

Comments by Spencer Davidson, Chairman, President and Chief Executive Officer of General American Investors Company, Inc. at the Annual Meeting on April 15, 2009.

Last year was the worst market for U.S. equities in seven decades with most of the damage occurring in the fourth quarter.

The recession, hinted at earlier in the year 2008, was fully apparent by year-end (December 2008) with unemployment rising rapidly, housing prices continuing to decline, auto sales flagging, and financial markets reflecting crisis conditions.

It was a difficult and disappointing year for shareholders and staff, **all** of whom are shareholders. It was particularly frustrating because our results were achieved without the benefit of having owned Fannie Mae, Freddie Mac or Sallie Mae, GE, the money center banks, or the automobile companies. In the interest of full disclosure, we did own a small position in AIG. Last year we essentially gave back the prior four years' returns. During the current management's tenure of 13 years, GAM returned 7% compounded annually which was almost two times that of the S&P 500 (3.72%), our benchmark.

Our investment process has remained consistent – intensive fundamental research carried out by seasoned professionals with emphasis on long-term gains. As a consequence, portfolio turnover is modest, 25% last year, and the frictional costs of trading are contained. Likewise, owing to our variable cost structure, bonuses declined by almost 60% through our performance and compensation measurement fiscal year ended October 31, 2008, which facilitated a total expense ratio of less than 1% (87 bps) on average assets – well below industry norms. There are no stock options or other emoluments at GAM.

Last year's precipitous decline in equity values continued into the second week of March. The market has rallied strongly since then, supported by some data suggesting that the steep decline in the world economy may be bottoming out, even if recovery has not yet begun. Our portfolio has participated fully in the rally and was near break-even for the year late last week. While ahead of the averages, we are now down about 4% YTD on a net asset value basis.

While we believe the worst of the contraction may be behind us, the recovery, when it comes, is likely to be subdued. Personal consumption, which makes up 70% of the economy, may well be muted owing to the erosion of wealth represented by home equity and marketable securities. Credit creation, we believe, will be constrained because of the damaged condition of financial institutions in general, and money center banks in particular.

The specter of inflation, and its effect on interest rates and the value of the dollar, remains an important concern. It is essential that the Government's aggressive policy response to

the recession in the form of unprecedented monetary and fiscal stimulus be managed carefully, since these measures are historically associated with surging inflation.

The current period of uncertainty requires among other things that we treat with a change in the narrative of the past three decades, which has been that the market knows more than the government. Our response has been to enhance the quality of the portfolio, in terms of balance sheet and market position, at every turn; to emphasize value retailers, for example, Wal-Mart, Costco and TJX while retaining a healthy cash position, currently around 15% and de-leveraging somewhat through the repurchase of our preferred shares.

As the economic recovery unfolds, with our exceptional staff in place, we look forward to the investment opportunities that are likely to present themselves.