

GENERAL AMERICAN INVESTORS CO INC
Form N-CSRS
August 05, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-00041

GENERAL AMERICAN INVESTORS COMPANY, INC.

(Exact name of registrant as specified in charter)

100 Park Avenue, 35th Floor, New York, New York 10017

(Address of principal executive offices) (Zip code)

Eugene S. Stark
General American Investors Company, Inc.
100 Park Avenue
35th Floor
New York, New York 10017
(Name and address of agent for service)

Copy to:
John E. Baumgardner, Jr., Esq.
Sullivan & Cromwell LLP
125 Broad Street
New York, New York 10004

Registrant's telephone number, including area code: 212-916-8400

Date of fiscal year end: December 31

Date of reporting period: June 30, 2011

Item 1: Report to Shareholders

For the six months ended June 30, 2011, the net asset value per Common Share increased 4.4%, while the investment return to our stockholders increased by 4.6%. By comparison, our benchmark, the Standard & Poor's 500 Stock Index (including income), increased 6.0%. For the twelve months ended June 30, 2011, the return on the net asset value per Common Share increased by 31.8%, and the return to our stockholders increased by 33.3%; these compare with an increase of 30.7% for the S&P 500. During both periods, the discount at which our shares traded continued to fluctuate and on June 30, 2011, it was 14.0%.

As detailed in the accompanying financial statements (unaudited), as of June 30, 2011, the net assets applicable to the Company's Common Stock were \$983,696,903 equal to \$32.64 per Common Share.

The increase in net assets resulting from operations for the six months ended June 30, 2011 was \$40,771,302. During this period, the net realized gain on investments sold was \$14,893,026, and the increase in net unrealized appreciation was \$29,476,113. Net investment income for the six months was \$2,058,149, and distributions to Preferred Stockholders amounted to \$5,655,986.

During the six months, 281,208 shares of the Company's Common Stock were repurchased for \$8,015,335 at an average discount from net asset value of 13.9%.

Equity markets turned choppy in the second quarter, trading in a greater-than-average 8% range, reflecting the divergence between continuing positive corporate earnings and an uncertain macro-economic environment. Despite high levels of unemployment and weak house prices, which have both dampened

domestic consumer spending, results have been buoyed by strong demand from emerging markets and ongoing improvements in productivity. Earnings have been enhanced, furthermore, by restructurings and stock buy backs, facilitated by historically low interest rates and greatly improved balance sheets.

We believe that the partisan divide in the Congress that has made it difficult to resolve the debt ceiling issue will be overcome, at least in the near term. More critically, the continued inability of policy makers in Europe to decide who is to be saved, and on what terms, increases the risk of the sovereign debt crisis spreading from peripheral to core countries. While Greece, Ireland, and Portugal play modest roles in the European Union with respect to trade, they are fully integrated within its financial and banking systems. Because of Europe's porous financial borders, the crisis could affect trade, reduce demand for exports, and lead to recession.

Information about the Company, including our investment objectives, operating policies and procedures, investment results, record of dividend and distribution payments, financial reports and press releases, is on our website and has been updated through June 30, 2011. It can be accessed on the internet at www.generalamericaninvestors.com.

By Order of the Board of Directors,

GENERAL AMERICAN INVESTORS COMPANY, INC.

Spencer Davidson
Chairman of the Board
President and Chief Executive Officer
July 20, 2011

Shares	COMMON STOCKS	Value (note 1a)
AEROSPACE/DEFENSE (2.9%)		
325,000	United Technologies Corporation	(Cost \$22,957,205) \$28,765,75
BUILDING AND REAL ESTATE (1.3%)		
1,516,755	CEMEX, S.A. de C.V. ADR* (a)	(Cost \$17,071,232) 13,044,09
COMMUNICATIONS AND INFORMATION SERVICES (6.7%)		
960,000	Cisco Systems, Inc.	14,985,60
300,000	MSCI Inc. Class A (a)	11,304,00
700,000	QUALCOMM Incorporated	39,753,00
		(Cost \$47,448,301) 66,042,60
COMPUTER SOFTWARE AND SYSTEMS (9.0%)		
60,000	Apple Inc. (a)	20,140,20
1,015,000	Dell Inc. (a)	16,920,00
770,000	Microsoft Corporation	20,020,00
55,000	Nintendo Co., Ltd.	10,279,60
360,000	Teradata Corporation (a)	21,672,00
		(Cost \$80,719,797) 89,031,90
CONSUMER PRODUCTS AND SERVICES (11.8%)		
350,000	Diageo plc ADR*	28,654,50
450,000	Nestle S.A.	27,673,70
325,000	PepsiCo, Inc.	22,889,70
206,000	Towers Watson & Co. Class A	13,536,20
706,479	Unilever N.V.	23,107,70
		(Cost \$81,170,410) 115,862,00
ENVIRONMENTAL CONTROL (INCLUDING SERVICES) (5.4%)		
957,100	Republic Services, Inc.	29,526,50
630,000	Waste Management, Inc.	23,480,10
		(Cost \$39,190,474) 53,006,60
FINANCE AND INSURANCE (23.4%)		
BANKING (4.0%)		
500,000	Bond Street Holdings LLC (a) (b)	10,250,00
475,000	JPMorgan Chase & Co.	19,446,50
110,000	M&T Bank Corporation	9,674,50
		(Cost \$29,768,412) 39,371,00
INSURANCE (10.2%)		
915,000	Arch Capital Group Ltd. (a)	29,206,80
245,000	Everest Re Group, Ltd.	20,028,70

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37,500	Forethought Financial Group, Inc. Class A with Warrants (a) (c)	7,612,500
325,000	MetLife, Inc.	14,257,700
260,000	PartnerRe Ltd.	17,901,000
190,000	The Travelers Companies, Inc.	11,092,200
		(Cost \$47,617,285) 100,099,000
OTHER (9.2%)		
350,000	American Express Company	18,095,000
330,492	Aon Corporation	16,954,200
110	Berkshire Hathaway Inc. Class A (a)	12,771,500
1,666,667	Epoch Holding Corporation	29,750,000
605,000	Nelnet, Inc.	13,346,300
		(Cost \$38,371,848) 90,917,000
		(Cost \$115,757,545) 230,387,000

Shares	COMMON STOCKS (continued)	Value (note 1a)
HEALTH CARE / PHARMACEUTICALS (6.5%)		
40,000	Amgen Inc. (a)	\$2,334,000
200,000	Celgene Corporation (a)	12,064,000
122,600	Cephalon, Inc. (a)	9,795,740
529,900	Cytokinetics, Incorporated (a)	662,375
564,500	Gilead Sciences, Inc. (a)	23,375,945
755,808	Pfizer Inc.	15,569,645
195,344	Poniard Pharmaceuticals, Inc. (a)	44,929
		(Cost \$58,891,262) 63,846,634
MACHINERY AND EQUIPMENT (4.7%)		
1,200,000	ABB Ltd. ADR*	31,140,000
900,000	The Manitowoc Company, Inc.	15,156,000
		(Cost \$23,703,922) 46,296,000
METALS AND MINING (2.3%)		
367,700	Alpha Natural Resources, Inc. (a)	16,708,288
150,000	Nucor Corporation	6,183,000
		(Cost \$23,717,462) 22,891,288
MISCELLANEOUS (5.1%)		
	Other (d)	(Cost \$58,861,427) 50,513,746
OIL AND NATURAL GAS (INCLUDING SERVICES) (13.7%)		
296,478	Apache Corporation	36,582,421

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300,000	Canadian Natural Resources Limited		12,558,000
130,062	Devon Energy Corporation		10,250,186
715,000	Halliburton Company		36,465,000
2,050,000	Weatherford International Ltd. (a)		38,437,500
		(Cost \$73,896,281)	134,293,107
RETAIL TRADE (17.6%)			
575,000	Costco Wholesale Corporation		46,713,000
400,000	J.C. Penney Company, Inc.		13,816,000
331,000	Target Corporation		15,527,210
1,512,400	The TJX Companies, Inc.		79,446,372
333,000	Wal-Mart Stores, Inc.		17,695,620
		(Cost \$71,856,319)	173,198,202
SEMICONDUCTORS (2.2%)			
575,000	ASML Holding N.V.	(Cost \$13,463,950)	21,252,000
TECHNOLOGY (3.4%)			
750,000	International Game Technology		13,185,000
1,900,000	Xerox Corporation		19,779,000
		(Cost \$34,368,474)	32,964,000
TOTAL COMMON STOCKS (116.0%)			(Cost \$763,074,061) 1,141,395,102
Warrants		WARRANT	
BANKING (0.3%)			
225,000	JPMorgan Chase & Co., expires 10/28/2018 (a)	(Cost \$2,865,853)	3,030,750

Shares	SHORT-TERM SECURITY AND OTHER ASSETS		Value (note 1a)
30,925,581	SSgA U.S. Treasury Money Market Fund (3.2%)	(Cost \$30,925,581)	\$30,925,581
TOTAL INVESTMENTS (e) (119.5%)			(Cost \$796,865,495) 1,175,351,433
Liabilities in excess of cash, receivables and other assets (-0.2%)			(1,537,355)
PREFERRED STOCK (-19.3%)			(190,117,175)
NET ASSETS APPLICABLE TO COMMON STOCK (100%)			\$983,696,903

* ADR - American Depository Receipt

(a) Non-income producing security.

(b) Level 3 fair value measurement, restricted security acquired 11/4/09, aggregate cost \$10,000,000, unit cost is \$20 per share, note 2. Fair value is based upon dated bid and transaction prices provided via the NASDAQ OMX Group, Inc. PORT transfer system for privately placed equity securities traded in the over-the-counter market among qualified investors and share.

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- (c) Level 3 fair value measurement, restricted security acquired 11/3/09, aggregate cost \$7,500,000, unit cost is \$200 per share, note 2. Fair valuation is based upon a transaction and, secondarily, a market approach using valuation metrics (market price-book value multiples), and changes therein, relative to a peer group of companies established by the underwriters.
- (d) Securities which have been held for less than one year, not previously disclosed, and not restricted.
- (e) At June 30, 2011: the cost of investments for Federal income tax purposes was the same as the cost for financial reporting. Unrealized appreciation was \$416,541,208, aggregate gross unrealized depreciation was \$38,055,270, and net unrealized appreciation was \$378,485,938.

Contracts	Value
(100 shares each) COMMON STOCK/EXPIRATION DATE/EXERCISE PRICE	(note 1a)
TECHNOLOGY	
100 Apple Inc./July 2011/\$335.00 (Premium Deposited with Broker \$94,166)	\$51,000

(see notes to financial statements)

	SHARES TRANSACTION	SHARES HELD
INCREASES		
NEW POSITION		
Amgen Inc.	—	40,000 (b)
ADDITIONS		
Alpha Natural Resources, Inc.	143,500	367,700 (c)
JPMorgan Chase & Co.	50,000	475,000
JPMorgan Chase & Co., Warrants expiring 10/28/2018	50,000	225,000
Nelnet, Inc.	15,000	605,000
DECREASES		
ELIMINATIONS		
Fidelity National Financial, Inc.	525,000	—
Transatlantic Holdings, Inc.	83,000	—
REDUCTIONS		
American Express Company	25,000	350,000
Arch Capital Group Ltd.	30,000	915,000 (d)
CEMEX, S.A. de C.V. ADR	300,000	1,516,755
Cephalon, Inc.	139,500	122,600
Halliburton Company	10,000	715,000
The Travelers Companies, Inc.	10,000	190,000

- (a) Common shares unless otherwise noted; excludes transactions in Common Stocks - Miscellaneous - Other.
- (b) Shares purchased in prior period and previously carried under Common Stocks - Miscellaneous - Other.
- (c) Shares received in a merger with Massey Energy Company

(d) Includes shares received from a stock split.

The diversification of the Company's net assets applicable to its Common Stock by industry group as of June 30, 2011 is shown below:

INDUSTRY CATEGORY	COST(000)	VALUE(000)	PERCENT COMMON NET ASSETS*
Finance and Insurance			
Banking	\$32,634	\$42,402	4.3%
Insurance	47,617	100,099	10.2
Other	38,372	90,917	9.2
	118,623	233,418	23.7
Retail Trade	71,856	173,198	17.6
Oil and Natural Gas (Including Services)	73,896	134,293	13.7
Consumer Products and Services	81,171	115,862	11.8
Computer Software and Systems	80,720	89,032	9.0
Communications and Information Services	47,448	66,042	6.7
Health Care/Pharmaceuticals	58,891	63,847	6.5
Environmental Control (Including Services)	39,191	53,007	5.4
Miscellaneous**	58,861	50,514	5.1
Machinery and Equipment	23,704	46,296	4.7
Technology	34,369	32,964	3.4
Aerospace/Defense	22,957	28,766	2.9
Metals and Mining	23,718	22,891	2.3
Semiconductors	13,464	21,252	2.2
Building and Real Estate	17,071	13,044	1.3
	765,940	1,144,426	116.3
Short-Term Securities	30,925	30,925	3.2
Total Investments	\$796,865	1,175,351	119.5
Other Assets and Liabilities - Net		(1,537)	(0.2)
Preferred Stock		(190,117)	(19.3)
Net Assets Applicable to Common Stock		\$983,697	100.0%

* Net Assets applicable to the Company's Common Stock.

** Securities which have been held for less than one year, not previously disclosed, and not restricted.

(see notes to financial statements)

ASSETS

INVESTMENTS, AT VALUE (NOTE 1a)		
Common stocks (cost \$763,074,061)		\$1,141,395,102
Warrant (cost \$2,865,853)		3,030,750
Money market fund (cost \$30,925,581)		30,925,581
Total investments (cost \$796,865,495)		1,175,351,433
RECEIVABLES AND OTHER ASSETS		
Cash held by custodian in segregated account*	\$3,517,271	
Dividends, interest and other receivables	874,426	
Qualified pension plan asset, net excess funded (note 7)	3,884,075	
Prepaid expenses and other assets	2,321,517	10,597,289
TOTAL ASSETS		1,185,948,722
LIABILITIES		
Payable for securities purchased	1,718,545	
Accrued preferred stock dividend not yet declared	219,955	
Outstanding option written, at value (premium received \$94,166)	51,000	
Accrued supplemental pension plan liability (note 7)	3,809,325	
Accrued supplemental thrift plan liability (note 7)	3,452,697	
Accrued expenses and other liabilities	2,883,122	
TOTAL LIABILITIES		12,134,644
5.95% CUMULATIVE PREFERRED STOCK, SERIES B -		
7,604,687 shares at a liquidation value of \$25 per share (note 5)		190,117,175
NET ASSETS APPLICABLE TO COMMON STOCK - 30,142,086 shares (note 5)		\$983,696,903
NET ASSET VALUE PER COMMON SHARE		\$32.64
NET ASSETS APPLICABLE TO COMMON STOCK		
Common Stock, 30,142,086 shares at par value (note 5)	\$30,142,086	
Additional paid-in capital (note 5)	565,185,268	
Undistributed net investment income (note 5)	5,779,653	
Undistributed realized gain on investments	14,757,714	
Accumulated other comprehensive income (note 7)	(4,820,981)	
Unallocated distributions on Preferred Stock	(5,875,941)	
Unrealized appreciation on investments	378,529,104	
NET ASSETS APPLICABLE TO COMMON STOCK		\$983,696,903

* Collateral for options written.

(see notes to financial statements)

INCOME

Dividends (net of foreign withholding taxes of \$491,759) \$9,

Interest

EXPENSES

Investment research 4,

Administration and operations 1,

Office space and general

Directors' fees and expenses

Auditing and legal fees

Miscellaneous taxes

Transfer agent, custodian and registrar fees and expenses

Stockholders' meeting and reports

NET INVESTMENT GAIN

REALIZED GAIN AND CHANGE IN UNREALIZED APPRECIATION ON INVESTMENTS (NOTES 1, 3 AND 4)

Net realized gain on investments:

Securities transactions (long-term, except for \$303,487) 14,

Net increase in unrealized appreciation on investments 29,

NET GAIN ON INVESTMENTS

DISTRIBUTIONS TO PREFERRED STOCKHOLDERS

INCREASE IN NET ASSETS RESULTING FROM OPERATIONS

	Six Months Ended	
	June 30, 2011	Year Ended
	(Unaudited)	December
OPERATIONS		
Net investment income	\$2,058,149	\$
Net realized gain on investments	14,893,026	19
Net increase in unrealized appreciation	29,476,113	109
	46,427,288	134
Distributions to Preferred Stockholders:		
From net investment income	—	(2)
From short-term capital gains	—	(
From long-term capital gains	—	(8)
Unallocated distributions	(5,655,986)	
Decrease in net assets from Preferred distributions	(5,655,986)	(11)
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	40,771,302	123
OTHER COMPREHENSIVE INCOME - Funded status of defined benefit plans (note 7)	—	

DISTRIBUTIONS TO COMMON STOCKHOLDERS

From net investment income	—	(2)
From short-term capital gains	—	(1)
From long-term capital gains	—	(9)
DECREASE IN NET ASSETS FROM COMMON DISTRIBUTIONS	—	(13)

CAPITAL SHARE TRANSACTIONS (NOTE 5)

Value of Common Shares issued in payment of dividends and distributions	—	7
Cost of Common Shares purchased	(8,015,335)	(30)
DECREASE IN NET ASSETS - CAPITAL TRANSACTIONS	(8,015,335)	(23)
NET INCREASE IN NET ASSETS	32,755,967	8

NET ASSETS APPLICABLE TO COMMON STOCK

BEGINNING OF PERIOD	950,940,936	86
END OF PERIOD (including undistributed net investment income of \$5,779,653 and \$3,721,504, respectively)	\$983,696,903	\$95

(see notes to financial statements)

The following table shows per share operating performance data, total investment return, ratios and supplemental data for the June 30, 2011 and for each year in the five-year period ended December 31, 2010. This information has been derived from the financial statements and market price data for the Company's shares.

	Six Months Ended		Year Ended December 31,		
	June 30, 2011 (Unaudited)	2010	2009	2008	2007
PER SHARE OPERATING PERFORMANCE					
Net asset value, beginning of period	\$31.26	\$27.50	\$21.09	\$38.10	\$40.54
Net investment income	.07	.19	.11	.42	.31
Net gain (loss) on securities - realized and unrealized	1.50	4.37	6.94	(16.15)	3.39
Other comprehensive income	—	—	.07	(.25)	.02
	1.57	4.56	7.12	(15.98)	3.72
Distributions on Preferred Stock:					
Dividends from net investment income	—	(.07)	(.11)	(.11)	(.02)
Distributions from net short-term capital gains	—	(.03)	(.05)	—	(.03)
Distributions from net long-term capital gains	—	(.27)	(.19)	(.27)	(.36)
Distributions from return of capital	—	—	(.01)	—	—

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Unallocated	(.19)	—	—	—	—	—
	(.19)	(.37)	(.36)	(.38)	(.41)	
Total from investment operations	1.38	4.19	6.76	(16.36)	3.31	
Distributions on Common Stock:						
Dividends from net investment income	—	(.08)	(.10)	(.19)	(.33)	
Distributions from net short-term capital gains	—	(.03)	(.05)	—	(.38)	
Distributions from net long-term capital gains	—	(.32)	(.19)	(.46)	(5.04)	
Distributions from return of capital	—	—	(.01)	—	—	
	—	(.43)	(.35)	(.65)	(5.75)	
Net asset value, end of period	\$32.64	\$31.26	\$27.50	\$21.09	\$38.10	
Per share market value, end of period	\$28.06	\$26.82	\$23.46	\$17.40	\$34.70	
TOTAL INVESTMENT RETURN - Stockholder						
return, based on market price per share	4.62%*	16.24%	36.86%	(48.20%)	8.72%	
RATIOS AND SUPPLEMENTAL DATA						
Net assets applicable to Common Stock, end of period (000's omitted)	\$983,697	\$950,941	\$864,323	\$674,598	\$1,202,923	\$1,
Ratio of expenses to average net assets applicable to Common Stock	1.42%**	1.54%	1.93%	0.87%	1.11%	
Ratio of net income to average net assets applicable to Common Stock	0.42%**	0.66%	0.46%	1.31%	0.78%	
Portfolio turnover rate	6.89%*	18.09%	24.95%	25.52%	31.91%	
PREFERRED STOCK						
Liquidation value, end of period (000's omitted)	\$190,117	\$190,117	\$190,117	\$199,617	\$200,000	\$
Asset coverage	617%	600%	555%	438%	701%	
Liquidation preference per share	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	
Market value per share	\$25.21	\$24.95	\$24.53	\$21.90	\$21.99	

*Not annualized

**Annualized

(see notes to financial statements)

1. SIGNIFICANT ACCOUNTING POLICIES