest groups of funds using the exchange to this extent had fallen to 28.6 percent and 31.6 percent. Similar relationships are apparent, though not to as marked a degree owing to the smaller numbers of funds, for the balanced funds and common stock funds considered separately. For balanced funds, for example, 60.7 percent of the smallest size group placed more than 90 percent of their purchases on the New York Stock Exchange, while for the second largest size group the relevant percentage had fallen to 33.3 percent of the number of funds, and neither of the two balanced funds in the largest size class had placed more than 90 percent of their purchases in this market. For the common stock funds, similarly, 45.5 percent of the smallest funds employed the New York Stock Exchange for more than 90 percent of their purchases, while only 31.8 percent of the second largest size class and 40.0 percent of the largest class used the exchange to the same relative extent.

TABLE IV–44.—*Frequency distribution of open-end investment funds by percentage of common stock purchases effected on the New York Stock Exchange, all funds, balanced funds, and common stock funds, by size [1] of fund, April–June 1953 and April–June 1958*

Percent of purchases on New York Stock Exchange	1953					1958				
	Total	(a)	(b)	(c)	(d)	Total	(a)	(b)	(c)	(d)
A. All funds:										
100	36	19	13	4	------	35	23	10	2	------
90 and less than 100	18	5	8	5	------	31	12	7	10	2
80 and less than 90	22	4	7	9	2	24	3	6	13	2
70 and less than 80	16	7	3	3	3	17	6	5	4	2
60 and less than 70	7	1	2	4	------	7	4	1	1	1
50 and less than 60	6	------	3	1	2	10	3	5	2	------
40 and less than 50	7	1	1	5	------	8	4	2	2	------
30 and less than 40	4	2	1	1	------	4	2	2	------	------
20 and less than 30	3	1	1	1	------	2	------	2	------	------
10 and less than 20	1	------	1	------	------	2	1	------	1	------
Less than 10, but not 0	3	1	1	1	------	2	------	1	1	------
0	5	4	------	1	------	8	4	2	2	------
Total	128	45	41	35	7	150	62	43	38	7
B. Balanced funds:										
100	10	7	2	1	------	16	11	3	2	------
90 and less than 100	7	3	2	2	------	10	6	2	2	------
80 and less than 90	9	3	2	3	1	8	1	2	5	------
70 and less than 80	8	5	2	------	1	8	5	------	1	2
60 and less than 70	2	------	1	1	------	1	------	1	------	------
50 and less than 60	1	------	1	------	------	3	1	2	------	------
40 and less than 50	6	1	1	4	------	3	2	------	1	------
30 and less than 40	1	1	------	------	------	1	1	------	------	------
20 and less than 30	1	------	1	------	------	------	------	------	------	------
10 and less than 20	------	------	------	------	------	2	1	------	1	------
Less than 10, but not 0	1	1	------	------	------	1	------	1	------	------
0	------	------	------	------	------	------	------	------	------	------
Total	46	21	12	11	2	53	28	11	12	2
C. Common stock funds:										
100	18	6	9	3	------	12	6	6	------	------
90 and less than 100	9	1	6	2	------	18	4	5	7	2
80 and less than 90	13	1	5	6	1	16	2	4	8	2
70 and less than 80	8	2	1	3	2	8	1	5	2	------
60 and less than 70	4	1	1	2	------	5	3	------	1	1
50 and less than 60	5	------	2	1	2	7	2	3	2	------
40 and less than 50	1	------	------	1	------	5	2	2	1	------
30 and less than 40	3	1	1	1	------	3	1	2	------	------
20 and less than 30	2	1	------	1	------	1	------	1	------	------
10 and less than 20	1	------	1	------	------	------	------	------	------	------
Less than 10, but not 0	1	------	1	------	------	1	------	------	1	------
0	1	1	------	------	------	1	1	------	------	------
Total	66	14	27	20	5	77	22	28	22	5

[1] Size as of September 1958.

NOTE.—See the following:
(a) = Funds with net assets less than $10,000,000.
(b) = Funds with net assets $10,000,000 and less than $50,000,000.
(c) = Funds with net assets $50,000,000 and less than $300,000,000.
(d) = Funds with net assets over $300,000,000.

TABLE IV-45.—*Frequency distribution of open-end investment funds by percentage of common stock purchases effected in the over-the-counter markets, all funds, balanced funds, and common stock funds, by size*[1] *of fund, April–June 1953 and April–June 1958*

Percent of purchases in over-the-counter markets	1953					1958				
	Total	(a)	(b)	(c)	(d)	Total	(a)	(b)	(c)	(d)
A. All funds:										
100	4	3	------	1	------	6	3	1	2	------
90 and less than 100	2	1	------	1	------	1	------	------	1	------
80 and less than 90	------	------	------	------	------	2	1	------	1	------
70 and less than 80	1	------	------	1	------	1	------	1	------	------
60 and less than 70	4	------	3	1	------	2	------	2	------	------
50 and less than 60	4	------	1	3	------	5	3	1	1	------
40 and less than 50	7	1	3	1	2	9	3	5	1	------
30 and less than 40	7	1	2	4	------	8	3	3	1	1
20 and less than 30	12	2	2	5	3	11	1	3	6	1
10 and less than 20	14	6	4	3	1	14	5	3	3	3
Less than 10, but not 0	30	8	11	10	1	42	11	12	17	2
0	43	23	15	5	------	49	32	12	5	------
Total	128	45	41	35	7	150	62	43	38	7
B. Balanced funds:										
100	------	------	------	------	------	------	------	------	------	------
90 and less than 100	1	1	------	------	------	------	------	------	------	------
80 and less than 90	------	------	------	------	------	2	1	------	1	------
70 and less than 80	------	------	------	------	------	------	------	------	------	------
60 and less than 70	------	------	------	------	------	1	------	1	------	------
50 and less than 60	3	------	1	2	------	3	3	------	------	------
40 and less than 50	2	------	1	1	------	2	------	1	1	------
30 and less than 40	4	1	1	2	------	2	1	1	------	------
20 and less than 30	4	2	1	------	1	2	------	------	1	1
10 and less than 20	7	4	2	------	1	7	3	2	1	1
Less than 10, but not 0	12	5	3	4	------	13	5	2	6	------
0	13	8	3	2	------	21	15	4	2	------
Total	46	21	12	11	2	52	28	11	12	2
C. Common stock funds:										
100	1	1	------	------	------	------	------	------	------	------
90 and less than 100	------	------	------	------	------	1	------	------	1	------
80 and less than 90	------	------	------	------	------	------	------	------	------	------
70 and less than 80	1	------	------	1	------	1	------	1	------	------
60 and less than 70	4	------	3	1	------	------	------	------	------	------
50 and less than 60	1	------	------	1	------	1	------	------	1	------
40 and less than 50	5	1	2	------	2	7	3	4	------	------
30 and less than 40	3	------	1	2	------	5	2	1	1	1
20 and less than 30	7	------	1	4	2	9	1	4	4	------
10 and less than 20	7	2	2	3	------	8	2	2	2	2
Less than 10, but not 0	17	3	8	5	1	27	6	9	10	2
0	20	7	10	3	------	18	8	7	3	------
Total	66	14	27	20	5	77	22	28	22	5

[1] Size as of September 1958.

NOTE.—See the following:
(a) = Funds with net assets less than $10,000,000.
(b) = Funds with net assets $10,000,000 and less than $50,000,000.
(c) = Funds with net assets $50,000,000 and less than $300,000,000.
(d) = Funds with net assets over $300,000,000.

The high modal percentage classes in the distributions of funds according to purchases on the New York Stock Exchange (table IV-44) are reflected in the low modal percentage classes in the corresponding over-the-counter distributions (table IV-45). In 1958 some 49 funds, including 21 balanced funds and 18 common stock funds, did not effect any of their purchases in the over-the-counter markets. Most of these funds were of the smaller sizes, and while 32.7 percent of the total number of funds (table IV-46) had avoided these markets completely, some 51.6 percent of the smallest size group of funds had done so and the corresponding percentages for the remaining three size classes of funds fell progressively to 27.9 percent, 13.2 percent, and 0 percent. The figures showing the percentage of funds which placed less than 10 percent of their purchases in the over-the-counter markets confirm the relation previously examined between the size of fund and the relative importance of their over-the-counter activity. The same result can be adduced alternatively on the basis of the table IV–45 distributions by noting that the median percentage of purchases effected in the over-the-counter markets increased in 1958 as follows through the four size classes, in ascending order of class size: 0 percent, 7.9 percent, 8.2 percent, and 15 percent.

TABLE IV–46.—*Percentage of funds placing given percentages of their total common stock purchases on the New York Stock Exchange and in over-the-counter markets, all funds, balanced funds, and common stock funds, by size* [1] *of fund, April–June 1958*

Size of fund	Percentage of funds placing 100 percent of their common stock purchases on the New York Stock Exchange		
	All funds	All common stock funds	All balanced funds
Funds with assets less than $10,000,000	37.1	27.3	39.2
Funds with assets $10,000,000 and less than $50,000,000	23.3	21.4	27.2
Funds with assets $50,000,000 and less than $30,000,000	5.3	0.0	16.7
Funds with assets over $300,000,000	0.0	0.0	0.0
Total	23.3	15.6	30.2

Size of fund	Percentage of funds placing 90 percent or more of their common stock purchases on the New York Stock Exchange		
	All funds	All common stock funds	All balanced funds
Funds with assets less than $10,000,000	56.5	45.5	60.7
Funds with assets $10,000,000 and less than $50,000,000	39.5	39.3	45.5
Funds with assets $50,000,000 and less than $300,000,000	31.6	31.8	33.3
Funds with assets over $300,000,000	28.6	40.0	0.0
Total	44.0	39.0	59.1

Size of fund	Percentage of funds placing 0 percent of their common stock purchases in the over-the-counter markets		
	All funds	All common stock funds	All balanced funds
Funds with assets less than $10,000,000	51.6	36.4	53.6
Funds with assets $10,000,000 and less than $50,000,000	27.9	25.0	36.4
Funds with assets $50,000,000 and less than $300,000,000	13.2	13.6	16.7
Funds with assets over $300,000,000	0.0	0.0	0.0
Total	32.7	23.4	39.6

Size of fund	Percentage of funds placing less than 10 percent of their common stock purchases in the over-the-counter markets		
	All funds	All common stock funds	All balanced funds
Funds with assets less than $10,000,000	69.4	63.6	71.4
Funds with assets $10,000,000 and less than $50,000,000	55.8	57.1	54.5
Funds with assets $50,000,000 and less than $300,000,000	57.9	59.1	66.7
Funds with assets over $300,000,000	28.6	40.0	0.0
Total	60.7	58.4	64.2

[1] Size as of September 1958.

MARKET DISTRIBUTION OF COMMON STOCK SALES

The rapid growth of the investment company industry is reflected also in the expanding volume of portfolio sales effected by its members, as well as by changes in the market distribution of sales and in the trends in market usage during the period under study. The use of the over-the-counter markets has expanded and sharp increases have occurred in the volume of portfolio sales effected by secondary distributions. The volume of security sales has not been induced to any significant degree by a need on the part of the investment funds to repurchase their own outstanding shares. As examined in an earlier chapter of this study (see ch. III) investment funds of all types have continued to grow throughout the 1952–58 period, and portfolio sales have therefore been directed toward improving portfolio structures, rather than to liquidating aggregate asset totals. The implied portfolio management activity has been reflected in widely varying, but generally higher, portfolio turnover rates, which, for the industry as a whole, ranged from almost 18 percent in 1953 to 24 percent in 1958.[34]

But the expansion of the industry, and the preoccupation of managements with the investment of annually rising proceeds of the sale of their own shares, has restricted the total volume of portfolio sales to only a fraction of portfolio purchases. In the second quarter of 1953 the total common stock sales of $76.6 million amounted to only 47 percent of common stock purchases during the same period. In the second quarter of 1958 the corresponding relation between common stock sales and purchases was rather higher at 64 percent.

[34] See the more complete analysis of portfolio turnover rates in a subsequent section of this chapter.

TABLE IV-47.—*Market channels employed in common stock sales by open-end investment funds, by type of fund and by size[1] of fund, April–June 1953 and April–June 1958*

[Dollar amounts in millions]

	April–June 1953								April–June 1958							
	New York Stock Exchange		Other exchanges		Over-the-counter		Total		New York Stock Exchange		Other exchanges		Over-the-counter		Total	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
A. Type of fund:																
Foreign security funds	-----	-----	-----	-----	-----	-----	-----	-----	$0.2	22.4	$0.7	70.3	$0.1	7.2	$1.1	100.0
Specialty funds	$1.5	39.9	$0.02	0.6	$2.3	59.4	$3.9	100.0	10.5	63.2	.4	2.5	5.7	34.3	16.6	100.0
Balanced funds	25.0	87.2	.8	2.8	2.9	10.1	28.7	100.0	76.2	78.9	9.5	9.8	10.9	11.2	96.6	100.0
Income	3.5	91.6	.001	.02	.3	8.3	3.9	100.0	15.4	82.6	2.6	13.9	.7	3.5	18.6	100.0
Growth	1.9	90.6	.1	2.6	.1	6.7	2.1	100.0	2.5	92.4	.1	2.6	.1	5.0	2.7	100.0
Mixed	19.5	86.1	.7	3.3	2.4	10.7	22.7	100.0	58.4	77.5	6.9	9.1	10.1	13.4	75.3	100.0
Common stock funds	37.5	85.3	2.1	4.9	4.3	9.9	44.0	100.0	159.9	74.2	10.0	4.6	45.6	21.2	215.4	100.0
Income	10.5	87.8	.3	2.7	1.1	9.5	12.0	100.0	44.4	87.9	2.1	4.2	4.0	8.0	50.6	100.0
Growth	18.0	81.6	1.6	7.3	2.4	11.1	22.1	100.0	74.1	68.3	5.9	5.4	28.5	26.2	108.5	100.0
Mixed	9.0	90.4	.2	2.0	.8	7.6	10.0	100.0	41.3	73.2	2.0	3.5	13.1	23.2	56.4	100.0
All funds	64.0	83.7	3.0	3.9	9.5	12.4	76.6	100.0	246.8	74.9	20.7	6.3	62.2	18.9	329.7	100.0
B. Size of fund:																
(*a*) Net assets less than $10,000,000	4.8	84.7	.2	3.8	.7	11.5	5.7	100.0	10.9	73.2	.8	5.2	3.2	27.6	14.9	100.0
(*b*) Net assets $10,000,000 and less than $50,000,000	13.8	86.5	.9	5.6	1.3	7.9	15.9	100.0	46.0	81.1	2.9	5.2	7.8	13.7	56.7	100.0
(*c*) Net assets $50,000,000 and less than $300,000,000	28.6	80.9	1.1	3.0	5.7	16.0	35.4	100.0	134.2	76.1	10.1	5.7	32.1	18.2	176.4	100.0
(*d*) Net assets over $300,000,000	16.9	86.2	.8	4.0	1.9	9.8	19.6	100.0	55.6	68.2	6.8	8.3	19.2	23.5	81.6	100.0

[1] Size as of September 1958.

For the total funds included in the present analysis, the use of the New York Stock Exchange declined from 83.7 percent of sales in 1953 to 74.9 percent in 1958 (table IV-47). This movement from the New York Stock Exchange was accompanied by a 50-percent increase in the relative importance of the over-the-counter markets, from 12.4 percent of sales to 18.9 percent, while a sharp increase was recorded also in the use of the other exchanges, their percentage share of the sales total rising from 3.9 to 6.3 percent. While the last mentioned markets thus appear to be relatively more important in the case of sales than they are for purchases, their share of the funds' total portfolio transactions is still dwarfed by the other two market channels.

The percentage distribution of sales over various market channels in 1958 was almost precisely the same as the percentage distribution of purchases. Approximately 75 percent of both types of transactions were executed on the New York Stock Exchange while about 20 percent were executed in the over-the-counter markets. Both were fractionally lower for sales with the result that other exchanges received 6.3 percent of sales, but only 4.3 percent of purchases.

The pattern of change in market distribution is not as regular on the sales side of portfolio operations as it is in the case of purchases, and wider variations are to be noted. The common stock funds, for example, reduced the New York Stock Exchange share of total sales from 85.3 percent in 1953 to 74.2 percent in 1958, and increased the over-the-counter share during the same time from 9.9 to 21.2 percent. This fairly pronounced change is due to the operations of the larger type classes of "growth" stock funds and the "mixed" objective funds. In those cases, respectively, sharp reductions of the New York Stock Exchange share of sales occurred from 81.6 to 68.3 percent and from 90.4 to 73.2 percent. The increase in importance of the over-the-counter markets was also of the order of magnitude previously noted: from 11.1 percent of sales to 26.2 percent for the "growth" common stock funds, and from 7.6 to 23.3 percent for the "mixed" objective funds. As was the case in connection with purchases of stocks, the common stock funds which announced an "income" investment objective remained more closely interested in the New York Stock Exchange as a medium for sales, the share of this market in their total sales having been virtually unchanged at almost 88 percent in each of the 1953 and 1958 periods. Among the common stock funds, the "income" class was the only one which reduced the percentage of sales effected in the over-the-counter markets, though the reduction was only fractional from 9.5 to 8.0 percent. This was reflected in an increasing relative importance of the other exchanges.

The balanced funds also showed a less stable pattern of distribution of sales over market channels, though for these funds as a total class the relative importance of the New York Stock Exchange again declined, from 87.2 to 78.9 percent of sales. The movement was in this case reflected in an increasing relative importance of the other exchanges, whose share of sales rose from 2.8 percent in 1953 to 9.8 percent in 1958, rather than in a relative shift to the over-the-counter markets. In the case of the "income" funds and the "growth" funds, the relative share of the over-the-counter markets actually diminished between 1953 and 1958, in the former case more sharply than in the latter, though in the much larger class of "mixed" objective balanced funds the movement to the over-the-counter markets was sufficiently strong, from 10.7 to 13.4 percent of sales, to establish such a change as the pattern for the balanced fund class as a whole. The declining relative importance of the New York Stock Exchange for the "mixed" balanced funds was reflected also in the increasing importance of activity in the other exchanges.

The data available for analysis in respect of the foreign security funds is subject to the same limitations as were noted in connection with the funds' purchase transactions. As the data refer only to the sales of U.S. domestic common stocks, they constitute only a small part of the foreign security funds' total activity. As was the case with the purchases, however, the present data reveal a heavy tendency to use markets other than the New York Stock Exchange: over-the-counter in the case of purchases, and other exchanges in the case of sales.

More significant again are the data on the specialty fund portfolio transactions. Reflecting these funds' relatively small interest in New York Stock Exchange listed stocks, a large proportion of their total portfolio sales are effected in over-the-counter markets. With the expansion in the size of these funds, however, the relative importance of the New York Stock Exchange as a medium for sales has increased, and in 1958 this market accounted for 63.2 percent of the total compared with only 39.9 percent in 1953.

MARKET DISTRIBUTION OF COMMON STOCK SALES BY SIZES OF INVESTMENT FUNDS

The analysis of the market distribution of common stock sales by sizes of investment funds (see table IV–47, pt. B) provides two clear conclusions. Firstly, the expansion in size of each of the classes of funds between 1953 and 1958 [35] was accompanied in all four size groups by a reduction in the relative importance of the New York Stock Exchange. The movement was most marked in the case of the largest funds, from 86.2 percent of the total sales in 1953 to 68.2 percent in 1958, but significant reductions were recorded also in the smaller size classes. Pronounced increases in the relative importance of the over-the-counter market occurred for each of the four size classes of funds between 1953 and 1958 also, the most prominent increase occurring once again in the largest funds, where the over-the-counter activity rose from 9.8 to 23.5 percent of sales. It appears also that the increasing importance of the other exchanges as a medium for sales for the investment funds as a whole is due largely to the movement in this direction of the largest two size classes of funds. Between 1953 and 1958 the relative importance of the other exchanges for these last mentioned funds approximately doubled, rising from 4 percent of sales to 8.3 percent for the largest funds, and from 3 to 5.7 percent for the second largest size class.

Secondly, the data on the market distribution of common stock sales, reconstructed by size classes of funds, indicate a fairly pronounced negative relation between the size of the fund and the New York Stock Exchange share of the total. This relationship is similar to that observed in the case of portfolio purchases, though it was noted there that the relationship was reversed sharply for the largest

[35] It was noted previously that the funds included in each of the four designated size classes in 1953 were the same funds included in that class as of 1958, based on their 1958 asset values.

size class of funds. In the case of common stock sales the relationship continues throughout the largest class, but does not include the funds of the smallest size class. By considering all the funds of size less than $50 million as a total class, however (see table IV–47, pt. B), the negative relationship of New York Stock Exchange importance to investment fund size is firmly established. Complementary to this relationship is the positive relation which the data establish between investment fund size and the relative importance of activity on the over-the-counter markets. These markets accounted for some 23.5 percent of sales in 1958 for the seven funds included in the largest size class, while the smallest two size classes of funds combined placed the lesser proportion of 15.3 percent of their sales in the over-the-counter markets. Once again, the rearrangement of the data to consider the funds of size less than $50 million as a total class firmly establishes the positive relation between investment fund size and the importance of over-the-counter activity. It should be noted, however, that the smallest size class of funds did effect a large percentage of their sales, 27.6 percent, in the over-the-counter markets in 1958. This was largely due to the fact that two specialty funds in this size class, both of which concentrated their investments in insurance securities, effected the whole of their portfolio sales in over-the-counter markets.

An examination of the foregoing data indicates that in 1958 the investment funds as a whole employed the New York Stock Exchange for approximately the same percentage of their purchases as for their sales: 75.5 and 74.9 percent. In both cases the percentage is lower than the percentage of total stock portfolio held in New York Stock Exchange listed stocks (see table IV–38). The comparisons are clarified if attention is focused on the proportion of common stock portfolios (as distinct from total stock portfolios which include also preferred stocks) held on the New York Stock Exchange. The relevant data are summarized in table IV–48).

TABLE IV–48.—*Percentages of common stock portfolios held in New York Stock Exchange listed stocks and percentages of common stock transactions effected in that market, balanced funds and common stock funds, 1958*

Type of fund	Percent of portfolio	Percent of purchases	Percent of sales
Balanced funds	86	79	79
Common stock funds	89	76	74

The differences observable in the table are no doubt explained by the fact that the investment funds are from time to time effecting portfolio transactions in New York Stock Exchange listed stocks in other security markets.

COMMON STOCK SALES BY SECONDARY OFFERINGS

The increasing importance of the over-the-counter markets as a medium for portfolio sales is largely accounted for by the tendency for the larger funds to make greater use of the secondary offering as a technique for effecting sales. An analysis was therefore made of the use of this device by funds of differing sizes and types (table IV–49).