

MEMO# 11661

February 18, 2000

MUTUAL FUND PERFORMANCE ADVERTISING

[11661] February 18, 2000 TO: SEC RULES COMMITTEE No. 23-00 RE: MUTUAL FUND
PERFORMANCE ADVERTISING

_____ As discussed at the SEC Rules Committee meeting earlier this week, due to the very strong performance of the equity markets and certain market sectors in 1999, many mutual funds also achieved unusually strong performance. In recent weeks, much attention has been focused on mutual fund advertisements reflecting this extraordinary performance. For example, last month, the Securities and Exchange Commission issued a set of "mutual fund tips," reminding investors to look at more than a fund's past performance when making an investment decision. In addition, several recent press articles have criticized fund advertisements that emphasize unusually strong performance, while disclosing the unusual nature of that performance in small print. Yesterday evening, SEC Chairman Arthur Levitt delivered remarks at a conference in which he announced a new SEC initiative in this area. Chairman Levitt stated that the Division of Investment Management and the Office of Compliance Inspections and Examinations will conduct "a special review of fund marketing," designed to "determine whether a fund's actual portfolio performance and investment strategies are consistent with its web-site statements, its advertisements, and its disclosure in prospectuses." Chairman Levitt said that the SEC also will be reviewing the current fund advertising rules "to promote, more generally, balance and responsibility." He indicated that the SEC will work closely with the NASD "to assist us in bringing clarity to what's meaningful and appropriate to tell investors." (A copy of Chairman Levitt's remarks is attached.) Those of you who attended the Committee meeting last Tuesday will recall that it was the consensus of the Committee that the Institute should urge the NASD to provide general guidance on fund advertisements that include unusually strong performance. Accordingly, attached for your review are draft bullet points that would form the basis for our recommendations to the NASD. Please provide me with any comments by Monday, February 28th. I can be reached at (202) 326-5822 or by e-mail to frances@ici.org. Frances M. Stadler Deputy Senior Counsel Attachments

Source URL: <https://icinew-stage.ici.org/memo-11661>

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.