

Annual and Semiannual Investment Company Reports Enhanced Notice Approach

Investor Advisory Committee Discussion
October 12, 2017



Broadridge[®]

Enhanced Notice Approach

An Enhanced Notice approach provides a smooth transition to greater use of technology without leaving any investors behind.

- A better disclosure experience than the content-free notice that was originally proposed in SEC rule 30e-3.
- “Layered” disclosure, similar in some respects to the SEC’s successful Summary Prospectus Delivery Option

Discussions with investment companies, trade associations, consumer groups, regulators and others have pushed the thinking on the Enhanced Notice approach.

- Provide key information from fund report filings; and a link to the full report on a central site
- Use standard formats, respectively, for annual and semiannual reports
- Provide a link to the SEC website on how to read a mutual fund shareholder report
- Easy sign-up for e-delivery; mobile-first design
- Option for investors to request free copies of full report

Benefits to investors and investment companies can be realized more fully and more quickly with an Enhanced Notice approach.

- The Enhanced Notice approach would eliminate the costs of “Initial Statement” mailings and return envelopes/forms *without* leaving any investors behind.
- By improving the electronic experience, more investors will be encouraged to shift to e-delivery.

A pilot can accelerate benefits and provide meaningful data.

- Actual data on adoption rates by funds, cost savings on printing and postage, enrollments in e-delivery, and other key factors including how well the information works, qualitatively, for individual investors.
- A pilot could support any and all investment companies that choose to participate.

The notice that was originally proposed in rule 30e-3 contains none of the key content from the fund report. (Illustrative)

A single sheet of paper (illustrative)

Front Page

IMPORTANT NOTICE REGARDING THE INTERNET AVAILABILITY OF SHAREHOLDER REPORTS
<ISSNAME1>

FUND NAME

ONE MAIN STREET
ANY TOWN, NY 12345

Information enclosed
regarding your
investment

A/C 00000123456789ABC01

JOHN DOE
123 CENTRAL AVENUE
ANY TOWN, NY 12345

➔ F 1234 2678 9012

You are receiving this notice because you consented to receive notifications of the availability of shareholder reports on the Internet. Shareholder reports contain important information about your mutual funds and exchange traded funds investments, including performance information and portfolio holdings.

A new shareholder report is now available on the Internet for your review.

See the reverse side for instructions on how to access shareholder report.

Back Page

How to Access the Shareholder Report

Materials available to view:

ANNUAL REPORT

How to view online:

You may now access the <issname1> shareholder report online at www.materialnotice.com*

As an alternative, if you would like to further reduce your fund's printing costs, you can consent to receive all future investor communications including shareholder reports electronically via e-mail. To sign up for electronic delivery, please follow the instructions on the following website.

www.investordelivery.com

*** NOTE: Fund Notice & Access will necessitate the use of control numbers, or their functional equivalent, for several reasons.** For example, control numbers make it easier for recipients of a mailed notice to view a report by typing in a relatively limited number of characters on a familiar centralized site. In a recent sample of fund URLs sent as links contained in email messages, we found that URLs ranged from 20 characters to over 100 characters in length! Under a mailed notice option, these lengthy URLs would need to be typed into a browser. Use of a control number or its functional equivalent would eliminate this practical impediment for many investors.



Your shareholder report contains important information about your investments, including performance, expenses and portfolio holdings. Your fund has filed a new shareholder report, which is now available online and in print by request. You can:



Access the full report at www.fundreports.com



Request a mailed copy at no charge by calling 800 555 1111



Sign-up for e-delivery at www.fundreports.com

7086 5222 4115 4280



Growth of \$10k (HYPOTHETICAL)



HISTORICAL RETURNS (%)

%Average Annual Total Returns	Class Inception Date	Performance Inception Date	Six Months	One Year	Five Years	Ten Years
Class A at NAV	06/09/2010	04/28/2006	8.78%	21.53%	11.69%	7.63%
Class A with 5.75% Maximum Sales Charge	--	--	2.54	14.55	10.38	7.00
Class I at NAV	04/28/2006	04/28/2006	8.84	21.83	11.98	7.78
Dow Jones U.S. Select Real Estate Securities Index	--	--	10.79%	22.72%	12.16%	6.75%
S&P 500 Index	--	--	3.84	3.99	12.09	7.42

Fund Expense Example

ILLUSTRATION OF \$1,000 INVESTMENT

	Beginning Account Value (7/1/16)	Ending Account Value (12/31/16)	Expenses Paid During Period* (7/1/16-12/31/16)	Annualized Expense Ratio
Actual				
Class A	\$1,000.00	\$1,117.20	\$6.67**	1.25%
Class I	\$1,000.00	\$1,119.30	\$5.34**	1.00%
Hypothetical				
(0% return per year before expenses)				
Class A	\$1,000.00	\$1,018.90	\$6.36**	1.25%
Class I	\$1,000.00	\$1,020.20	\$5.09**	1.00%

*Expenses are equal to the Fund's annualized expense ratio for the indicated Class, multiplied by the average account value over the period, multiplied by 182/366 (to reflect the one-half year period). The Example assumes that the \$1,000 was invested at the net asset value per share determined at the close of business on December 31, 2016.

** Absent an allocation of certain expenses to an affiliate, expenses would be higher.

Past performance is no guarantee of future results. Returns are historical and are calculated by determining the percentage change in net asset value (NAV) or offering price (as applicable) with all distributions reinvested. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Performance less than or equal to one year is cumulative. Performance is for the stated time period only; due to market volatility, the Fund's current performance may be lower or higher than quoted. Returns are before taxes unless otherwise noted.

Notice of Availability of Annual Shareholder Report

DECEMBER 31, 2016

Real Estate Fund | Annual Report

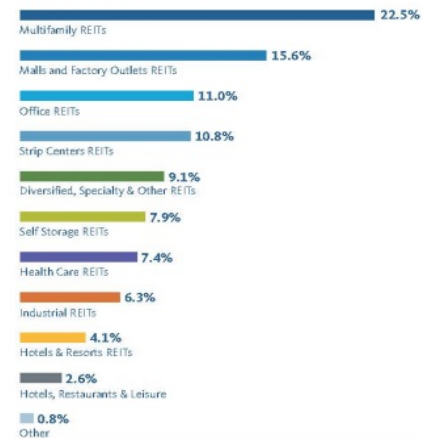


Learn how to read a mutual fund shareholder report here: www.sec.gov/investor/alerts/ib_readmfrreport.pdf

Top 10 Holdings (% OF NET ASSETS)

Holding	% of Net Assets
Simon Property Group Inc	11.21%
Public Storage	8.42%
Equity Residential	7.13%
Avalon Bay Communities Inc	5.90%
EV Cash Reserves Fund	5.06%
Essex Property Trust Inc	4.01%
Federal Realty Investment Trust	3.90%
Boston Properties Inc	3.75%
Ventas Inc	2.91%
Welltower Inc	2.80%

Portfolio Composition SECTOR ALLOCATION (%)



Portfolio Manager

J. SCOTT CRAIG
Vice President | Hexstone Funds Management

Discussions with investment companies, broker-dealers, consumer advocates, regulators, and others have pushed the thinking on the Enhanced Notice approach.

The design of the Enhanced Notice approach is informed by many factors and considerations, including the following, among others:

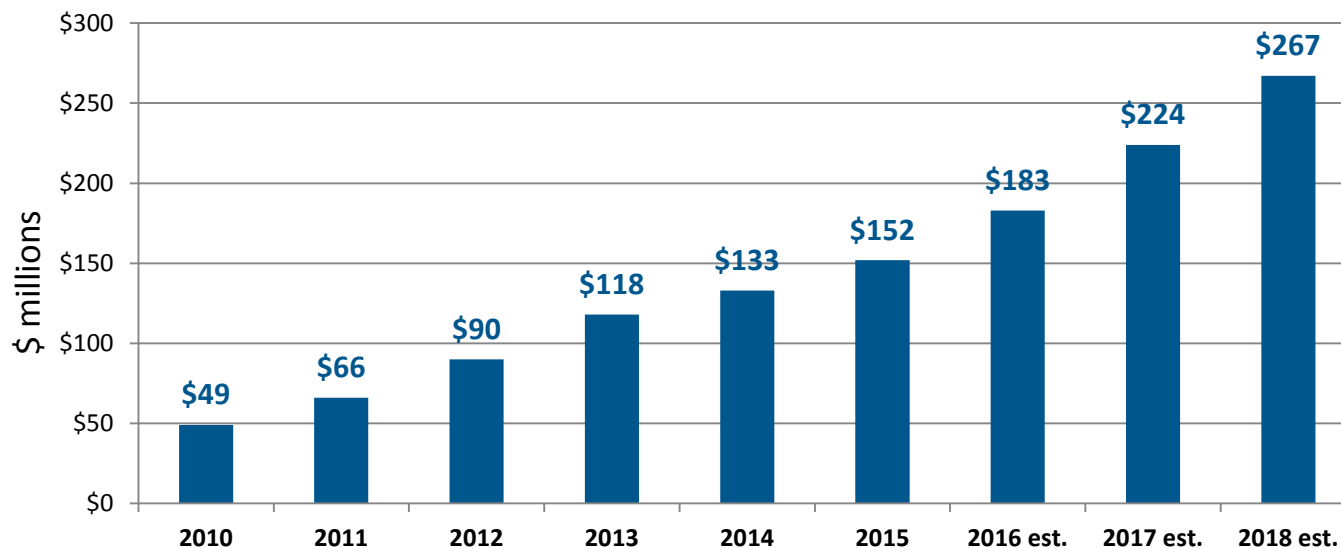
- It contains many of the same elements of proposed rule 30e-3, without the unintended negative impact on viewing fund report information.
- Key information from fund reports is delivered without a change in the underlying default for how that key information is provided.
- Detailed information is accessible on the Internet with a minimum number of “clicks.”
- SEC publication, “How to Read Mutual Fund Shareholder Reports” (e.g., use of graphical information on performance, expenses, and portfolio holdings)
- Survey of individual investors (True North Market Insights, July, 2016): respondents indicated the data they most want to see, and showed a clear preference for the enhanced notice.
- Investor Advisory Committee roundtable (July 14, 2016)
- Best practices from the SEC’s Evidence Summit (March 10, 2017), e.g., prominence, graphical representation, familiarity
- Consumer Federation of America, including CFA’s Investor Issues Dialogue group (July 19, 2017)
- Operational and systems requirements
- Economic analyses (ongoing) – to maximize potential use by investment companies and individuals



Appendix

Broadridge continues to invest aggressively in e-delivery and digital, together with broker-dealers and investment companies.

Printing & postage savings with increases in e-delivery adoption (funds held in street name)



E-delivery as a % of all deliveries

2010	2011	2012	2013	2014	2015	2016 est.	2017 est.	2018 est.
19%	23%	30%	37%	40%	43%	48%	54%	59%

Investment companies are on track to realize record savings on printing & postage in 2017, under the SEC's current guidance based on investors' affirmative consent to e-delivery.

- E-delivery has grown from 19% of fund report deliveries in 2010 to over 50% as of June, 2017 (to investors holding shares in street name), with incremental savings on printing & postage of \$40 million over last year. Each 1% increment provides additional savings of \$7-8 million.
- Digital delivery is now enabled in personal cloud solutions, e.g., Evernote, Amazon, Google, and Microsoft, among others.
- E-delivery rates for direct-sold accounts lag those of the street.

“Awareness” Studies Are Consistent Over the Past 5 Years: The vast majority of fund investors are aware of receiving fund reports.

True North Market Insights Study, Mutual Fund Email Options Concept Test, 2016

Do you recall receiving a mutual fund annual or a semi-annual report in the past 12 months, either on paper in the mail or via an email? (n=1,811)

- 94% Yes
- 6% No

True North Market Insights Study, 2015

Do you recall receiving an AR or SAR report in last 12 months? (n=1,002)

- 89% Yes
- 11% No

FINRA National Financial Capability Study, 2015 (Responses of Mutual Fund/ETF Investors)

Have you ever received any disclosures regarding your investments (such as mutual fund summary prospectuses, potential conflict of interest disclosures, disclosures of risks of specific financial products, etc.)? (n=1331)

- 68% Yes
- 21% No
- 11% Don't Know/Prefer Not to Say

SEC Investor Testing of Mutual Fund Shareholder Reports, Homework Assignment/Questionnaire and Online Survey; (Siegel + Gale, 2012)

Do you recall ever receiving an annual report from any of the mutual funds you hold?

(Homework Assignment Survey; n=105)

- 91% Yes
- 4% No
- 5% I don't remember

For any of your current or past mutual fund investments, do you recall ever receiving a mutual fund annual report?

(Online Survey; n=400)

- 86% Yes
- 6% No
- 8% I don't remember

“Readership” Studies Are Consistent Over the Past 10 Years. The majority of investors look at some/most/all of the information.

True North Market Insights Study, Mutual Fund Email Options Concept Test, 2016

Which of the following best describes what you typically do with the paper reports you receive in the mail? (n=1133)

- 21% Read thoroughly
- 53% Skim
- 10% Do not read; file
- 15% Do not read; throw away

True North Market Insights Study, 2015

How often do you look at the annual- and semi-annual reports that are mailed to you? (n=407)

- 36% Always
- 31% Most of the time
- 26% Some of the time
- 8% Never

FINRA National Financial Capability Study, 2015 (Responses of Mutual Fund/ETF Investors)

Which of the following best describes what you usually do when you receive a disclosure regarding your investments? (n=914)

- 14% Do not read the disclosure
- 58% Skim the disclosure
- 28% Read the entire disclosure

Forrester Research and Broadridge Custom Survey, 2015

When you receive or get shareholder reports, how often do you look at them? (n=1,037)

- 24% Always
- 26% Most of Time
- 37% Sometimes
- 13% Never

ICI Study: Understanding Investor Preferences for Mutual Fund Information, 2006

Overall readership of shareholder reports (percent of recent fund investors):

- 10% Read all
- 17% Read most
- 24% Read some
- 26% Read very little
- 11% Do not read but save
- 12% Do not read and throw it away

“Delivery Preference” Studies on Receiving Fund Reports

Results are consistent with actual processing data.

True North Market Insights: Mutual Fund Email Options Concept Test, 2016

How did you receive the mutual fund annual or a semi-annual report(s)? (n=1,811)

- 43% Mail
- 28% Email with a link
- 24% Both mail and email with a link
- 2% I searched the Internet to access the report
- 4% My broker or financial advisor gave me a copy

True North Market Insights: Annual Report and Semi-Annual Report Notification Study, 2015

How would you prefer to receive AR/SAR? (Note: asked before full description of Notice concept) (n=1,002)

- 47% Mail
- 41% Email w/ link
- 7% Notice
- 5% Don't want to receive

Thinking about all the options presented here, which method of delivering annual- and semi-annual reports do you prefer (Note: after presenting Notice concept)? (n=1,002)

- 43% Current method
- 22% Notice
- 35% Summary

FINRA National Financial Capability Study, 2015 (Responses of Mutual Fund/ETF Investors)

By which method would you prefer to receive mandatory disclosures regarding your investments (of those who recall receiving)? (n=914)

- 13% In-person meetings with a broker or adviser
- 47% Paper documents physically mailed to you
- 29% Documents delivered to you electronically by email
- 8% Documents that you access on the Internet (not via email)
- 2% None of the above/Don't know/Prefer not to say

Forrester Research and Broadridge Custom Survey, 2015¹

How do you currently prefer to receive your annual and semiannual fund reports" (n=1,037)

- 55% In the mail
- 43% By email with a link

SEC Investor Testing of Mutual Fund Shareholder Reports – Online Survey; (Siegel + Gale, 2012)

How would you prefer to receive info about mutual fund investments? (n=400)

- 26% Online through link in email w/ option to request paper
- 20% In print, with web address for online
- 19% Online through link in email
- 17% Print summary w/ address for full online version
- 14% Print via mail
- 6% No preference