

GENERAL AMERICAN INVESTORS CO INC

Form N-30B-2

October 20, 2011

For the nine months ended September 30, 2011, the net asset value per Common Share decreased 14.7%, while the investment return to our stockholders decreased by 14.4%. By comparison, our benchmark, the Standard & Poor's 500 Stock Index (including income), decreased 8.7%. For the twelve months ended September 30, 2011, the return on the net asset value per Common Share decreased by 6.2%, and the return to our stockholders decreased by 4.3%; these compare with an increase of 1.1% for the S&P 500. During both periods, the discount at which our shares traded continued to fluctuate and on September 30, 2011, it was 13.9%.

As detailed in the accompanying financial statements (unaudited), as of September 30, 2011, the net assets applicable to the Company's Common Stock were \$795,682,693 equal to \$26.66 per Common Share.

The decrease in net assets resulting from operations for the nine months ended September 30, 2011 was \$139,818,926. During this period, the net realized gain on investments sold was \$15,448,006, and the decrease in net unrealized appreciation was \$149,590,734. Net investment income for the nine months was \$2,807,781, and distributions to Preferred Stockholders amounted to \$8,483,979.

During the nine months, 579,019 shares of the Company's Common Stock were repurchased for \$15,439,317 at an average discount from net asset value of 13.9%.

Referencing our last commentary, the crisis in Europe surrounding the sustainability of sovereign debt appears to be affecting global trade, as evidenced by lower commodity prices and slowing Asian demand. It seems clear that the scope of the problem is such

The U.S. is not currently on a path that is fiscally sustainable. Our debts are excessive, our benefits too great, and our revenues inadequate. There are policy solutions that allow for the burden sharing that must take place and it remains probable that they will be found. Meanwhile, the past few months have seen a deterioration in financial conditions. Extraordinarily, the yield on the stocks in the S&P 500 Index now exceeds that of 10-year treasury bonds, which demonstrates that easy money may be a necessary, but not sufficient, condition for higher equity values. While there are similarities to the environment leading up to the 2008 financial crisis, including problem assets in the banking system and spiking market volatility, differences predominate. By most measures, valuations are conservative, earnings have held up, companies are behaving cautiously by holding cash at record levels, and the prospect of a double-dip recession is receding. Recent data suggest an economy that continues to expand modestly.

While our results have suffered, largely due to weakness in energy-related securities, and mindful of the slowdown in the global economy and the prospect for a prolonged subpar recovery from the past recession, the case for equities, on a longer-term basis continues intact. Although the investment climate may remain volatile our portfolio should be supported by low interest rates and compelling valuations.

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 September 30, 2011. It can be accessed on the internet at [www.generalamericaninvestors.com](http://www.generalamericaninvestors.com).

## Edgar Filing: GENERAL AMERICAN INVESTORS CO INC - Form N-30B-2

that conventional remedies like austerity-based lending together with some structural reforms are inadequate. We believe that European leaders will ultimately summon the will to create a framework that allows for access to capital at reasonable rates and restores investor confidence, but, because the cost must be born by taxpayers from 17 different countries, the time to reach consensus may be protracted.

By Order of the Board of Directors,

GENERAL AMERICAN INVESTORS COMPANY, INC.

*Spencer Davidson*

*Chairman of the Board*

*President and Chief Executive Officer*

October 12, 2011

Shares	COMMON STOCKS	Value (note 1a)
<b>AEROSPACE/DEFENSE (2.9%)</b>		
325,000	United Technologies Corporation	(Cost \$22,957,205) \$22,867,000
<b>COMMUNICATIONS AND INFORMATION SERVICES (7.1%)</b>		
960,000	Cisco Systems, Inc.	14,880,000
255,000	MSCI Inc. Class A (a)	7,734,150
700,000	QUALCOMM Incorporated	34,041,000
		(Cost \$46,083,491) 56,655,150
<b>COMPUTER SOFTWARE AND SYSTEMS (9.5%)</b>		
60,000	Apple Inc. (a)	22,879,200
1,015,000	Dell Inc. (a)	14,352,100
770,000	Microsoft Corporation	19,165,300
360,000	Teradata Corporation	19,270,800
		(Cost \$65,058,433) 75,667,400
<b>CONSUMER PRODUCTS AND SERVICES (13.4%)</b>		
350,000	Diageo plc ADR*	26,575,500
450,000	Nestle S.A.	24,673,325
325,000	PepsiCo, Inc.	20,117,500
206,000	Towers Watson & Co. Class A	12,314,680
712,288	Unilever N.V.	22,467,957
		(Cost \$81,355,585) 106,148,962
<b>ENVIRONMENTAL CONTROL (INCLUDING SERVICES) (6.0%)</b>		
957,100	Republic Services, Inc.	26,856,226
630,000	Waste Management, Inc.	20,512,800
		(Cost \$39,190,474) 47,369,026
<b>FINANCE AND INSURANCE (26.6%)</b>		
<b>BANKING (4.2%)</b>		
500,000	Bond Street Holdings LLC (a) (b)	10,250,000
520,000	JPMorgan Chase & Co.	15,662,400

Edgar Filing: GENERAL AMERICAN INVESTORS CO INC - Form N-30B-2

110,000	M&T Bank Corporation		7,689,000
		(Cost \$31,140,007)	33,601,400
INSURANCE (13.0%)			
875,000	Arch Capital Group Ltd. (a)		28,590,625
245,000	Everest Re Group, Ltd.		19,448,100
53,500	Forethought Financial Group, Inc. Class A (a) (c)		10,860,500
325,000	MetLife, Inc.		9,103,250
275,000	PartnerRe Ltd.		14,374,250
400,000	Platinum Underwriters Holdings, Ltd.		12,300,000
180,000	The Travelers Companies, Inc.		8,771,400
		(Cost \$65,172,570)	103,448,125
OTHER (9.4%)			
315,000	American Express Company		14,143,500
330,492	Aon Corporation		13,874,054
110	Berkshire Hathaway Inc. Class A (a)		11,748,000
1,666,667	Epoch Holding Corporation		22,616,671
645,000	Nelnet, Inc.		12,113,100
		(Cost \$37,619,544)	74,495,325
		(Cost \$133,932,121)	211,544,850

---

Shares	COMMON STOCKS (continued)		Value (note 1a)
HEALTH CARE / PHARMACEUTICALS (6.1%)			
40,000	Amgen Inc.		\$2,198,400
170,000	Celgene Corporation (a)		10,524,700
529,900	Cytokinetics, Incorporated (a)		619,983
564,500	Gilead Sciences, Inc. (a)		21,902,600
755,808	Pfizer Inc.		13,362,685
195,344	Poniard Pharmaceuticals, Inc. (a)		24,418
		(Cost \$50,609,652)	48,632,786
MACHINERY AND EQUIPMENT (3.3%)			
1,200,000	ABB Ltd. ADR*		20,496,000
900,000	The Manitowoc Company, Inc.		6,039,000
		(Cost \$23,703,922)	26,535,000
METALS AND MINING (1.6%)			
467,700	Alpha Natural Resources, Inc. (a)		8,273,613
150,000	Nucor Corporation		4,746,000
		(Cost \$25,756,342)	13,019,613
MISCELLANEOUS (5.5%)			

Edgar Filing: GENERAL AMERICAN INVESTORS CO INC - Form N-30B-2

Other (d)	(Cost \$67,119,289)	43,487,727
OIL AND NATURAL GAS (INCLUDING SERVICES) (11.0%)		
296,478 Apache Corporation		23,789,395
300,000 Canadian Natural Resources Limited		8,781,000
130,062 Devon Energy Corporation		7,210,637
750,000 Halliburton Company		22,890,000
2,050,000 Weatherford International Ltd. (a)		25,030,500
	(Cost \$74,984,196)	87,701,532
RETAIL TRADE (19.6%)		
394,500 Costco Wholesale Corporation		32,400,285
460,000 Target Corporation		22,558,400
1,512,400 The TJX Companies, Inc.		83,892,828
333,000 Wal-Mart Stores, Inc.		17,282,700
	(Cost \$60,947,765)	156,134,213
SEMICONDUCTORS (2.5%)		
575,000 ASML Holding N.V.	(Cost \$13,463,950)	19,860,500
TECHNOLOGY (3.0%)		
750,000 International Game Technology		10,897,500
1,900,000 Xerox Corporation		13,243,000
	(Cost \$34,368,474)	24,140,500
TOTAL COMMON STOCKS (118.1%)	(Cost \$739,530,899)	939,764,259
Warrants	WARRANT	
BANKING (0.3%)		
225,000 JPMorgan Chase & Co., expires 10/28/2018 (a)	(Cost \$2,865,853)	2,094,750

---

Shares	SHORT-TERM SECURITY AND OTHER ASSETS		Value (note 1a)
49,153,165	SSgA U.S. Treasury Money Market Fund (6.2%)	(Cost \$49,153,165)	\$49,153,165
	TOTAL INVESTMENTS (e) (124.6%)	(Cost \$791,549,917)	991,012,174
	Liabilities in excess of cash, receivables and other assets (-0.7%)		(5,212,306)
	PREFERRED STOCK (-23.9%)		(190,117,175)
	NET ASSETS APPLICABLE TO COMMON STOCK (100%)		\$795,682,693

\* 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 and fair value is \$20.50 per

## Edgar Filing: GENERAL AMERICAN INVESTORS CO INC - Form N-30B-2

share, note 2. Fair value is based upon bid and/or transaction prices provided via the NASDAQ OMX Group, Inc. PORTAL Alliance trading and trans-

fer system for privately placed equity securities traded in the over-the-counter market among qualified investors.

(c) Level 3 fair value measurement, restricted security acquired 11/3/09, aggregate cost \$10,748,000, unit cost is \$200.90 per share and fair value is \$203 per

share, note 2. Fair valuation is based upon recent transactions and, secondarily, a market approach using valuation metrics (market price-earnings and

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 September 30, 2011: the cost of investments for Federal income tax purposes was the same as the cost for financial reporting purposes, aggregate

gross unrealized appreciation was \$289,908,884, aggregate gross unrealized depreciation was \$90,446,627, and net unrealized appreciation was

\$199,462,257.

(see notes to financial statements)

---

INCREASES	SHARES TRANSACTIONED	SHARES HELD
NEW POSITION		
Platinum Underwriters Holdings, Ltd.	25,000	400,000 (b)
ADDITIONS		
Alpha Natural Resources, Inc.	100,000	467,700
Forethought Financial Group, Inc. Class A	16,000	53,500
Halliburton Company	35,000	750,000
JPMorgan Chase & Co.	45,000	520,000
Nelnet, Inc.	40,000	645,000
PartnerRe Ltd.	15,000	275,000
Target Corporation	129,000	460,000
Unilever N.V.	5,809	712,288
DECREASES		
ELIMINATIONS		
CEMEX, S.A. de C.V. ADR	1,516,755	—
Cephalon, Inc.	122,600	—
J.C. Penney Company, Inc.	400,000	—
Nintendo Co., Ltd.	55,000	—
REDUCTIONS		
American Express Company	35,000	315,000

Edgar Filing: GENERAL AMERICAN INVESTORS CO INC - Form N-30B-2

Arch Capital Group Ltd.	40,000	875,000
Celgene Corporation	30,000	170,000
Costco Wholesale Corporation	180,500	394,500
MSCI Inc. Class A	45,000	255,000
The Travelers Companies, Inc.	10,000	180,000

(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.

The diversification of the Company's net assets applicable to its Common Stock by industry group as of September 30, 2011 is shown in the following table.

INDUSTRY CATEGORY	COST(000)	VALUE(000)	PERCENT COMMON NET ASSETS*
Finance and Insurance			
Banking	\$34,006	\$35,696	4.5%
Insurance	65,173	103,448	13.0
Other	37,620	74,495	9.4
	136,799	213,639	26.9
Retail Trade	60,948	156,134	19.6
Consumer Products and Services	81,356	106,149	13.4
Oil and Natural Gas (Including Services)	74,984	87,702	11.0
Computer Software and Systems	65,058	75,667	9.5
Communications and Information Services	46,083	56,655	7.1
Health Care/Pharmaceuticals	50,610	48,633	6.1
Environmental Control (Including Services)	39,191	47,369	6.0
Miscellaneous**	67,119	43,488	5.5
Machinery and Equipment	23,704	26,535	3.3
Technology	34,368	24,140	3.0
Aerospace/Defense	22,957	22,867	2.9
Semiconductors	13,464	19,861	2.5
Metals and Mining	25,756	13,020	1.6
	742,397	941,859	118.4
Short-Term Securities	49,153	49,153	6.2
Total Investments	\$791,550	991,012	124.6
Other Assets and Liabilities - Net		(5,212)	(0.7)
Preferred Stock		(190,117)	(23.9)
Net Assets Applicable to Common Stock		\$795,683	100.0%

Edgar Filing: GENERAL AMERICAN INVESTORS CO INC - Form N-30B-2

\* 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 \$739,530,899)		\$939,764,259
Warrant (cost \$2,865,853)		2,094,750
Money market fund (cost \$49,153,165)		49,153,165
Total investments (cost \$791,549,917)		991,012,174

RECEIVABLES AND OTHER ASSETS

Dividends, interest and other receivables	\$1,117,733	
Qualified pension plan asset, net excess funded (note 7)	3,671,440	
Prepaid expenses and other assets	2,229,314	7,018,487
TOTAL ASSETS		998,030,661

LIABILITIES

Payable for securities purchased	1,087,915	
Accrued preferred stock dividend not yet declared	219,955	
Accrued supplemental pension plan liability (note 7)	3,845,670	
Accrued supplemental thrift plan liability (note 7)	3,133,044	
Accrued expenses and other liabilities	3,944,209	

TOTAL LIABILITIES		12,230,793
-------------------	--	------------

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 - 29,844,275 shares (note 5)		\$795,682,693
--	--	---------------

NET ASSET VALUE PER COMMON SHARE		\$26.66
----------------------------------	--	---------

NET ASSETS APPLICABLE TO COMMON STOCK

Common Stock, 29,844,275 shares at par value (note 5)	\$29,844,275	
Additional paid-in capital (note 5)	558,059,097	
Undistributed net investment income (note 5)	6,529,285	
Undistributed realized gain on investments	15,312,694	
Accumulated other comprehensive income (note 7)	(4,820,981)	
Unallocated distributions on Preferred Stock	(8,703,934)	



Unrealized appreciation on investments	199,462,257	
NET ASSETS APPLICABLE TO COMMON STOCK		\$795,682,693

(see notes to financial statements)

INCOME

Dividends (net of foreign withholding taxes of \$528,642)  
Interest

EXPENSES

Investment research  
Administration and operations  
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 INCOME

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 \$288,080)  
Written option transactions (note 1b and 4)

Net decrease in unrealized appreciation on investments

NET LOSS ON INVESTMENTS

DISTRIBUTIONS TO PREFERRED STOCKHOLDERS

DECREASE IN NET ASSETS RESULTING FROM OPERATIONS

	Nine Months Ended September 30, 2011 (Unaudited)	Year December
OPERATIONS		
Net investment income	\$2,807,781	
Net realized gain on investments	15,448,006	

Edgar Filing: GENERAL AMERICAN INVESTORS CO INC - Form N-30B-2

Net increase (decrease) in unrealized appreciation	(149,590,734)	
	(131,334,947)	
Distributions to Preferred Stockholders:		
From net investment income		—
From short-term capital gains		—
From long-term capital gains		—
Unallocated distributions	(8,483,979)	
Decrease in net assets from Preferred distributions	(8,483,979)	
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	(139,818,926)	
OTHER COMPREHENSIVE INCOME - Funded status of defined benefit plans (note 7)		—
DISTRIBUTIONS TO COMMON STOCKHOLDERS		
From net investment income		—
From short-term capital gains		—
From long-term capital gains		—
DECREASE IN NET ASSETS FROM COMMON DISTRIBUTIONS		—
CAPITAL SHARE TRANSACTIONS (NOTE 5)		
Value of Common Shares issued in payment of dividends and distributions		—
Cost of Common Shares purchased	(15,439,317)	
DECREASE IN NET ASSETS - CAPITAL TRANSACTIONS	(15,439,317)	
NET INCREASE (DECREASE) IN NET ASSETS	(155,258,243)	
NET ASSETS APPLICABLE TO COMMON STOCK		
BEGINNING OF PERIOD	950,940,936	
END OF PERIOD (including undistributed net investment income of \$6,529,285 and \$3,721,504, respectively)	\$795,682,693	

(see notes to financial statements)

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

Nine Months Ended	Year Ended December 31,				
	September 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	\$39.00
Net investment income	.10	.19	.11	.42	.31	.34
Net gain (loss) on securities - realized and unrealized	(4.42)	4.37	6.94	(16.15)	3.39	4.72
Other comprehensive income	—	—	.07	(.25)	.02	.03
	(4.32)	4.56	7.12	(15.98)	3.72	5.09
Distributions on Preferred Stock:						
Dividends from net investment income	—	(.07)	(.11)	(.11)	(.02)	(.04)
Distributions from net short-term capital gains	—	(.03)	(.05)	—	(.03)	(.01)
Distributions from net long-term capital gains	—	(.27)	(.19)	(.27)	(.36)	(.36)
Distributions from return of capital	—	—	(.01)	—	—	—
Unallocated	(.28)	—	—	—	—	—
	(.28)	(.37)	(.36)	(.38)	(.41)	(.41)
Total from investment operations	(4.60)	4.19	6.76	(16.36)	3.31	4.68
Distributions on Common Stock:						
Dividends from net investment income	—	(.08)	(.10)	(.19)	(.33)	(.29)
Distributions from net short-term capital gains	—	(.03)	(.05)	—	(.38)	(.04)
Distributions from net long-term capital gains	—	(.32)				