

## The mutual fund at 100: is it becoming obsolete?

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**It was a question of providing a medium for the investor**

Edward Leffler



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Salesman Teddy King trying to sell mutual fund stock on poolside © Getty



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**1924**

THE MUTUAL FUND IS INVENTED

Edward Leffler and his colleagues at MFS launch the first open-ended mutual fund, known as the Massachusetts Investors Trust. It democratizes investing by allowing small customers to buy in gradually to a diversified portfolio and sell their shares for the value of the underlying assets.

**1940s**

CONGRESS ENACTS NATIONAL RULES

After the 1929 crash, Franklin Delano Roosevelt makes cleaning up the securities markets a crucial part of his New Deal programme. The 1940 Investment Company Act uses the MFS example to set a template for retail investment funds that endures today.

**1950s**

MUTUAL FUNDS BECOME MAINSTREAM

Ordinary Americans turn en masse to mutual funds to save for their long-term goals. In 1959, Time Magazine puts the MFS chief on its cover to mark the industry's jump from 1mn shareholders with \$1.5bn in assets to 3.9mn investors with \$14bn.

**1980s**

RETIREMENT PLAN BOOST

Large US companies, led by Occidental Petroleum in 1983, begin shifting away from offering specific pension benefits to defined contribution plans that used mutual funds. These 401k plans allowed employers to match their workers' contributions to slates of mutual funds inside tax-advantaged accounts.



Traders work in the trading day on the floor of the New York Stock Exchange © Getty



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**1993**

FIRST EXCHANGE TRADED FUND

The biggest challenge to mutual fund dominance gets under way in January 1993, when State Street Global Advisors launched SPY, a fund listed on the New York Stock Exchange that tracks the S&P 500. It now has \$500bn in assets and is the world's most traded security — with \$38bn in daily transactions.

**2019**

SEC PASSES 'THE ETF RULE'

The US Securities and Exchange Commission revamps the rules for exchange traded funds, allowing asset managers to launch new ETFs much faster and making it easier for established mutual fund companies to launch actively managed ETFs.

**2024**

BITCOIN ETFs GO GANGBUSTERS

The first ETFs that invest directly in Bitcoin launch, extending the reach of the new product into cryptocurrencies. The BlackRock version climbs to \$10bn in assets in about seven weeks, the fastest ever debut of any fund.

One hundred years ago on Thursday, Edward Leffler, a former door-to-door salesman of pots and pans, revolutionised financial markets. His invention, the open-ended mutual fund, allowed retail customers to buy into a diversified portfolio of stocks...

Mutual funds manage nearly \$20tn in US assets and about \$63tn worldwide...

Today, the mutual fund's dominance is under threat from newer rivals that promise tax advantages, lower fees and rapid trading... Mutual funds may be losing popularity, but that doesn't mean they are going away anytime soon... More than \$10.4tn is in US defined contribution pension plans, and another \$5.8tn is in individual retirement accounts...

[Article published by the Financial Times, March 31, 2024.](#)