

GENERAL AMERICAN INVESTORS CO INC
Form N-30B-2
October 21, 2015

For the nine months ended September 30, 2015, the net asset value per Common Share decreased 5.76% while the investment return to our stockholders decreased by 11.49%. By comparison, our benchmark, the Standard & Poor's 500 Stock Index (including income), decreased 5.27%. For the twelve months ended September 30, 2015, the return on the net asset value per Common Share decreased by 4.84%, and the return to our stockholders decreased by 8.10%; these compare with a decrease of 0.60% for the S&P 500. During both periods, the discount at which our shares traded

continued to fluctuate and on September 30, 2015, it was 17.3%.

As detailed in the accompanying financial statements (unaudited), as of September 30, 2015, the net assets applicable to the Company's

Common Stock were \$1,080,883,111 equal to \$37.48 per Common Share.

The decrease in net assets resulting from operations for the nine months ended September 30, 2015 was \$77,207,999. During this period, the net realized gain on investments sold was \$32,067,702 and the decrease in net unrealized appreciation was \$110,427,707. Net investment income for the nine months was \$9,640,985 and distributions to Preferred Stockholders amounted to \$8,483,979.

During the nine months, 2,033,140 shares of the Company's Common Stock were repurchased for \$69,808,595 at an average discount from net asset value of 14.9%.

World equity markets experienced elevated volatility and negative returns throughout much of the third quarter as modestly higher than average valuations collided with turmoil in currency markets, renewed geopolitical difficulties and a modest global economic slowdown, led by China and emerging markets. As well, continued uncertainty over

and money supply remains accommodative. Household formations continued to new cycle highs, which bodes well for further consumption. Likewise, reduced energy costs despite increased consumption, continuing conversion of part-time to full-time workers and the slow re-entry of the long-term unemployed into the labor market may be contributing to consumer expenditures in aggregate.

Though there is positive momentum in the U.S. economy, there are continuing headwinds that may hinder growth further as we have seen in the third quarter. Excess inventories, reduced trade due to the strong dollar and elevated regulatory costs for domestic industries have all

coalesced with potentially negative consequences for revenue growth, corporate profit margins and reported profits. Companies continue to respond to excess capacity and slower growth in a number of industries with cost reductions, sales of underperforming assets, modest capital expenditures and defensive capital allocation strategies. Commodity

markets swooned for much of the third quarter suggesting continuing reduced global growth expectations and inventory adjustments. Analyst operating earnings expectations for the S&P 500 in 2015 also fell to a level roughly even with last year's reported figure. Given the rapid growth in the price-to-earnings multiple over the last several years, the equity markets appear unlikely to support further expansion without additional stimulus and/or accelerating revenue and earnings growth.

Thus, given the lackluster performance of the global economy, in part due to China and the Emerging Markets, and geopolitical headwinds including the Middle East and Eastern Europe, the low interest rate environment is likely to persist. Valuations, though elevated, remain fair when compared to fixed income alternatives. Corporations are likely to continue to monitor costs closely and pursue strategies that increase shareholder total return; including dividends, share buybacks

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the timing of the Federal Reserve's first interest rate increase in this cycle hampered U.S. equities and other dollar-oriented markets. As suggested in our last quarterly report, the Federal Reserve recently delayed its anticipated interest rate increase amidst these potentially contractionary factors. Perhaps unsurprising, U.S. equity markets corrected some of the excesses they had experienced over the past several years of rapid appreciation amidst loose monetary policy. Market sectors that enhanced returns relative to the S&P 500 in the year-to-date period were Consumer Discretionary, Consumer Staples, Financials and Healthcare. Those sectors that detracted include Energy, Materials and Technology.

On the whole, the U.S. economy performed comparatively well in the

first half of the year as GDP estimates were revised higher. The third

quarter, unreported as of yet, may experience some lag relative to the

second quarter as inventories continued to be worked off and trade suf-

fered from a continuing strong U.S. Dollar relative to other currencies.

However, given the robust labor market, the U.S. consumer continues

to maintain a favorable outlook on the economy as evidenced by relatively high expenditures especially for autos and light trucks with

the most recent period reporting over 18 million units on an annual basis. New and existing home sales have also accelerated in the year-

over-year period. Commercial and industrial loans continued to grow

and mergers and acquisitions. Therefore, despite short-term headwinds, we remain optimistic on the long-term performance of equities.

We are pleased to report that, on October 14, 2015, Mr. Henry R.

Schirmer was elected to the Board of Directors. He is Senior Vice

President, Finance and Chief Financial Officer at Unilever North

America and has held positions at Unilever operations in Germany, United Kingdom, the Netherlands, Austria and Switzerland. Mr.

Schirmer's experience in international management, finance and

operations will be of great value to the deliberations of our Board.

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, 2015. 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 14, 2015

	Shares	COMMON STOCKS	Value (note 1a)
CONSUMER DISCRETIONARY(11.4%)		AUTOMOBILESAND COMPONENTS (1.6%)	
	1,264,063	Ford Motor Company (Cost \$16,174,723)	\$17,153,335
		RETAILING (9.8%)	
	216,300	Target Corporation	17,014,158
	1,244,668	The TJX Companies, Inc.	88,894,189
		(Cost \$16,315,129)	105,908,347
		(Cost \$32,489,852)	123,061,682
CONSUMER STAPLES (15.1%)		FOOD, BEVERAGE AND TOBACCO (11.0%)	
	201,174	Danone	12,682,755
	237,400	Diageo plc ADR	25,589,346
	450,000	Nestle S.A.	33,825,038
	195,000	PepsiCo, Inc.	18,388,500
	700,000	Unilever N.V.	28,072,443
		(Cost \$69,633,231)	118,558,082
		FOOD AND STAPLES RETAILING (4.1%)	
	307,800	Costco Wholesale Corporation (Cost \$9,322,527)	44,498,646
		(Cost \$78,955,758)	163,056,728
ENERGY (8.2%)		Anadarko Petroleum Corporation	12,681,900
	210,000	Apache Corporation	9,042,044
	230,900	Cameco Corporation	19,141,207
	1,572,819	Enesco plc - Class A	8,659,200
	615,000	Halliburton Company	20,679,750
	585,000	Occidental Petroleum Corporation	13,230,000
	200,000	Ultra Petroleum Corp. (a)	5,136,301
	803,803	(Cost \$113,645,027)	88,570,402
FINANCIALS (23.3%)		BANKS (2.6%)	
		FCB Financial Holdings, Inc., Class A (a)	12,558,700
	385,000	M&T Bank Corporation	15,243,750
	125,000	(Cost \$7,962,262)	27,802,450
		DIVERSIFIED FINANCIALS (5.0%)	
	245,000	American Express Company	18,161,850
	315,000	JPMorgan Chase & Co.	19,205,550
	488,500	Nelnet, Inc.	16,906,985
		(Cost \$24,413,192)	54,274,385

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INSURANCE (15.7%)

243,492	Aon plc	21,575,826
700,000	Arch Capital Group Ltd. (a)	51,429,000
110	Berkshire Hathaway Inc. Class A (a)	21,476,400
135,000	Everest Re Group, Ltd.	23,400,900
365,000	MetLife, Inc.	17,209,750
253,361	PartnerRe Ltd.	35,186,776
	(Cost \$41,708,047)	170,278,652
	(Cost \$74,083,501)	252,355,487

	Shares	COMMON STOCKS (continued)	Value (note 1a)
HEALTH CARE		PHARMACEUTICALS, BIOTECHNOLOGY AND LIFE SCIENCES	
(11.9%)	1,200,000	Ariad Pharmaceuticals, Inc. (a)	\$7,008,000
	180,000	Celgene Corporation (a)	19,470,600
	438,600	Gilead Sciences, Inc.	43,066,134
	245,142	Intra-Cellular Therapies Inc. (a)	9,815,486
	427,191	Merck & Co., Inc.	21,098,963
	277,076	Paratek Pharmaceuticals Inc. (a)	5,264,444
	605,808	Pfizer Inc.	19,028,429
	509,060	Repros Therapeutics Inc. (a)	3,782,316
		(Cost \$71,367,493)	128,534,372
INDUSTRIALS		CAPITAL GOODS (5.9%)	
(13.6%)	219,131	Eaton Corporation plc	11,241,420
	1,015,000	General Electric Company	25,598,300
	300,000	United Technologies Corporation	26,697,000
		(Cost \$61,692,252)	63,536,720
		COMMERCIAL AND PROFESSIONAL SERVICES (6.6%)	
	1,037,100	Republic Services, Inc.	42,728,520
	243,298	Towers Watson & Co. Class A	28,558,319
		(Cost \$29,468,342)	71,286,839
		TRANSPORTATION (1.1%)	
	745,064	Hertz Global Holdings, Inc. (a)	12,464,921
		(Cost \$105,115,858)	147,288,480
INFORMATION TECHNOLOGY		SEMICONDUCTORS AND SEMICONDUCTOR EQUIPMENT (4.0%)	
(20.2%)	200,850	ASML Holding N.V.	17,670,783
	833,700	Intel Corporation	25,127,718
		(Cost \$23,472,609)	42,798,501
		SOFTWARE AND SERVICES (4.8%)	
	680,686	Microsoft Corporation	30,127,163
	400,534	Synchronoss Technologies, Inc. (a)	13,137,515
	191,286	Verint Systems Inc.	8,253,991
		(Cost \$41,820,401)	51,518,669
		TECHNOLOGY HARDWARE AND EQUIPMENT (11.4%)	

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	394,000	Apple Inc.		43,458,200
	496,000	Ciena Corporation (a)		10,277,120
	1,000,000	Cisco Systems, Inc.		26,250,000
	615,000	EMC Corporation		14,858,400
	536,200	QUALCOMM Incorporated		28,810,026
			(Cost \$75,664,332)	123,653,746
			(Cost \$140,957,342)	217,970,916
MATERIALS (0.7%)	801,422	Huntsman Corporation	(Cost \$17,928,463)	7,765,779
MISCELLANEOUS (2.7%)		Other (b)	(Cost \$26,341,890)	29,221,182
TELECOMMUNICATION SERVICES (2.0%)	683,852	Vodafone Group plc ADR	(Cost \$23,341,423)	21,705,462
		TOTAL COMMON STOCKS (109.1%)	(Cost \$684,226,607)	1,179,530,490

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Contracts (100 shares each)	COMMON STOCK/EXPIRATION DATE/EXERCISE PRICE	Value (note 1a)
Energy (0.0%)	1,000 Enscopl/January 15, 2016/\$17.00	\$75,000
	1,500 Enscopl/January 15, 2016/\$19.00	60,000
	(Cost \$443,582)	135,000
Shares	SHORT-TERM SECURITY AND OTHER ASSETS	
		(Cost
93,391,386	SSgA U.S. Treasury Money Market Fund (8.7%)	\$93,391,386)
		93,391,386
		(Cost
TOTAL INVESTMENTS (c) (117.8%)		\$778,061,575)
		1,273,056,876
Liabilities in excess of receivables and other assets (-0.2%)		(2,056,590)
PREFERRED STOCK (-17.6%)		(190,117,175)
NET ASSETS APPLICABLE TO COMMON STOCK (100%)		\$1,080,883,111

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, 2015 the cost of investments for Federal income tax purposes was \$778,061,575, aggregate gross unrealized appreciation was \$569,105,201, aggregate gross unrealized depreciation was \$74,109,901, and net unrealized appreciation was \$494,995,300.

Contracts (100 shares each)	COMMON STOCK/EXPIRATION DATE/EXERCISE PRICE	Value (note 1a)
Energy (0.1%)	1,000 Enscopl/January 15, 2016/\$14.00	\$200,000
	1,500 Enscopl/January 15, 2016/\$15.00	382,500
	TOTAL PUT OPTIONS	(Premiums Received \$404,556)
		\$582,500

(see notes to unaudited financial statements)

INCREASES ADDITIONS	NET SHARES TRANSACTIONED	SHARES HELD
Cameco Corporation	50,000	1,572,819

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Enscopl - Class A	195,000	615,000
Gilead Sciences, Inc.	15,000	438,600
Hertz Global Holdings, Inc.	672,564	745,064
Huntsman Corporation	150,205	801,422
Synchronoss Technologies, Inc.	23,000	400,534
Verint Systems Inc.	31,633	191,286
Vodafone Group plc ADR	60,000	683,852
DECREASES		
ELIMINATION		
Owens Corning	161,400	—
REDUCTIONS		
Aon plc	50,000	243,492
Apache Corporation	70,578	230,900
Arch Capital Group Ltd.	30,000	700,000
ASML Holding N.V.	31,000	200,850
Celgene Corporation	20,000	180,000
FCB Financial Holdings, Inc., Class A	120,000	385,000
Intra-Cellular Therapies Inc.	20,000	245,142
PartnerRe Ltd.	1,639	253,361
Repros Therapeutics Inc.	92,493	509,060
Towers Watson & Co. Class A	20,500	243,298
Unilever N.V.	34,620	700,000

(a) Common shares unless otherwise noted; excludes transactions in Common Stocks - Miscellaneous - Other.

(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, 2015 is shown in the table.

INDUSTRY CATEGORY	COST (000)	VALUE (000)	PERCENT COMMON NET ASSETS*
Financials			
Banks	\$7,963	\$27,802	2.6%
Diversified Financials	24,413	54,274	5.0
Insurance	41,708	170,279	15.7
Information Technology	74,084	252,355	23.3
Semiconductors & Semiconductor Equipment	23,473	42,799	4.0
Software & Services	41,820	51,519	4.8
Technology Hardware & Equipment	75,664	123,654	11.4
	140,957	217,972	20.2
Consumer Staples			
Food, Beverage & Tobacco	69,633	118,558	11.0
Food & Staples Retailing	9,323	44,499	4.1
	78,956	163,057	15.1
Industrials			
Capital Goods	61,692	63,537	5.9
Commercial & Professional Services	29,469	71,287	6.6
Transportation	13,955	12,465	1.1
	105,116	147,289	13.6
Health Care			
Pharmaceuticals, Biotechnology & Life Sciences	71,367	128,534	11.9
Consumer Discretionary			
Automobiles & Components	16,175	17,153	1.6
Retailing	16,315	105,909	9.8
	32,490	123,062	11.4
Energy			
Miscellaneous**	114,089	88,705	8.2
	26,342	29,221	2.7
Telecommunication Services	23,341	21,705	2.0
Materials	17,928	7,766	0.7
	684,670	1,179,666	109.1
Short-Term Securities			
	93,391	93,391	8.7
Total Investments	\$778,061	1,273,057	117.8
Other Assets and Liabilities - Net		(2,057)	(0.2)
Preferred Stock		(190,117)	(17.6)
Net Assets Applicable to Common Stock		\$1,080,883	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.

(see notes to unaudited financial statements)

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ASSETS

INVESTMENTS, AT VALUE (NOTE 1a)

Common stocks (cost \$684,226,607)		\$1,179,530,490
Purchased options (cost \$443,582)		135,000
Money market fund (cost \$93,391,386)		93,391,386
Total investments (cost \$778,061,575)		1,273,056,876

RECEIVABLES AND OTHER ASSETS

Cash held by custodian in segregated account*	\$3,833,004	
Receivable for securities sold	3,655,578	
Dividends, interest and other receivables	2,303,792	
Qualified pension plan asset, net excess funded (note 7)	2,201,028	
Prepaid expenses, fixed assets and other assets	981,846	12,975,248
TOTAL ASSETS		1,286,032,124

LIABILITIES

Payable for securities purchased	2,067,768	
Accrued compensation payable to officers and employees	3,000,000	
Outstanding options written, at value (premiums received \$404,556) (note 4)	582,500	
Accrued preferred stock dividend not yet declared	219,955	
Accrued supplemental pension plan liability (note 7)	6,166,034	
Accrued supplemental thrift plan liability (note 7)	2,598,209	
Accrued expenses and other liabilities	397,372	
TOTAL LIABILITIES		15,031,838

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 - 28,838,704 shares (note 5)		\$1,080,883,111
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NET ASSET VALUE PER COMMON SHARE		\$37.48
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NET ASSETS APPLICABLE TO COMMON STOCK

Common Stock, 28,838,704 shares at par value (note 5)	\$28,838,704
Additional paid-in capital (note 5)	528,831,522
Undistributed net investment income (note 5)	8,783,374
Undistributed realized gain on securities sold	33,838,243
Accumulated other comprehensive loss (note 7)	(5,786,254)
Unallocated distributions on Preferred Stock	(8,703,934)
Unrealized appreciation on investments, options written and other	495,081,456

NET ASSETS APPLICABLE TO COMMON STOCK		\$1,080,883,111
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*Collateral for options written.

(see notes to unaudited financial statements)

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INCOME

Dividends (net of foreign withholding taxes of \$590,461)		\$19,834,672
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EXPENSES

Investment research	\$4,914,048	
Administration and operations	2,902,848	
Office space and general	1,227,070	
Auditing and legal fees	431,528	
Stockholders' meeting and reports	208,500	
Transfer agent, custodian and registrar fees and expenses	206,470	
Directors' fees and expenses	171,661	
State and local taxes	131,562	10,193,687

NET INVESTMENT INCOME		9,640,985
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REALIZED GAIN AND CHANGE IN UNREALIZED APPRECIATION ON INVESTMENTS (NOTES 1, 3 AND 4)

Net realized gain on investments:

Securities transactions	31,426,912	
Written option transactions (notes 1b and 4)	635,790	
	32,062,702	

Net decrease in unrealized appreciation	(110,427,707)	
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NET INVESTMENT INCOME, GAINS, AND APPRECIATION ON INVESTMENTS		(78,365,005)
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DISTRIBUTIONS TO PREFERRED STOCKHOLDERS		(8,483,979)
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DECREASE IN NET ASSETS RESULTING FROM OPERATIONS		(\$77,207,999)
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	Nine Months Ended September 30, 2015 (Unaudited)	Year Ended December 31, 2014
OPERATIONS		
Net investment income	\$9,640,985	\$9,735,291
Net realized gain on investments	32,062,702	102,101,749
Net decrease in unrealized appreciation	(110,427,707)	(27,988,358)
	(68,724,020)	83,848,682
Distributions to Preferred Stockholders:		
From net investment income	—	(1,037,961)
From net capital gains	—	(10,274,011)
Unallocated distributions	(8,483,979)	—
Decrease in net assets from Preferred distributions	(8,483,979)	(11,311,972)
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	(77,207,999)	72,536,710

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OTHER COMPREHENSIVE LOSS		
Funded status of defined benefit plans (note 7)	—	(3,962,010)
DISTRIBUTIONS TO COMMON STOCKHOLDERS		
From net investment income	—	(9,462,665)
From net capital gains	—	(93,663,921)
DECREASE IN NET ASSETS FROM COMMON DISTRIBUTIONS		
	—	(103,126,586)
CAPITAL SHARE TRANSACTIONS (NOTE 5)		
Value of Common Shares issued in payment of dividends and distributions	—	51,886,970
Cost of Common Shares purchased	(69,808,595)	(18,905,125)
INCREASE (DECREASE) IN NET ASSETS - CAPITAL TRANSACTIONS	(69,808,595)	32,981,845
NET DECREASE IN NET ASSETS	(147,016,594)	(1,570,041)
NET ASSETS APPLICABLE TO COMMON STOCK		
BEGINNING OF PERIOD	1,227,899,705	1,229,469,746
END OF PERIOD (including under/over distributed net investment income of \$8,783,374 and (\$857,611), respectively)	\$1,080,883,111	\$1,227,899,705

(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, 2015 and for each year in the five-year period ended December 31, 2014. 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, 2015 (Unaudited)	2014	2013	Year Ended December 31,		2011	2010
PER SHARE OPERATING PERFORMANCE							
Net asset value, beginning of period	\$39.77	\$41.07	\$32.68	\$29.78	\$31.26	\$27.50	
Net investment income	.33	.32	.17	.24	.18	.19	
Net gain (loss) on securities realized and unrealized	(2.33)	2.39	10.51	5.05	(.68)	4.37	
Other comprehensive income (loss)	—	(.13)	.20	—	(.10)	—	
	(2.00)	2.58	10.88	5.29	(.60)	4.56	
Distributions on Preferred Stock:							
Dividends from net investment income	—	(.04)	(.04)	(.04)	(.11)	(.07)	
Distributions from net capital gains	—	(.34)	(.35)	(.35)	(.27)	(.30)	
Unallocated	(.29)	—	—	—	—	—	
	(.29)	(.38)	(.39)	(.39)	(.38)	(.37)	
Total from investment operations	(2.29)	2.20	10.49	4.90	(.98)	4.19	
Distributions on Common Stock:							
Dividends from net investment income	—	(.32)	(.18)	(.21)	(.15)	(.08)	
Distributions from net capital gains	—	(3.18)	(1.92)	(1.79)	(.35)	(.35)	
	—	(3.50)	(2.10)	(2.00)	(.50)	(.43)	
Net asset value, end of period	\$37.48	\$39.77	\$41.07	\$32.68	\$29.78	\$31.26	
Per share market value, end of period	\$30.98	\$35.00	\$35.20	\$27.82	\$24.91	\$26.82	
TOTAL INVESTMENT RETURN - Stockholder return, based on market price per share	(11.30%)*	9.32%	34.24%	19.77%	(5.29%)	16.24%	
RATIOS AND SUPPLEMENTAL DATA							

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Net assets applicable to Common Stock, end of period (000's omitted)	\$1,080,883	\$1,227,900	\$1,229,470	\$955,418	\$886,537	\$950,941
Ratio of expenses to average net assets applicable to Common Stock	1.13%**	1.10%	1.27%	1.67%	1.39%	1.54%
Ratio of net income to average net assets applicable to Common Stock	1.07%**	0.78%	0.47%	0.74%	0.56%	0.66%
Portfolio turnover rate	11.18%*	14.98%	17.12%	9.56%	11.17%	18.09%
PREFERRED STOCK						
Liquidation value, end of period (000's omitted)	\$190,117	\$190,117	\$190,117	\$190,117	\$190,117	\$190,117
Asset coverage	669%	746%	747%	603%	566%	600%
Liquidation preference per share	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00
Market value per share	\$26.39	\$26.01	\$25.30	\$25.54	\$25.47	\$24.95

*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 accompanying financial statements have been prepared in accordance with United States generally accepted accounting principles (“U.S. GAAP”) pursuant to the requirements for reporting; Accounting Standards Codification 946, *Financial Services - Investment Companies* (“ASC946”), and Articles 6 and 10 of Regulation S-X.

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income, expenses and gains and losses during the reported period. Changes in the economic environment, financial markets, and any other parameters used in determining these estimates could cause actual results to differ, and these differences could be material.

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.

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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

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, 2015:

Assets	Level 1	Level 2	Level 3	Total
Common stocks	\$1,179,530,490	—	—	\$1,179,530,490
Purchased options	135,000	—	—	135,000
Money market fund	93,391,386	—	—	93,391,386
Total	\$1,273,056,876	—	—	\$1,273,056,876

Transfers of Level 3 securities, if any, are reported as of the actual date of reclassification. No such transfers occurred during the nine months ended September 30, 2015.

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, 2015 amounted to \$142,967,289 and \$205,696,878, 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 option during the nine months ended September 30, 2015 were as follows:

	Covered Calls		Collateralized Puts	
	Contracts	Premiums	Contracts	Premiums
Options outstanding, December 31, 2014	2,100	\$245,504	0	\$0
Option written	0	0	4,762	952,916
Options terminated in closing purchase transaction	(1,900)	(200,966)	(2,262)	(548,360)
Options expired	(200)	(44,538)	0	0
Options outstanding, September 30, 2015	0	\$0	2,500	\$404,556

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, 28,838,704 shares were issued and outstanding; 8,000,000 Preferred Shares were originally issued and 7,604,687 were outstanding on September 30, 2015.

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

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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 allocates distributions from net 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 net capital gains, they will be paid from investment company taxable income, 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.

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, 2015 and the year ended December 31, 2014 were as follows:

	Shares		Amount	
	2015	2014	2015	2014
Par value of shares issued in payment of dividends and distributions (includes 1,473,643 shares issued from treasury)	—	1,473,643	—	\$1,473,643
Increase in paid-in capital			—	50,413,327
Total increase			—	51,886,970
Par value of shares purchased (at an average discount from net asset value of 14.9% and 14.4%, respectively)	(2,033,140)	(541,367)	(\$2,033,140)	(541,367)
Decrease in paid-in capital			(67,775,455)	(18,363,758)
Total decrease			(69,808,595)	(18,905,125)
Net increase (decrease)	(2,033,140)	932,276	(\$69,808,595)	\$32,981,845

At September 30, 2015, the Company held in its treasury 3,142,168 shares of Common Stock with an aggregate cost in the amount of \$107,116,122.

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

The tax basis distribution during the year ended December 31, 2014 is as follows: ordinary distributions of \$18,792,969 and net capital gains distributions of \$95,645,589. As of December 31, 2014, distributable earnings on a tax basis included \$2,028,405 from undistributed net capital gains and \$605,509,163 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, 2014. As a result, additional paid-in capital was decreased by \$724, accumulated net realized gain on investment transactions was decreased by \$98,539 and net investment income increased by \$99,263. As of December 31, 2014 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, 2015 to its officers (identified on back cover) amounted to \$5,082,000.

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, 2015 were:

Service cost	\$452,200
Interest cost	674,729
Expected return on plan assets	(932,884)
Amortization of prior service cost	30,724
Amortization of recognized net actuarial loss	565,551
Net periodic benefit cost	\$790,320

The Company recognizes the overfunded status of its defined benefit postretirement plan as an asset 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, 2015 was \$61,383. The qualified thrift plan acquired 15,044 shares of the Company's Common Stock during the nine months ended September 30, 2015 and held 553,632 shares of the Company's Common Stock at September 30, 2015.

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 aggregate rental payments 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 \$883,348 for the nine months ended September 30, 2015. Minimum rental commitments under the operating lease are approximately \$1,183,000 in 2015 through 2017, and \$99,000 in 2018.

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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 made 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 vot-

ing record for the twelve-month period ended September 30, 2015 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. Copies of Forms N-Q may also be obtained

and reviewed at the SEC's Public Reference Room in Washington, DC or through the Company by calling us at 1-800-436-8401. Information on

the operation of the SEC's Public Reference Room may be obtained by calling 1-800-SEC-0330.

On April 22, 2015, the Company submitted a CEO annual certification to the New York Stock Exchange ("NYSE") on which the Company's prin-

cipal 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

Betsy F. Gotbaum

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

Daniel M. Neidich

Jeffrey W. Priest

Henry R. Schirmer

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

Anang K. Majmudar, 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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Company, LLC

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