

VIDEO

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Focus on Funds: Fund Investor Reports May Get a Makeover

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As the US Securities and Exchange Commission seeks to modernize fund shareholder reports, ICI has developed and tested a summary shareholder report to simplify fund disclosure and make it easier for investors to understand. In the December 14, 2018, edition of *Focus on Funds*, ICI Senior Director of Retirement and Investor Research Sarah Holden discusses the Institute's findings.

Transcript

Stephanie Ortvals-Tibbs, ICI director of media relations: Investor education and understanding is crucial. And in the fund industry, there are many ways to approach it, including, potentially, something called a summary shareholder report. ICI, our members, and the US Securities and Exchange Commission [SEC] all are looking at this concept. And ICI Senior Director of Retirement and Investor Research Sarah Holden shared with me some of the research we've done and shared with the SEC.

Sarah Holden, ICI senior director of retirement and investor research: Mutual funds are a highly regulated, cost-effective, and transparent investment. But let's face it: some of the disclosures that we send to investors are kind of dense and long. And so we thought that, we have a summary prospectus that shortens and pulls out the key information from the full prospectus—why not do that with the shareholder report?

Ortvals-Tibbs: So when you looked at doing this summary, what did you decide should kind of go into that? What did that look like?

Holden: We pulled together a group of members from a whole bunch of different types of mutual fund firms, ranging in expertise from accounting to investor research to lawyers, in order to figure out from that huge, long, full shareholder report, what would be the key bits of information that would be most important for investors. And at the end of the day, we came up with five elements, related to expenses and portfolio and performance, to put into this summary document.

Ortvals-Tibbs: So then you had your key elements, and now you had to test them. How did that happen?

Holden: We decided to do a nationally representative sample, and we had about 1,200 mutual fund investors participate in our survey. First, we asked them about their recollection of receiving current shareholder reports, which come twice a year and are quite lengthy. And then we asked them what had been their experience with the existing reports. So 81 percent remembered receiving such a report, and a majority of them said it was very difficult to understand. And they also said, “Frankly, I often recycle it or throw it out, or sometimes I just save it for later.” So there was not a lot of comprehension or readership going on with the full report.

Next in the survey, they were told to click on a link, so they could open up our summary prototype. And we asked them to take a look at each of the elements. And interestingly, a majority of them said that each of the items that we had selected were important to keep in the summary shareholder report. So [there was] high support of each of the elements that we selected.

Ortbals-Tibbs: So any other key takeaways, then, that you shared with the SEC in your comments to them about this idea?

Holden: We also asked them, after they’d had some time to look at the report, about their reaction to it overall. And the overwhelming majority of them said that this was something that would be easier to read, it was something that would help them compare different funds, and it also did contain enough information that they could stay informed about their investments.

Additional Resources

- [Report: Mutual Fund Investors’ Views on Shareholder Reports](#)
- [Release: ICI Strongly Supports the SEC’s Efforts to Enhance Fund Disclosure](#)
- [ICI Research and Statistics](#)