

MEMO# 10196

August 12, 1998

LETTER TO SEC ON IMPROVING SHAREHOLDER REPORTS

* See Memorandum to Accounting/Treasurers Committee No. 28-98, SEC Rules Committee No. 71-98 and Shareholder Reports Task Force dated July 10, 1998. [10196] August 12, 1998 TO: ACCOUNTING/TREASURERS COMMITTEE No. 36-98 SEC RULES COMMITTEE No. 79-98 SHAREHOLDER REPORTS TASK FORCE RE: LETTER TO SEC ON IMPROVING SHAREHOLDER REPORTS

Attached is the final version of the Institute's letter to Barry Barbash, Director of the SEC's Division of Investment Management, suggesting certain changes to the forms of annual and semi-annual reports. The final version is substantially similar to the July 10th draft that was previously circulated.* The letter contains four principal recommendations. First, it recommends that the current requirement to list in shareholder reports all portfolio investments held as of the last day of the reporting period be replaced with the option to list only a fund's top 50 holdings. Second, the letter recommends that shareholder reports include a graphic presentation of a fund's portfolio investments, such as a pie chart showing the different categories of securities held in a fund's portfolio. Third, the letter recommends that the Management's Discussion of Fund Performance be required to be included in a fund's annual report, regardless of whether it is also in the fund's prospectus. Fourth, the letter recommends that the financial highlights table be deleted from the prospectus and that certain changes be made to the financial highlights table as it appears in shareholder reports. Joseph P. Savage Assistant Counsel Attachment