

GENERAL AMERICAN INVESTORS CO INC
Form N-30B-2
October 20, 2014

For the nine months ended September 30, 2014, the net asset value per Common Share increased 5.4% while the investment return to our stockholders increased by 5.3%. By comparison, our benchmark, the Standard & Poor's 500 Stock Index (including income), increased 8.4%. For the twelve months ended September 30, 2014, the return on the net asset value per Common Share increased by 13.6%, and the return to our stockholders increased by 15.2%; these compare with an increase of 19.7% for the S&P 500. During both periods, the discount at which our shares traded continued to fluctuate and on September 30, 2014, it was 14.4%.

As detailed in the accompanying financial statements (unaudited), as of September 30, 2014, the net assets applicable to the Company's Common Stock were \$1,276,977,415 equal to \$43.30 per Common Share.

The increase in net assets resulting from operations for the nine months ended September 30, 2014 was \$63,068,047. During this period, the net realized gain on investments sold was \$89,067,458 and the decrease in net unrealized appreciation was \$25,105,461. Net investment income for the nine months was \$7,590,029 and distributions to Preferred Stockholders amounted to \$8,483,979.

During the nine months, 445,681 shares of the Company's Common Stock were repurchased for \$15,560,378 at an average discount from net asset value of 14.6%.

Throughout this year, we have commented on the performance of the real economy relative to the financial economy. Our discussion examined the role persistently high operating margins played in conjunction with the Federal Reserve's extraordinary interest rate policies in the elevation of the U.S. equity market's earnings multiple and overall favorable performance. With the end of quantitative easing in sight and the prospect of higher short term interest rates, the U.S. stock market appears to have entered a period of relatively higher volatility. Some of that volatility can also be attributed to a number of geopolitical

Unfortunately, while the U.S. recovery has experienced a modest uptick in growth from last year, our trading partners in Asia, Europe, and the emerging economies have not. This has increased the relative value of the U.S. Dollar and reduced demand and prices for commodities including fuels and some finished goods. And while this is a symptom of the weakness abroad, it is on balance a net positive for U.S. consumers. Although recently embracing a modest form of QE intended to jumpstart its economy, Europe continues to suffer from a combination of no growth and deflation amidst structurally inhibited monetary and fiscal policy. Economic confidence has also been depressed by the continuing difficulties in countering Russian aggression against the Ukraine and threats to the Baltics. Asia has yet to fully address its mixed economic performance, particularly Japan and China. Japan instituted a large tax increase in the spring which has dampened demand and China continues to deal with the transition from an export oriented economy to one more balanced with support from domestic demand.

In sum, improved economic growth domestically, in conjunction with low interest rates, appear capable of continuing the U.S. economy's pace of slightly stronger, but still muted growth. Valuations among large capitalized equities remain cheaper relative to small and midsize firms, though recent underperformance by the latter has narrowed that gap considerably. Corporate margins seem to have plateaued, leaving earnings growth tied closer to the real economy's growth rate and productivity improvements. A re-acceleration in non-U.S. economies is likely required to improve economic prospects beyond the current pace of growth. Despite this and putting geopolitical developments aside, equity market valuations appear fair and remain more attractive than fixed income securities given current interest rates.

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

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events.

In the U.S., economic data continue to improve as reflected in the employment data. Non-farm payroll employment is averaging over 200,000 per month compared to approximately 180,000 with adjustments in 2013. While the unemployment rate appears low, due in part to the deterioration in the labor participation rate, wage growth remains slightly above the inflation rate and appears to be near an inflection point. Furthermore, weekly hours worked are approaching levels considered normal for a recovery or expansion. Capital expenditures are improving as are corporate stock repurchases and during the past year merger and acquisition activity has accelerated. All of which suggests corporations are becoming increasingly confident in their future earnings prospects and the overall economy.

updated through September 30, 2014. It can be accessed on the internet at www.generalamericaninvestors.com.

By Order of the Board of Directors,
GENERAL AMERICAN INVESTORS COMPANY, INC.

Jeffrey W. Priest
President and Chief Executive Officer
October 8, 2014

	Shares	COMMON STOCKS	Value (note 1a)
CONSUMER DISCRETIONARY (11.7%)	AUTOMOBILES AND COMPONENTS (1.4%)		
	1,264,063	Ford Motor Company	(Cost \$16,174,723) \$18,695,492
	CONSUMER SERVICES (0.9%)		
	690,000	International Game Technology	(COST \$7,978,541) 11,640,300
	RETAILING (9.4%)		
	284,050	Kohl's Corporation	17,335,571
	460,000	Target Corporation	28,832,800
	1,244,668	The TJX Companies, Inc.	73,647,006
			(Cost \$42,752,572) 119,815,377
			(Cost \$66,905,836) 150,151,169
CONSUMER STAPLES (13.4%)	FOOD, BEVERAGE AND TOBACCO (9.5%)		
	196,039	Danone	13,121,616
	237,400	Diageo plc ADR	27,395,960
	450,000	Nestle S.A.	33,122,902
	195,000	PepsiCo, Inc.	18,152,550
	734,620	Unilever N.V.	29,252,010
			(Cost \$70,472,922) 121,045,038
	FOOD AND STAPLES RETAILING (3.9%)		
394,500	Costco Wholesale Corporation	(Cost \$12,041,935) 49,438,740 (Cost \$82,514,857) 170,483,778	
ENERGY (12.8%)	2,133,269	Alpha Natural Resources, Inc. (a)	5,290,507
	115,000	Anadarko Petroleum Corporation	11,665,600
	331,478	Apache Corporation	31,115,840
	1,232,344	Cameco Corporation	21,763,195
	340,000	Enscopl - Class A	14,045,400
	585,000	Halliburton Company	37,738,350
	145,000	Occidental Petroleum Corporation	13,941,750
	803,803	Ultra Petroleum Corp. (a)	18,696,458
	470,000	Weatherford International plc (a)	9,776,000
			(Cost \$121,679,289) 164,033,100
FINANCIALS (21.9%)	BANKS (2.4%)		
	670,000	FCB Financial Holdings, Inc., Class A (a)	15,215,700
	125,000	M&T Bank Corporation	15,411,250
		(Cost \$13,662,262) 30,626,950	

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DIVERSIFIED FINANCIALS (5.3%)			
255,000	American Express Company		22,322,700
380,000	JPMorgan Chase & Co.		22,891,200
525,000	Nelnet, Inc.		22,622,250
		(Cost \$28,184,141)	67,836,150
INSURANCE (14.2%)			
293,492	Aon plc		25,730,444
750,000	Arch Capital Group Ltd. (a)		41,040,000
	Berkshire Hathaway Inc.		
110	Class A (a)		22,759,000
145,000	Everest Re Group, Ltd.		23,491,450
365,000	MetLife, Inc.		19,607,800
255,000	PartnerRe Ltd.		28,021,950
	Platinum Underwriters		
335,000	Holdings, Ltd.		20,391,450
		(Cost \$56,755,400)	181,042,094
		(Cost \$98,601,803)	279,505,194

	Shares	COMMON STOCKS (continued)	Value (note 1a)
HEALTH CARE		PHARMACEUTICALS, BIOTECHNOLOGY AND LIFE SCIENCES	
(9.4%)	1,200,000	Ariad Pharmaceuticals, Inc. (a)	\$6,480,000
	200,000	Celgene Corporation (a)	18,956,000
	398,600	Gilead Sciences, Inc. (a)	42,430,970
	427,191	Merck & Co., Inc.	25,323,882
	755,808	Pfizer Inc.	22,349,243
	449,475	Repos Therapeutics Inc.	4,449,803
		(Cost \$60,871,047)	119,989,898
INDUSTRIALS		CAPITAL GOODS (5.2%)	
(10.5%)	915,000	General Electric Company	23,442,300
	360,000	Owens Corning	11,430,000
	300,000	United Technologies Corporation	31,680,000
		(Cost \$53,470,464)	66,552,300
		COMMERCIAL AND PROFESSIONAL SERVICES (5.2%)	
	1,037,100	Republic Services, Inc.	40,467,642
	255,798	Towers Watson & Co. Class A	25,451,901
		(Cost \$30,786,660)	65,919,543
		TRANSPORTATION (0.1%)	
	72,500	Hertz Global Holdings, Inc. (a)	1,840,775
		(Cost \$1,569,031)	1,840,775
		(Cost \$85,826,155)	134,312,618
INFORMATION TECHNOLOGY		SEMICONDUCTORS AND SEMICONDUCTOR EQUIPMENT (4.3%)	
(17.9%)	256,850	ASML Holding N.V.	25,381,917
	833,700	Intel Corporation	29,029,434
		(Cost \$24,319,428)	54,411,351
		SOFTWARE AND SERVICES (3.7%)	
	680,686	Microsoft Corporation	31,556,603
	338,654	Synchronoss Technologies, Inc. (a)	15,503,580
		(Cost \$27,810,204)	47,060,183
		TECHNOLOGY HARDWARE AND EQUIPMENT (9.9%)	
	429,000	Apple Inc.	43,221,750
	1,000,000	Cisco Systems, Inc.	25,170,000
	615,000	EMC Corporation	17,994,900
	536,200	QUALCOMM Incorporated	40,091,674

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			(Cost \$68,953,357)	126,478,324
			(Cost \$121,082,989)	227,949,858
MATERIALS	336,300	The Dow Chemical Company	(Cost \$10,566,260)	17,635,572
(1.4%)				
MISCELLANEOUS		Other (b)	(Cost \$29,077,649)	20,697,520
(1.6%)				
TELECOMMUNICATION	459,702	Verizon Communications Inc.		22,980,503
SERVICES	552,688	Vodafone Group plc ADR		18,177,908
(3.2%)			(Cost \$41,177,835)	41,158,411
		TOTAL COMMON STOCKS		
		(103.8%)	(Cost \$718,303,720)	1,325,917,118
	Contracts			
	(100 shares	PUT OPTION/EXPIRATION DATE/EXERCISE		
	each)	PRICE		
Energy (0.0%)	1,500	Weatherford International		
		plc/January 17, 2015/\$20.00	(Cost \$233,010)	169,500

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			Value
Shares	SHORT-TERM SECURITY AND OTHER ASSETS		(note 1a)
135,031,909	SSgA U.S. Treasury Money Market Fund (10.6%)	(Cost \$135,031,909)	\$135,031,909
TOTAL INVESTMENTS (c) (114.4%)		(Cost \$853,568,639)	1,461,118,527
Cash, receivables and other assets less liabilities (0.5%)			5,976,063
PREFERRED STOCK (-14.9%)			(190,117,175)
NET ASSETS APPLICABLE TO COMMON STOCK (100%)			\$1,276,977,415

ADR - American Depository Receipt (a) Non-income producing security.

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

(c) At September 30, 2014 the cost of investments for Federal income tax purposes was the same as the cost for financial reporting purposes, aggregate gross unrealized appreciation was \$637,221,693, aggregate gross unrealized depreciation was \$29,671,806, and net unrealized appreciation was \$607,549,887.

	Contracts (100 shares each)	CALL OPTION/EXPIRATION DATE/EXERCISE PRICE	Value (note 1a)
Energy (0.0%)	1,500	Weatherford International plc/January 17, 2015/\$25.00 (Premium Received \$120,987)	\$70,500

(see notes to unaudited financial statements)

	SHARES TRANSACTIONED	SHARES HELD
INCREASES		
NEW POSITIONS		
Repros Therapeutics Inc.	303,584	449,475 (b)
Synchronoss Technologies, Inc.	—	338,654 (b)
Verizon Communications Inc.	459,702	459,702
Vodafone Group plc ADR	552,688	552,688
ADDITIONS		
Cameco Corporation	181,729	1,232,344
Cisco Systems, Inc.	180,000	1,000,000
Ensco plc - Class A	91,900	340,000
General Electric Company	50,000	915,000
Towers Watson & Co. Class A	10,000	255,798
DECREASES		

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ELIMINATIONS

Bob Evans Farms, Inc.	284,170	—
FCB Financial Holdings, Inc., Class B (c)	75,000	—
eBay Inc.	154,500	—
Idenix Pharmaceuticals, Inc.	61,369	—
Visteon Corporation	30,000	—

REDUCTIONS

Anadarko Petroleum Corporation	65,000	115,000
Apple Inc.	40,000	429,000
Everest Re Group, Ltd.	20,000	145,000
FCB Financial Holdings, Inc., Class A (c)	125,000	670,000
Gilead Sciences, Inc.	30,000	398,600
Halliburton Company	35,000	585,000
Hertz Global Holdings, Inc.	350,000	72,500
International Game Technology	60,000	690,000
JPMorgan Chase & Co.	20,000	380,000
Republic Services, Inc.	50,000	1,037,100
Weatherford International plc	80,000	470,000

(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) Formerly known as Bond Street Holdings LLC.

(see notes to unaudited financial statements)

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The diversification of the Company's net assets applicable to its Common Stock by industry group as of September 30, 2014 is shown in the following table.

INDUSTRY CATEGORY	COST(000)	VALUE (000)	PERCENT COMMON NET ASSETS*
Financials			
Banks	\$13,662	\$30,627	2.4 %
Diversified Financials	28,184	67,836	5.3
Insurance	56,756	181,042	14.2
Information Technology			
Semiconductors & Semiconductor Equipment	98,602	279,505	21.9
Software & Services	24,320	54,411	4.3
Technology Hardware & Equipment	27,810	47,060	3.7
	68,953	126,478	9.9
	121,083	227,949	17.9
Consumer Staples			
Food, Beverage & Tobacco	70,473	121,045	9.5
Food & Staples Retailing	12,042	49,439	3.9
	82,515	170,484	13.4
Energy	121,912	164,203	12.8
Consumer Discretionary			
Automobiles & Components	16,175	18,696	1.4
Consumer Services	7,978	11,640	0.9
Retailing	42,753	119,815	9.4
	66,906	150,151	11.7
Industrials			
Capital Goods	53,470	66,552	5.2
Commercial & Professional Services	30,787	65,920	5.2
Transportation	1,569	1,841	0.1
	85,826	134,313	10.5
Health Care			
Pharmaceuticals, Biotechnology & Life Sciences	60,871	119,990	9.4
Telecommunication Services	41,178	41,158	3.2
Miscellaneous**	29,078	20,698	1.6
Materials	10,566	17,635	1.4
	718,537	1,326,086	103.8
Short-Term Securities	135,032	135,032	10.6
Total Investments	\$853,569	1,461,118	114.4
Other Assets and Liabilities - Net		5,976	0.5
Preferred Stock		(190,117)	(14.9)
Net Assets Applicable to Common Stock		\$1,276,977	100.0 %

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* 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.

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ASSETS

INVESTMENTS, AT VALUE (NOTE 1a)

Common stocks (cost \$718,303,720)		\$1,325,917,118
Purchased option (cost \$233,010)		169,500
Money market fund (cost \$135,031,909)		135,031,909
Total investments (cost \$853,568,639)		1,461,118,527

RECEIVABLES AND OTHER ASSETS

Cash held by custodian in segregated account	\$3,213	
Receivable for securities sold	10,514,984	
Dividends, interest and other receivables, net	3,102,250	
Qualified pension plan asset, net excess funded (note 7)	5,344,751	
Prepaid expenses and other assets	1,277,914	20,243,112
TOTAL ASSETS		1,481,361,639

LIABILITIES

Payable for securities purchased	2,903,414	
Accrued preferred stock dividend not yet declared	219,955	
Outstanding option written, at value (premium received \$120,987)	70,500	
Accrued supplemental pension plan liability (note 7)	4,692,152	
Accrued supplemental thrift plan liability (note 7)	2,637,796	
Accrued expenses and other liabilities	3,743,232	
TOTAL LIABILITIES		14,267,049

5.95% CUMULATIVE PREFERRED STOCK, SERIES B -

7,604,687 shares at a liquidation value of \$25 per share (note 5)		190,117,175
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NET ASSETS APPLICABLE TO COMMON STOCK - 29,493,887 shares (note 5)		\$1,276,977,415
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NET ASSET VALUE PER COMMON SHARE		\$43.30
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NET ASSETS APPLICABLE TO COMMON STOCK

Common Stock, 29,493,887 shares at par value (note 5)	\$29,493,887	
Additional paid-in capital (note 5)	549,443,435	
Undistributed net investment income (note 5)	7,398,490	
Undistributed realized gain on investments	92,777,721	
Accumulated other comprehensive loss (note 7)	(1,824,244)	
Unallocated distributions on Preferred Stock	(8,703,934)	
Unrealized appreciation on investments and option written	608,392,060	

NET ASSETS APPLICABLE TO COMMON STOCK		\$1,276,977,415
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(see notes to unaudited financial statements)

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INCOME		
Dividends (net of foreign withholding taxes of \$634,300)		\$17,592,922
Interest		482
		17,593,404
EXPENSES		
Investment research	\$5,319,698	
Administration and operations	2,700,818	
Office space and related expenses	1,266,837	
Auditing and legal fees	200,865	
Directors' fees and expenses	183,766	
State and local taxes	119,984	
Transfer agent, custodian and registrar fees and expenses	116,975	
Stockholders' meeting and reports	94,432	10,003,375
NET INVESTMENT INCOME		7,590,029
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 \$7,206,046)	88,524,266	
Written option transactions (notes 1b and 4)	543,192	
	89,067,458	
Net decrease in unrealized appreciation on investments and option written	(25,105,461)	
NET GAIN ON INVESTMENTS		63,961,997
DISTRIBUTIONS TO PREFERRED STOCKHOLDERS		(8,483,979)
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		\$63,068,047

	Nine Months Ended September 30, 2014 (Unaudited)	Year Ended December 31, 2013
OPERATIONS		
Net investment income	\$7,590,029	\$5,228,019
Net realized gain on investments	89,067,458	69,657,472
Net increase (decrease) in unrealized appreciation	(25,105,461)	243,076,683
	71,552,026	317,962,174
Distributions to Preferred Stockholders:		
From net investment income	—	(992,168)
From long-term capital gains	—	(10,319,804)
Unallocated distributions	(8,483,979)	—
Decrease in net assets from Preferred distributions	(8,483,979)	(11,311,972)
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	63,068,047	306,650,202
OTHER COMPREHENSIVE INCOME - Funded status of defined benefit plans (note 7)	—	5,948,555
DISTRIBUTIONS TO COMMON STOCKHOLDERS		
From net investment income	—	(5,382,759)

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From long-term capital gains	—	(55,987,513)
DECREASE IN NET ASSETS FROM COMMON DISTRIBUTIONS	—	(61,370,272)
CAPITAL SHARE TRANSACTIONS (NOTE 5)		
Value of Common Shares issued in payment of dividends and distributions	—	35,871,304
Cost of Common Shares purchased	(15,560,378)	(13,047,704)
INCREASE (DECREASE) IN NET ASSETS - CAPITAL TRANSACTIONS	(15,560,378)	22,823,600
NET INCREASE IN NET ASSETS	47,507,669	274,052,085
NET ASSETS APPLICABLE TO COMMON STOCK		
BEGINNING OF PERIOD	1,229,469,746	955,417,661
END OF PERIOD (including undistributed net investment income (loss) of \$7,398,490 and (\$191,539), respectively)	\$1,276,977,415	\$1,229,469,746

(see notes to unaudited financial statements)

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The following table shows per share operating performance data, total investment return, ratios and supplemental data for the nine months ended September 30, 2014 and for each year in the five-year period ended December 31, 2013. This information has been derived from information contained in the financial statements and market price data for the Company's shares.

	Nine Months Ended September 30, 2014 (Unaudited)	2013	2012	Year Ended December 31,		
				2011	2010	2009
PER SHARE OPERATING PERFORMANCE						
Net asset value, beginning of period	\$41.07	\$32.68	\$29.78	\$31.26	\$27.50	\$21.09
Net investment income	.26	.17	.24	.18	.19	.11
Net gain (loss) on securities - realized and unrealized	2.26	10.51	5.05	(.68)	4.37	6.94
Other comprehensive income (loss)	—	.20	—	(.10)	—	.07
	2.52	10.88	5.29	(.60)	4.56	7.12
Distributions on Preferred Stock:						
Dividends from net investment income	—	(.04)	(.04)	(.11)	(.07)	(.11)
Distributions from net short-term capital gains	—	—	(.01)	(.01)	(.03)	(.05)
Distributions from net long-term capital gains	—	(.35)	(.34)	(.26)	(.27)	(.19)
Distributions from return of capital	—	—	—	—	—	(.01)
Unallocated	(.29)	—	—	—	—	—
	(.29)	(.39)	(.39)	(.38)	(.37)	(.36)
Total from investment operations	2.23	10.49	4.90	(.98)	4.19	6.76
Distributions on Common Stock:						
Dividends from net investment income	—	(.18)	(.21)	(.15)	(.08)	(.10)
Distributions from net short-term capital gains	—	—	(.02)	(.01)	(.03)	(.05)
Distributions from net long-term capital gains	—	(1.92)	(1.77)	(.34)	(.32)	(.19)
Distributions from return of capital	—	—	—	—	—	(.01)
	—	(2.10)	(2.00)	(.50)	(.43)	(.35)
Net asset value, end of period	\$43.30	\$41.07	\$32.68	\$29.78	\$31.26	\$27.50
Per share market value, end of period	\$37.06	\$35.20	\$27.82	\$24.91	\$26.82	\$23.46
TOTAL INVESTMENT RETURN - Stockholder	5.28 %*	34.24 %	19.77 %	(5.29 %)	16.24 %	36.86 %

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return, based on market price
per share

RATIOS AND
SUPPLEMENTAL DATA

Net assets applicable to
Common Stock,

end of period (000's omitted)	\$1,276,977	\$1,229,470	\$955,418	\$886,537	\$950,941	\$864,323
Ratio of expenses to average net assets						
applicable to Common Stock	1.07 %**	1.27 %	1.67 %	1.39 %	1.54 %	1.93 %
Ratio of net investment income to average net assets						
applicable to Common Stock	0.81 %**	0.47 %	0.74 %	0.56 %	0.66 %	0.46 %
Portfolio turnover rate	14.12 %*	17.12 %	9.56 %	11.17 %	18.09 %	24.95 %

PREFERRED STOCK

Liquidation value, end of period (000's omitted)	\$190,117	\$190,117	\$190,117	\$190,117	\$190,117	\$190,117
Asset coverage	772 %	747 %	603 %	566 %	600 %	555 %
Liquidation preference per share	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00
Market value per share	\$25.72	\$25.30	\$25.54	\$25.47	\$24.95	\$24.53

*Not annualized

**Annualized

(see notes to unaudited financial statements)

1. **SIGNIFICANT ACCOUNTING POLICIES** - General American Investors Company, Inc. (the “Company”), established in 1927, is registered under the Investment Company Act of 1940 as a closed-end, diversified management investment company. It is internally managed by its officers under the direction of the Board of Directors.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (“U.S. GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

a. **SECURITY VALUATION** Equity securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the period. Equity securities reported on the NASDAQ national market are valued at the official closing price on that day. Listed and NASDAQ equity securities for which no sales are reported on that day and other securities traded in the over-the-counter market are valued at the last bid price (asked price for options written) on the valuation date. Equity securities traded primarily in foreign markets are valued at the closing price of such securities on their respective exchanges or markets. Corporate debt securities, domestic and foreign, are generally traded in the over-the-counter market rather than on a securities exchange. The Company utilizes the latest bid prices provided by independent dealers and information with respect to transactions in such securities to determine current market value. If, after the close of foreign markets, conditions change significantly, the price of certain foreign securities may be adjusted to reflect fair value as of the time of the valuation of the portfolio. Investments in money market funds are valued at their net asset value. Special holdings (restricted securities) and other securities for which quotations are not readily available are valued at fair value determined in good faith pursuant to specific procedures appropriate to each security as established by and under the general supervision of the Board of Directors. The determination of fair value involves subjective judgments. As a result, using fair value to price a security may result in a price materially different from the price used by other investors or the price that may be realized upon the actual sale of the security.

b. **OPTIONS** The Company may purchase and write (sell) put and call options. The Company typically purchases put options or writes call options to hedge the value of portfolio investments while it typically purchases call options and writes put options to obtain equity market exposure under specified circumstances. The risk associated with purchasing an option is that the Company pays a premium whether or not the option is exercised. Additionally, the Company bears the risk of loss of the premium and a change in market value should the counterparty not perform under the contract. Put and call options purchased are accounted for in the same manner as portfolio securities. Premiums received from writing options are reported as a liability on the Statement of Assets and Liabilities. Those that expire unexercised are treated by the Company on the expiration date as realized gains on written option transactions in the Statement of Operations. The difference between the premium received and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or, if the premium is less than the amount paid for the closing purchase transaction, as a realized loss on written option transactions in the Statement of Operations. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether the Company has realized a gain or loss on investments in the Statement of Operations. If a put option is exercised, the premium reduces the cost basis for the securities purchased by the Company and is parenthetically disclosed under cost of investments on the Statement of Assets and Liabilities. The Company as writer of an option bears the market risk of an unfavorable change in the price of the security underlying the written option. See Note 4 for written option activity.

c. **SECURITY TRANSACTIONS AND INVESTMENT INCOME** Security transactions are recorded as of the trade date. Dividend income and distributions to stockholders are recorded as of the ex-dividend dates. Interest income, adjusted for amortization of discount and premium on investments, is earned from settlement date and is recognized on the accrual basis. Cost of short-term investments represent amortized cost.

d. **FOREIGN CURRENCY TRANSLATION AND TRANSACTIONS** Portfolio securities and other assets and liabilities denominated in foreign

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currencies are translated into U.S. dollars based on the exchange rate of such currencies versus U.S. dollars on the date of valuation. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Events may impact the availability or reliability of foreign exchange rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Company's Board of Directors. The Company does not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments on the Statement of Operations.

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

Foreign security and currency transactions may involve certain considerations and risks not typically associated with those of U.S. companies as a result of, among other factors, the possibility of political or economic instability or the level of governmental supervision and regulation of foreign securities markets.

e. **DIVIDENDS AND DISTRIBUTIONS** The Company expects to pay dividends of net investment income and distributions of net realized capital and currency gains, if any, annually to common shareholders and quarterly to preferred shareholders. Dividends and distributions to common and preferred shareholders, which are determined in accordance with Federal income tax regulations are recorded on the ex-dividend date. Permanent book/tax differences relating to income and gains are reclassified to paid-in capital as they arise.

f. **FEDERAL INCOME TAXES** The Company's policy is to fulfill the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all taxable income to its stockholders. Accordingly, no provision for Federal income taxes is required. In accordance with U.S. GAAP requirements regarding accounting for uncertainties in income taxes, management has analyzed the Company's tax positions taken or expected to be taken on Federal and state income tax returns for all open tax years (the current and the prior three tax years) and has concluded that no provision for income tax is required in the Company's financial statements.

g. **CONTINGENT LIABILITIES** Amounts related to contingent liabilities are accrued if it is probable that a liability has been incurred and an amount is reasonably estimable. Management evaluates whether there are incremental legal or other costs directly associated with the ultimate resolution of a matter that are reasonably estimable and, if so, they are included in the accrual.

h. **INDEMNIFICATIONS** In the ordinary course of business, the Company enters into contracts that contain a variety of indemnifications. The Company's maximum exposure under these arrangements is unknown. However, the Company has not had prior claims or losses pursuant to these indemnification provisions and expects the risk of loss thereunder to be remote.

2. FAIR VALUE MEASUREMENTS - Various data inputs are used in determining the value of the Company's investments. These inputs are summarized in a hierarchy consisting of the three broad levels listed below:

Level 1 - quoted prices in active markets for identical securities (including money market funds which are valued using amortized cost and which transact at net asset value, typically \$1 per share),

Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.), and

Level 3 - significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following is a summary of the inputs used to value the Company's net assets as of September 30, 2014:

Assets	Level 1	Level 2	Level 3	Total
Common stocks	\$1,325,917,118	—	—	\$1,325,917,118
Purchased option	169,500	—	—	169,500
Money market fund	135,031,909	—	—	135,031,909
Total	\$1,461,118,527	—	—	\$1,461,118,527
Liabilities				
Option written	(\$70,500)			(\$70,500)

The aggregate value of Level 3 portfolio investments changed during the nine months ended September 30, 2014 as follows:

Change in portfolio valuations using significant unobservable inputs:	Level 3
Fair value at December 31, 2013	\$32,637,795
Realized gain	9,328,522
Net change in unrealized appreciation	(4,181,595)
Proceeds from sale	(24,076,522)
Transfer to Level 1	(13,708,200)
Fair value at September 30, 2014	\$0

Transfers are reported as of the actual date of reclassification. A transfer from Level 3 to Level 1 occurred during the period ended September 30, 2014.

3. PURCHASES AND SALES OF SECURITIES - Purchases and sales of securities (other than short-term securities and options) for the nine months ended September 30, 2014 amounted to \$185,301,533 and \$244,402,189, on long transactions, respectively.

4. WRITTEN OPTIONS - The level of activity in written options varies from year to year based upon market conditions. Transactions in written covered call options and collateralized put options during the nine months ended September 30, 2014 were as follows:

Covered Calls

Collateralized Puts

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	Contracts	Premiums	Contracts	Premiums
Options outstanding, December 31, 2013	1,200	\$229,628	0	\$0
Options written	3,000	241,974	5,800	818,553
Options exercised	(250)	(161,738)	(1,500)	(147,489)
Options expired	(523)	(37,375)	(2,500)	(57,940)
Options terminated in closing purchase transaction	(1,927)	(151,502)	(1,800)	(613,124)
Options outstanding, September 30, 2014	1,500	\$120,987	0	\$0

The maximum payout for written put options is limited to the number of put option contracts written and outstanding and the related strike prices; currently, none are outstanding. The fair value of the covered call option contract at September 30, 2014 is \$70,500.

5. CAPITAL STOCK AND DIVIDEND DISTRIBUTIONS - The authorized capital stock of the Company consists of 50,000,000 shares of Common

Stock, \$1.00 par value, and 10,000,000 shares of Preferred Stock, \$1.00 par value. With respect to the Common Stock, 29,493,887 shares were issued and outstanding; 8,000,000 Preferred Shares were originally issued and 7,604,687 were outstanding on September 30, 2014.

On September 24, 2003, the Company issued and sold 8,000,000 shares of its 5.95% Cumulative Preferred Stock, Series B in an underwritten offering. The Preferred Shares were noncallable for the 5 year period ended September 24, 2008 and have a liquidation preference of \$25.00 per share plus accumulated and unpaid dividends to the date of redemption. On December 10, 2008, the Board of Directors authorized the repurchase

of up to 1 million Preferred Shares in the open market at prices below \$25.00 per share. To date, 395,313 shares have been repurchased.

The Company is required to allocate distributions from long-term capital gains and other types of income proportionately among holders of shares of Common Stock and Preferred Stock. To the extent that dividends on the shares of Preferred Stock are not paid from long-term capital gains, they will be paid from ordinary income or net short-term capital gains or will represent a return of capital.

Under the Investment Company Act of 1940, the Company is required to maintain an asset coverage of at least 200% of the Preferred Stock. In addition, pursuant to Moody's Investor Service, Inc. Rating Agency Guidelines, the Company is required to maintain a certain discounted asset coverage for its portfolio that equals or exceeds a Basic Maintenance Amount. If the Company fails to meet these requirements in the future and does not cure such failure, the Company may be required to redeem, in whole or in part, shares of Preferred Stock at a redemption price of \$25.00 per share plus accumulated and unpaid dividends. In addition, failure to meet the foregoing asset coverage requirements could restrict the Company's ability to pay dividends on shares of Common Stock and could lead to sales of portfolio securities at inopportune times.

The holders of Preferred Stock have voting rights equivalent to those of the holders of Common Stock (one vote per share) and, generally, vote together with the holders of Common Stock as a single class.

Holders of Preferred Stock will elect two members to the Company's Board of Directors and the holders of Preferred and Common Stock, voting as a single class, will elect the remaining directors. If the Company fails to pay dividends on the Preferred Stock in an amount equal to two full years' dividends, the holders of Preferred Stock will have the right to elect a majority of the directors. In addition, the Investment Company Act of 1940 requires that approval of the holders of a majority of any outstanding Preferred Shares, voting separately as a class, would be required to (a) adopt any plan of reorganization that would adversely affect the Preferred Stock and (b) take any action requiring a vote of security holders, including, among other things, changes in the Company's subclassification as a closed-end investment company or changes in its fundamental investment policies.

5. CAPITAL STOCK AND DIVIDEND DISTRIBUTIONS - (Continued from bottom of previous page.)

The Company presents its Preferred Stock, for which its redemption is outside of the Company's control, outside of the net assets applicable to Common Stock in the Statement of Assets and Liabilities.

Transactions in Common Stock during the nine months ended September 30, 2014 and the year ended December 31, 2013 were as follows:

	Shares		Amount	
	2014	2013	2014	2013
Shares issued in payment of dividends and distributions (includes 1,090,772 shares issued from treasury)	—	1,090,772	—	\$1,090,772
Increase in paid-in capital			—	34,780,532
Total increase			—	35,871,304
Shares purchased (at an average discount from net asset value of 14.6% and 14.3%, respectively)	(445,681)	(385,176)	(\$445,681)	(385,176)
Decrease in paid-in capital			(15,114,697)	(12,662,528)
Total decrease			(15,560,378)	(13,047,704)
Net increase (decrease)	(445,681)	705,596	(\$15,560,378)	\$22,823,600

At September 30, 2014, the Company held in its treasury 2,486,985 shares of Common Stock with an aggregate cost in the amount of \$73,530,867.

The tax basis distributions during the year ended December 31, 2013 are as follows: ordinary distributions of \$6,746,658 and long-term capital gains distributions of \$65,935,586. As of December 31, 2013, distributable earnings on a tax basis included \$3,963,127 from undistributed net long-term capital gains and \$633,497,521 from net unrealized appreciation on investments if realized in future years. Reclassifications arising from permanent "book/tax" differences reflect non-tax deductible expenses and redesignation of dividends during the year ended December 31, 2013. As a result, undistributed net investment loss was decreased by \$8,208 and additional paid-in capital was decreased by \$1,014 and undistributed net realized gain on securities sold was decreased by \$7,194. As of December 31, 2013 the Company had straddle loss deferrals of \$252,864. Net assets were not affected by this reclassification.

6. OFFICERS' COMPENSATION- The aggregate compensation accrued and paid by the Company during the nine months ended September 30, 2014 to its officers (identified on back cover) amounted to \$5,129,625.

7. BENEFIT PLANS - The Company has funded (qualified) and unfunded (supplemental) noncontributory defined benefit pension plans that are available to its employees. The pension plans provide defined benefits based on years of service and final average salary with an offset for a portion of social security covered compensation. The components of the net periodic benefit cost (income) of the plans for the nine months ended September 30, 2014 were:

Service cost	\$349,650
Interest cost	656,262
Expected return on plan assets	(847,191)

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Amortization of prior service cost	34,938
Amortization of recognized net actuarial loss	335,928
Net periodic benefit cost	\$529,587

The Company recognizes the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in the Statement of Assets and Liabilities and recognizes changes in funded status in the year in which the changes occur through other comprehensive income.

The Company also has funded (qualified) and unfunded (supplemental) defined contribution thrift plans that are available to its employees. The aggregate cost of such plans for the nine months ended September 30, 2014 was \$548,720. The qualified thrift plan acquired 13,999 shares and sold 11,100 shares of the Company's Common Stock during the nine months ended September 30, 2014 and held 487,900 shares of the Company's Common Stock at September 30, 2014.

8. OPERATING LEASE COMMITMENT - In September 2007, the Company entered into an operating lease agreement for office space which expires in February 2018 and provided for future rental payments in the aggregate amount of approximately \$10,755,000, net of construction credits. The lease agreement contains clauses whereby the Company receives free rent for a specified number of months and credit towards construction of office improvements, and incurs escalations annually relating to operating costs and real property taxes and to annual rent charges beginning in February 2013. The Company has the option to renew the lease after February 2018 for five years at market rates. Rental expense approximated \$838,000 for the nine months ended September 30, 2014. Minimum rental commitments under the operating lease are approximately \$1,183,000 in 2014 through 2017, and \$99,000 in 2018.

Previous purchases of the Company's Common and Preferred Stock are set forth in Note 5 on pages 10 and 11. Prospective purchases of Common and Preferred Stock may be at such times, at such prices, in such amounts and in such manner as the Board of Directors may deem advisable.

The policies and procedures used by the Company to determine how to vote proxies relating to portfolio securities and the Company's proxy voting record for the twelve-month period ended September 30, 2014 are available: (1) without charge, upon request, by calling us at our toll-free telephone number (1-800-436-8401), (2) on the Company's website at www.generalamericaninvestors.com and (3) on the Securities and Exchange Commission's website at www.sec.gov.

In addition to distributing financial statements as of the end of each quarter, General American Investors files a Quarterly Schedule of Portfolio

Holdings (Form N-Q) with the Securities and Exchange Commission ("SEC") as of the end of the first and third calendar quarters. The Company's

Forms N-Q are available at www.generalamericaninvestors.com and on the SEC's website: www.sec.gov. Also, Forms N-Q may be reviewed and

copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the SEC's Public Reference Room may be obtained

by calling 1-800-SEC-0330. A copy of the Company's Form N-Q may also be obtained by calling us at 1-800-436-8401.

On May 16, 2014, the Company submitted a CEO annual certification to the New York Stock Exchange ("NYSE") on which the Company's principal

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pal executive officer certified that he was not aware, as of that date, of any violation by the Company of the NYSE's Corporate Governance listing standards. In addition, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and related SEC rules, the Company's principal executive and principal financial officer made quarterly certifications, included in filings with the SEC on Forms N-CSR and N-Q relating to, among other things, the Company's disclosure controls and procedures and internal control over financial reporting, as applicable.

DIRECTORS*

Spencer Davidson, Chairman

Sidney R. Knafel, Lead Independent Director

Arthur G. Altschul, Jr.

Rodney B. Berens

Lewis B. Cullman

John D. Gordan, III

(*The Company is a stand-alone fund.)

Betsy F. Gotbaum

Daniel M. Neidich

Jeffrey W. Priest

Raymond S. Troubh

OFFICERS

Jeffrey W. Priest, President and Chief Executive Officer

Andrew V. Vindigni, Senior Vice-President

Craig A. Grassi, Vice-President

Sally A. Lynch, Vice-President

Michael W. Robinson, Vice-President

Eugene S. Stark, Vice-President, Administration, Principal
Financial Officer & Chief Compliance Officer

Diane G. Radosti, Treasurer

Maureen E. LoBello, Corporate Secretary

Linda J. Genid, Assistant Corporate Secretary

SERVICE COMPANIES

COUNSEL

Sullivan & Cromwell LLP

INDEPENDENT AUDITORS

Ernst & Young LLP

CUSTODIAN

State Street Bank and

Trust Company

TRANSFER AGENT AND REGISTRAR

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