



**Focus Group Testing
Summary Mutual Fund Prospectus**

Transcripts

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Prepared for:

**Securities and Exchange Commission
100 F Street NE
Washington, DC 20549**

Prepared by:

**Abt SRBI
8493 Colesville Road, Suite 820
Silver Spring, Maryland 20910
(301) 608-3883**

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(Explanation of group purpose, confidentiality information, OMB info, etc., by moderator. Moderator reads the disclosure about the materials to be used. Moderator comments are indicated by bold font).

Let's go around the table and we'll start over here. If you could give us your first name only. And then if you could describe your involvement with mutual funds. Do you invest? Is it on your own? Is it through a 401(k) or other retirement plan?

My name is (Name redacted). I have both retirement plans and non-retirement investments. And I invest primarily on the advice of a financial advisor.

And your non-retirement investments, do they include mutual funds, or?

Mutual funds.

All right. Next?

My name is (Name redacted). I invest in a retirement fund, which include mutual funds. And I also have an independent brokerage account that I invest in mutual funds as well. And I work as a financial advisor in socially and environmentally-responsible investments.

All right.

My name is (Name redacted). I have a retirement fund, deferred income. I have general mutual funds as well as bond funds. And that's about it.

(Name redacted)?

I'm (Name redacted). I invest in mutual funds through the advice of a financial advisor.

My name is (Name redacted) and I invest in mutual funds, usually by periodic installments on a monthly basis on predetermined funds that I want to dollar average my NAV's. And I do them individually, without consultation with professional advisors. And I own a wide variety.

I'm (Name redacted) and I have retirement accounts and regular investment accounts. And only in the investment accounts I have some ___ mutual fund. And I decide on my own what I'm going to do, like (Name redacted), and I do, I just income average.

My name is (Name redacted) and I have mutual funds and also have diversified investments through a financial advisor and my bank and a broker as well.

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My name is (Name redacted). I have a retirement fund and also I invest in individual mutual funds on my own. I buy on tips.

My name is (Name redacted). I have a 401(k) and a number of rollover IRAs that I have transferred money into from previous 401(k) and 403(b) accounts. And I used to do some direct investment of mutual funds with monthly deductions but I don't do that right now.

My name is (Name redacted). I have mutual funds, stock and bond variety that I purchased through a financial advisor and some IRA – my (inaudible word) is also through the same financial advisor. And I don't do any investment on my own, it's all exclusively through a financial advisor. And currently I have no work-related retirement things.

Okay, excuse me for a minute, don't go anywhere. (Name redacted), **could I ask you to come with me? You know too much.**

How do you know how long I've been doing it?

They want lay people.

I've looked at a few prospectuses in my time and I never seem to get the right information on them. They just give you general stuff. The top ten investments and they don't give you any idea what the peripheral problems are, whether they're the bond funds or mutual funds.

Here's (Name redacted)!

Do we have to start over again?

(Name redacted), **I asked everyone to introduce themselves, first name only and then to tell us if they have mutual fund investments, a retirement account, and/or ones that they buy directly also.**

Okay. So, I'm (Name redacted) and I do have mutual funds and a retirement account and directly.

All right. Let me begin by asking, what type of information is important to you when making a decision about investing in a mutual fund? What kind of information do you look for?

Fees. Low is good.

I like to know who is managing the fund, the background qualifications of that person.

Of the individual. Okay. And (Name redacted), **I think you said something but I couldn't hear it.**

I was agreeing with 'fees'.

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Morningstar ratings.

Right.

I like to make sure that the individual holdings are actually what the fund is supposed to be. Like if I buy a small cap, I don't want them to throw in a couple of bonds in there or too many, in order for performance purposes. So, I like to see what is inside of every fund, like to whatever extent I can, because I know they change their positions. But I think it's very important to make sure that if I'm buying a large cap fund, that I'm not getting government bonds!

So, you're getting what you think you're getting.

The name should match with the content of what the fund is, so I have an idea of the performance based on what my expectations are.

Anything else that anyone else looks for when investing in a mutual fund?

Well, I think the prospectuses get too generalized. They give you a percentage. They give you a past history and everything. But the thing is, they don't give the – if you're doing it all the time, that's one thing. But if you're not doing it all the time and you want to know whether you should invest your money into it, you want to have a little more in-depth.

Anything else?

On the other hand, some prospectuses are too in-depth. They just go round-and-round and they confuse you! And because of obligations to disclose the risk, it ends up sounding like a horrible instrument that you wouldn't want on your worst enemy! So, it's very difficult to find the well-written prospectus that gives you a balanced insight into what's really going on with that fund.

What makes a well-written prospectus?

Well, it should have sufficient information – history, performance, a reasonable amount of projections. But it shouldn't be so laden with tables that you can't read or the disclaimers that just go on for 15 to 20 pages, "No guarantees, no this and that." And then you know, it's actually discouraging when you read your 15 pages of disclaimers and you don't really know what you believe after you finish reading it.

Anyone else ever use a mutual fund prospectus?

I guess I've read them before, you know, before you invest in them.

Any type of information you've looked at specifically?

Well, I generally lean towards index funds. So, the things that matter most to me are seeing how well the fund performs compared with the index and seeing what the expenses are. Because you

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know, beyond that there's not a lot of information that I need because if it's reliable, you know, S&P 500 Index Fund, then it's going to track the S&P 500 which is going to go like up and down and up and down and hopefully in the long run go up more often than it goes down! Not this year.

(Name redacted), **did you have something that you wanted to say about the prospectus?**

This may not be what you're looking for. But Vanguard, on their Web site, which is in addition to their prospectus – and they give a lot of information about the fees, what is actually in the mutual fund, whether it is a growth fund or a value fund – they have a graph on where it fits in that type of area. And they just have a lot of information that's very easy to read and it's on the web and it doesn't have all the disclaimers. But they do say, "Who should invest in this fund." So, it gives a lot of information and it's very easy to read. And if you could have something like that, I think that would be helpful.

Is it the format or the language or what makes it easy to read?

I think it's the language; it's not in legalese. And I think mainly that's it. And also because it's on a Web site, you just click through what you want to read or what's important to you rather than having to go through a big document.

And is that the same information as in the prospectus or is it a little bit different?

I think it's a summary.

Okay.

Again, it doesn't have the disclaimers. Well, it has some general disclaimer that you should read the prospectus before you invest!

But not pages and pages of disclaimers.

Right.

Boring pages. It's boring.

One of the reasons why I've made a decision to pay a financial advisor to be my mutual fund picker is that looked at prospectuses and found that they didn't give me any information that I could understand. So I'm not in a position to evaluate the mutual funds, but I still want to invest. So I find that I found someone that I felt comfortable working with and that's what I pay him to do, is to read the prospectus and pick the mutual fund.

I'm in the same boat. I mean, I figure that's what I pay him for. And in terms of reading prospectuses, I was saying I don't hardly look at them myself because I have someone who is an expert. And as long as the fund that he is recommending fits into our overall scheme of how we're investing, as he's explained to me, then I'm fine with it. I figure that's his job to look at it.

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If we need more small cap mutual funds let's say, I figure it's his job to go in and figure out what the best one is for me to put my money in. And then if I look at it and it looks okay to me –then again, I can't tell one from the other a lot of times, so I just let it go!

What I want to do now is to ask you to take a few minutes to review some materials that I'll be passing out to you and then I'll have some questions to ask you about these materials. And what they are is, one is a long-form prospectus and one is a short-form prospectus. So let's take about ten or maybe 15 minutes to review these and then I'll ask you about them.

(Long pause while reviewing the materials.)

How helpful would the long-form prospectus in making an investment decision?

I find it to be very informational; it didn't bother me to read through it.

The long-form gives a very in-depth instruction outline of what you want to know and what the fees are. This is a good overview for making a decision on isolating different funds. But when you make the final decision, this would have to be – this wouldn't be needed. And a lot of times, this [holding up short-form prospectuses] is the only thing I get to make a decision with.

The type of information that's shown.

Yes, that's available.

Certainly the long-form would be helpful if I generally thought that this was a good fund to invest and then I had to decide which 'class' of investment to make and which one had – and you know, compare all the different rules for when you can redeem and how much and all that stuff. And the other thing I notice is that a lot of this is like boiler-plate. And if there was some way of sort of marking-off – “This section describes all the standard risks for a bond fund and if you already know what these are because you read them in the last prospectus you read, then you can just skip this part.” And so you just 'know' that this part is the same text that appears in 25 other prospectuses and you only need to read it once.

Table of contents.

I didn't get through it, it's very long. I almost would rather like to have this [holding up short-form prospectuses] as the first two or three pages of this [holds up long-form prospectus].

Okay, have the short-form prospectuses –

Yes, have like a summary upfront and “If you want more information see page, whatever.”

That's very good!

I like that idea.

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And that way I can look at it and get an idea of what the fund is all about, whether I think it's a good fund or not. And then if I really 'want' more information, I can look for it.

I like the charts and the bar graphs because you can look at those and just in an instant, see how the fund is performing or get other information easily. Whereas, it is a chore to wade through the long-form meticulously.

Okay.

I like the short-form because it's more eye-catching and it highlights more. You have to go in-depth to read that [indicates long-form prospectus]. I like this [indicates short-form prospectus], it's more appealing to me.

I wouldn't make an investment based solely on the information those contained herein. Because it doesn't tell me very much at all! Just a lot of platitudes and generic.

It's got an overall view.

It doesn't even have an overview! It's very simplistic!

Remember it's hypothetical.

I understand. But even the nature of the information that it's trying to offer me is very simplistic.

They don't have a breakdown, for instance, in this one of the – or do they – oh, they do – top 10. I'd like to see more information on the breakdown.

But the normal prospectus I see, they have the top ten and then they give percentages of generalized investments and then they give the history of what the fees are and they give the history on what the interest rates were and the rate of return. And then you go from there.

Yeah, you go from there. That [indicates short-form prospectus] shows the fee right up there, what they charge, so that would appeal to me – what I need to know and then I would go in-depth and get more information.

They should mention the other classes that are available so that you – looking at this, I looked at this first and you would never know that there are other classes of investment available.

It says the balanced fund is only Class A and B.

There's no information on –

Okay, I thought that was saying for this.

I think these are more readable than most of the prospectuses that I receive in the mail.

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Okay, the long-form prospectus is more readable?

Yes, it's more readable and I don't think the font size is as small as the prospectuses that I receive. They make them like 8-point font! This is a little bit better. And the language I think was relatively easier to read as well.

I would assume these are both in the same fund. But I noticed that the long-form compared the return of the fund with the returns on several different indexes. And this one I think only had one index. I think it would be important to see how it compared to the stock index and the bond index.

So, that's something that was in the long-form and not the short-form.

Yes, but it should be on the short-form. I mean, even a stock fund, it would be useful to see how it compared to two or three different stock indexes.

Anything else that you think is important and is not included in the short-form prospectus?

The risk! Right up there on the first page, "You may lose money by investing in the fund."

So, on this short-form where it gives you "The Annual Total Return" in a flowchart; it would be very helpful and it would be easy for them to have another set of figures – like a two-tone bar chart that shows you this, or each year compared to an index return. So, that you can compare the performance of this mutual fund against the market, as indexed by one or two funds. And even my Quicken – software does that with three or four indexes, compare the performance of my portfolio over time against the performance of the market.

Another thing that might be useful on that graph would be to put a line where the average return over ten years is. To see how many times they're above or below the line.

Yeah, that's a good point.

Just stick a line right across there.

Yea, so that you don't have to add all these up and divide them by –

Right. And it just makes it easy when you're looking at the graph to see whether or not they have two good years and eight lousy ones, or ten good ones!

(Name redacted), did you have a point?

Yes, just looking at both of these, the comments that I made to myself is the typeface they use in this [indicates long-form prospectus] is really difficult to read. They should be using Serif typeface like the other one. The language and the charts, as far as I'm reading it – there's a lot of obscurity here, it's difficult to see what the point is. They're hiding costs. You have to go back and look back-and-forth to see what the true costs are. I wouldn't buy anything from this

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company based on just how they're playing with the costs. They've got 5.75% cost defined, but they described it three different ways and then it's listed here. I'd say these guys are crooks, just looking at this. And based on the hypothetical expenses, I wouldn't buy from either one of these funds! I don't think that's what you're looking for, but I mean they're outrageous. There are things that I've always looked for and had to like kind of go to other sources for my own investing. When there's funds like this that I'm looking at – say if I'm looking at the stock fund. Even if it's an index fund trying to mimic the total stock market, I'd want to see if the SEC has regulations. I'd want to see them have an aggregate of, “Okay, what's the P&E of this entire fund at this particular point in time? And how does that work? What's the total dividend pay-out for this particular fund and how does that trend over time? What's the debt load of this fund? The debt of these companies, in aggregate? How does that trend over time?” So, that I can actually see, “What am I buying?” I mean, I don't see anything here except a bunch of jargon that really is pretty meaningless, in terms of what I'm buying. It doesn't tell me what the value of what I'm buying is. There's nothing in here that I can see that's talking about the fixed income securities that tells what quality they are. And so getting away from the stocks, I want to see the same kind of stuff there. So, I'd say they've done a really piss-poor job on both of these, putting anything in there that has value to me as an investor. And that's why I always have to work so hard to figure out what the heck it is that I'm going to be buying! Because all these funds do the same thing. And the SEC, if they're the ones who are making the rule for it, they're doing a pathetic job! You know, tell them what's supposed to be in this stuff! The last thing is, I'd want to see -- like the gentleman here was saying – you know, “Performance against the indexes that are supposed to be measured at.” And some of their peers, too! And I'd like to see a chart that shows these expense ratios against typical funds in their peer class! And none of that stuff is in here! So I'd say these are both D-minus. Because it's not helping us see what the value of this stuff is. And all that information, especially the aggregate information about P&E and dividends, debt and book value – for a stock fund – that's all available, it's all tracked and it's all able to be put down here. And that would give people like us a way to see, “Oh, yeah, this is something I feel good about buying,” or not.

Would you expect to see that sort of information in the long-form prospectus or the short-form?

I don't expect it to be anywhere. I don't 'expect' it, I'd like to see it. And what I always have to do is search around the web to find it myself. You know, paying for other kind of research and stuff like that.

Seeing a fund like this track against its peers, would I think be kind of useless information. I would want to see how it trends against the index they claim. And I'd want to see it fully loaded with all expenses. Because all these charts, they're so deceptive because there are so many explanations. “Well, there would be less here or more there, this/that and all this long,” and then you look at the chart and see all these footnotes to try to figure out if all the costs are fully loaded and which example it is.

You're talking in relation to a load or no-load funds.

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No. I'm talking about having the expenses fully loaded into the examples. Yeah, whether it's a load or a management fee, a disbursement fee or some other kind.

Okay. Thinking again about the short-form prospectus, anything else that would be helpful to have in there? Anything you think is missing?

Yeah, tax efficiency.

You mean whether you're going to be paying lots of taxes from the managers turning –

Yeah!

If you had a choice, would you be more likely to look at the long-form prospectus or a short-form prospectus? Or would it depend?

Well, in order to isolate and break everything down you could look at the short-form. But when you actually sit down to buy, you'd have to read the long-form and find out what all the financial ruminations are available. Because you're not going to read a book – twenty of these, to go through 20 of these! if you have 20 of 'these' then at least you can say, "Gee, these look nice. Let's find out what the meat-and-potatoes is all about."

Yeah.

So, use the short-form as sort of a screening tool.

Yes.

Yes.

Anyone else have a different view? So, I guess what I'm hearing is each has its place depending on where you are in the process of making a decision. Okay.

Let me ask how important each of the types of information is with respect to a fund when you're making an investment decision. How about investment objectives and strategies? Is that important or not?

It is to me.

Yes, it is.

Yeah!

Because you want to be able to fit it into your overall portfolio mix.

And your risk level.

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Right.

How about costs?

Yes. (Group concurs)

How about risks?

Yes.

That factor is big!

To a certain extent, once you know what strategy a fund is using, you already know a lot about it. If it's a bond fund you know that there's the risk of interest rates doing weird things. Now, what would be useful in that case is to have something that highlights, "This fund, aside from all the usual risks that there are in bond funds, we do these special financial maneuvers that either increase or decrease our risk."

Well, if it's going to give you information about risk, it should be measured against some kind of standardized risk assessment that all other mutual funds are measured against as well. Otherwise, if they tell you, "This is slightly riskier or slightly less," you know, what does it mean? It means nothing unless there is a standardized template against which they're all measured. It may be a scale of one-to-ten with objective criteria and then, "this is rated an eight," and you know what that means compared to rated a 'four' and all 'eights' have a similar risk profile. That seems to me the only way a 'risk rating' makes sense.

I bought into an international bond fund and the two-page prospectus they gave me said they had different levels of investment and bond rates that are existing and whether – the talk about changing some of the bond ratings is fallacy or are they going to go through with it. That's basically what – they invest so many in certain risk bonds and in different certain government bonds – they have 'so much' percentage investing in that. But the thing is, most of the mutual funds I've seen are the same thing. They give you the same information no matter what you ask for. I mean, the thing is, I've been doing a lot of looking into stocks myself, because I have the option to buy into stocks now so I'm trying to look at different prospectuses and I never get the right information. And you try getting it and like it was mentioned, the fees and everything – it will drive you crazy! How much liability do they have? I mean, do you have to get the whole end of year report to find out if it's possible to invest in their shares?

So, sort of taking off from what (Name redacted) said, it would be useful like -- so here on the long-form they show on page ten, what percentage of their bond holdings are in what quality categories. And so it would be useful to have right next to that, the 'average bond fund' has its bonds broken down into with this kind of proportion. And then you could look and say, "Okay, so these guys have a higher return but they also have more of the 'B' bonds than the average fund does, so I'm getting higher risk in exchange for that higher return." And then I can decide whether or not I want that.

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Let's move on. How important is it to have performance information?

That's the crux of it!

How about the top ten portfolio holdings?

I don't think performance has any meaning at all, unless it's paired with who is managing the fund. You could have ten years of excellent performance but then they change the manager and the future has no bearing on the past – rather the past has no bearing on the future, so. Even with the same manager it's no predictor! But at least with the same manager you've got some idea of what the guy's or the woman's style is, you know, something like that. That's why this stuff is so obscure and there are so many pitfalls. It's like you know, unless you really have time to devote to it, you really like it.

By the same token, looking at past performance you can tell if a fund is being badly managed. You can't necessarily tell – I mean, if it's going all over the chart and then you've got to wonder what's up with the management of this fund. If it's been fairly consistent then you feel a lot better about it.

Except that if they change managers –

Oh no! I understand! I'm just saying – I'm assuming that it's useful to weed out bad apples, not to buy into companies necessarily.

Right.

Except they may have had a bad manager and now he's gone and now they have a new manager and then the past doesn't – again, doesn't tell you what it's going to be like going forward.

The next item on the list I was going to ask you about was the fund manager. So, (Name redacted) thinks that's important. Anyone else?

I think that's important!

I think that's important.

To me the most important thing to look at is when you're doing your general overview of it, "Who is managing this? What's their reputation? What have they managed before? Why did they leave the last fund they managed?" Find out all of that. It's very hard to find that.

How are you going to find out all of that?

Some prospectuses will give you – most of them will give you some general idea of the background of their managers. But it's buried. It's very buried. And sometimes you have to go outside of a prospectus to find it.

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They show how long they've been there.

Yeah, they show that.

But that's not in and of itself sufficient to tell me anything about this person.

That's right, no.

That's why you have to rely on insiders who are buying index funds.

I wouldn't know how to evaluate a fund manager just based on – even if they had a full page or ten pages! You know. Okay, so he went to college.

He better have gone to Harvard!

Okay. Let's move on. Hold onto those. I want you to look at some other things here. Please take one and pass them around. There's four pages. So does everybody have the four sheets?

I have three.

Why do they call this a 'global fund' if it's U.S.?

These are basically just examples. Let's look at the "Top Ten Portfolio Holdings" list. And do you think that a fund should list its top ten investments in the short-form prospectus?

I'd say yes.

Yes.

How many people would like to see that, the top ten? Eight. A little more than half. Is this sort of information something you would consider helpful in researching the fund?

Yes.

Everyone says yes?

All too often this information is hidden. And to try to actually find out what's inside, what are the actual holdings that comprise this fund is very – sometimes it's not in the prospectus at all because they want to have the flexibility to change that. And if you commit to a certain portfolio holding, then, you know.

But they don't have a date on it as to when those securities were in there, so there's really no reason why they wouldn't want you to know.

No, because it does tie their hands. The SEC rules would tie their hands. If you're going to say

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that “This is what’s in here,” and then ten days later you change that, you have to reissue a new prospectus.

No, it has a date on it.

I understand that! But if a month later these positions change significantly, they have to reissue the information to the consuming public.

No, I don't think so.

Yes, they do. Yes, they do.

I’m not sure about that. Let’s move on. I guess the take-away that I’m getting from that is that the top ten portfolio holdings is important information.

I’d say it’s ‘mildly helpful’. Maybe it’s good to decide to buy or sell something based on that. It depends how much of the – I mean, sometimes the top ten account for 10 percent of the entire investment pool and sometimes a lot more.

It ‘can’ give you information – or not!

You might want to look more.

It depends on what it tells you!

If you know that a fund invests in stocks of large companies, then you know without looking at this list that Microsoft is going to be on the list.

No, if they advertise one thing and Microsoft is not on the list, then they have – if the ___ makes up 75% of the fund, then you know it’s not a very diversified fund. So it’s almost negative information.

Right!

So, this is not a big help.

Unless something jumps out at you, it’s not going to be very interesting.

Or you’ve got serious objections about the companies.

How about the “Asset Allocation”? If information about a fund’s investments would interest you, how much detail do you think is helpful? And would you rather see the top ten list like we just saw, or the portfolio allocation, such as we see here?

You’re asking us if we had to choose one and give up the other, is that what you’re asking?

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Yes, and also just generally how helpful the asset allocation is.

Well, the asset allocation defines what the mutual fund is. And the stocks are supposed to relate to that! Am I right or wrong?

I think the top ten is more important. And it tells you that.

Yeah, but the fund dictates – the percentage dictates what the fund is involved with.

Very different information. Very different. If the top ten represents ten percent of the portfolio and 50 percent of the portfolio is domestic stocks, you can't infer one from the other.

If you could have one of these two in a summary prospectus, thinking about the fact that to keep the summary prospectus at a reasonable length it has to include some things and exclude others, which type of information would be more valuable?

They should have room for both.

If I had to choose one I'd go for the allocation by class.

I would pick that but by about 'that' much!

Well, could you say rather than the 'ten largest', if you say '50%' of the holdings or 25% of the holdings, to get a clearer picture. Instead of the 'ten largest', get a good chunk of what the holdings are.

Again, going back to the previous comment though, when you get down into the small percentages, less than one percent, that's probably going to change on a weekly or a monthly or daily basis, depending on what the fund is doing. So, again, you're just going to get a snapshot. But it could be useful.

I don't know how realistic these numbers are!

All right. Let's look at the other two. And that's the pie chart and the bar chart. So these are two ways of presenting. And then we have also the list.

Three ways of presenting the same thing.

Would you rather see the portfolio allocation information in a list like what we just saw. Or in a pie chart or in a bar chart? Or does it not matter?

I like the pie chart!

I like the pie chart, it's easier, it's more visual.

Yeah.

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I think what would be even better is to use a stacked bar chart and maybe have like something that shows like how the allocation has changed over time. If there's a big shift in this balanced fund from 60/40 stocks to 60/40 bonds, then it would be nice to know when that happened. It would be nice to know whether that happened at a good or a bad time, you want to see how good the managers are at anticipating the market. Did they get out of stocks after everyone else did or before everyone else did?

Any other thoughts about these presentations?

I think the list is very straightforward.

But then some people prefer the pie chart. Okay.

It depends on whether you're a visual – you know, how do you absorb information.

Hold onto those. Let's go back to the summary prospectus. And I want to ask if you were aware that, "Payments made to persons who sell mutual funds create conflicts of interest that may affect the recommendations you receive."

Could you repeat that?

So, everyone is aware of that, okay.

Some people didn't hear it.

Were you aware that, "Payments made to persons who sell mutual funds create conflicts of interest that may affect the recommendations you receive."

Yes.

All right. Let me ask you to look in here at the "Intermediary Compensation Disclosure" and that's at the bottom of page four under, "Payments to broker, dealers and other financial intermediaries." And if you'd just read this paragraph very quickly.

Yes, I've seen that before.

This is a very real problem with analysts.

All right. Do you think this information, as presented here in the short-form prospectus is understandable?

I do.

Yes.

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Very much so.

Is it useful?

Yes.

Very useful. Because a lot of people don't consider that. They go to a person and expect to get the best recommendation he or she can get. And then you go to a bank and at one time banks weren't allowed to sell stocks and bonds. And then when they were allowed to, it became a conflict. Enron is a prime example.

You might just want to add the word, "financial advisor" to this, too, to make it very clear who they.

"Broker, dealers, and other financial intermediaries."

Where would it be most useful for you to receive information about payments made to your salesperson? Would it be at the beginning of your relationship with that person? At the point in time when you decide to purchase a mutual fund? Or upon confirmation of a mutual fund purchase?

Right at the beginning.

Way upfront.

Right upfront.

"At the beginning", meaning when you first –

When you meet them. When you decide if you want to work with them or not.

Okay.

Any financial piece of paper I've had, it's been in the paperwork. But I would feel more comfortable knowing upfront what's the situation.

After reading this disclosure ...(*begin tape side 2*)... [would you want to] find out more about these things?

Yes.

Absolutely.

In that case, how would you prefer to get that information? Would you want to call your salesperson? Go on the internet? Get it in a written document?

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I'm not going to call the broker and ask him, "How much are you getting paid to peddle this?" I couldn't rely on the information. There's a human tendency to like not want to be upfront about embezzlement or – not that I'm suggesting that they're all crooks, but you know.

I would say that's one of the questions my financial advisor answered without my asking, was to state categorically that he does not get a fee or a percentage or a commission for recommending one fund or another. Now, had he told me that he did get a commission for recommending funds, I'm pretty sure I would have not done business with him. So, you know, it's important to someone like myself to know that information at the outset because it's a 'go' or 'no go' kind of question, for me.

So it's not something you want to find out later.

No. You don't want to invest a whole afternoon going over your whole life strategy and financial goals and get a list of information and then, "Oh, by the way you should know I'm getting commission on some of these." That's like a bait-and-switch.

Let's look at something else. And this is the disclosure about sales charge discounts. It's on the first page of the short-form prospectus, the second sentence entitled "Fees and expenses of the fund." And it reads: "You may qualify for sales charge discounts if you and your family invest, or agree to invest in the future, at least \$25,000 in 'xyz' funds." And is this information understandable?

No.

Where was this?

I think it would be better if they gave you a chart saying, "This is the schedule of fees depending on how much you invest."

Okay, everybody find it?

How much is the discount, you know? Is it five dollars?

That's something that I don't know would be useful to have in the short-form. But in the longer form, you could certainly make a chart like that. Because if I'm just making a decision, I might not have even decided how much I want to put in there yet; whether I want to go to that \$25,000 or not.

Is it helpful to have that sentence in the short-form prospectus though, or not?

Yes.

It at least tells you that if you like this – if I were to say, "Well this looks good except for the sales fees," then I could say, "Well, if I were to throw in \$25K, then would the discount be worth it?" Well, "I'll go to a long-form and look that up and then make my decisions."

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Without mentioning any money they could have a phrase like, “Depending on the amount of the investment over the long-run, the sales fees will be discounted.” And then if they need any information, then they could go.

Okay, so something like that. So, that’s useful information to have?

Yes.

And I think it’s useful having a dollar amount, you know. If it’s \$100,000 or \$25,000 – then you know whether or not to look further. Because if it’s \$500,000 - !

So, you know whether to use the energy to look further.

For short sales on bonds have gotten so many people into trouble. Because the people don’t realize or they don’t remember and they buy something and then they sell it and then they find out, “Oh my God! I sold \$25,000 worth and they’re charging me a thousand dollars penalty for selling it.” And people get hysterical over this stuff! It happens all the time! And then they want to go and sue the brokerage or whoever they’re working with. I just think that – well, personally I would like them to get rid of those kinds of fees. But they really need to make it kind of bold so that please don’t find out after they’ve sold it and they didn’t realize that they were going to eat huge account fees by doing it.

And this is where they could just use more clarified language to make it something very clear and definite. Instead of saying, “You may qualify,” they should just say, “Up until ‘this’ amount of money, you’re going to pay the 5.75%.” If you put in \$25,000 you’re going to get 2% off.” And just list what it is. And they can do that in maybe ten more words or something. But here’s all vague, you know.

Vague.

Use the space to provide a bit more information?

Let’s look at the disclosure in here relating to portfolio turnover. And it’s located on the top of page second page. “Portfolio Turnover.” Take a minute just to read through that.

It’s not giving me the information that I want to know.

What’s not here that you’d like to know?

The cost!

The percentage. The dollar amounts. It’s very vague.

It’s vague.

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What does that mean?!

“63% of the average value,” what does that translate to in terms of cost?

They did a lot of trading.

Yeah, that means they did a lot of trading, but what does it mean in terms of cost?

How much of the fund’s assets were spent on brokerage fees, which are not going to be reflected in any of these numbers up here, because that comes out of – all of these were through the turnover come out of your 99% and the other amount their 1%.

**Do you think it was useful to have this type of information in the summary prospectus?
Yes? No?**

I think so. It would make it clearer. Like it was mentioned, it’s very vague. And the thing is, they just – yeah, “How is it going to affect the cost?” I mean, if I put \$20,000 into a fund, is it going to be eaten up by fees? I mean, I’m supposed to be paying like 1% of the gross for a service fee and then they say, “Well, the fund is taking care of it.” Yeah, the fund is taking care of it but that means I’m not making anything. I’m going to have a negative percentage rate over ten years! Besides paying a fee, I’m going to be losing money.

Yes.

Okay. You can continue to hold onto these. What I want to do now is to provide you with two documents that contain information about several funds. And I wanted to ask you to take just a few minutes, because time is really short and I’ve got some other questions I wanted to ask you.

(Pause to review materials)

Okay. Do you think that these documents are more or less helpful than the short-form prospectus that describes just one fund?

I like it better.

More.

Very different. This is kind of like a tutorial. We need an ‘income fund’!

Because they compare – it’s like somebody said, “We’d like to be able to pick ‘A’, ‘B’ or ‘C’, within the fund. And this actually allows you to compare the different choices within the company.

I thought there were too many in the international fund; like 7 or 8 funds. It just really makes your head spin when you have to read all that.

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So, that was sort of the down side, that there were so many?

Yes.

I agree.

Do you think it's helpful to have information such as cost and performance combined together for more than one fund?

No.

Anyone have a different view? If you were looking for a specific type of information about one fund, do you think you'd find it more or less difficult to find the information when it's in a format such as these where it's combined with information on other funds?

It would be more difficult.

More difficult?

You have to search for the fund.

I think the information is sometimes more useful when it's kind of – maybe you can see it 'in contrast' with other funds that are slightly different.

It depends. If you're looking to compare funds so you can pick the one you want to invest in, it's good to have the comparison. If you've already purchased a fund and you want to check something out, then it's good to have a summary that is just focused on that fund. So, it depends on what you need it for.

This is useful to know when to buy. And this is useful to know when to sell!

I guess if you knew that you wanted to buy a 'Japan Fund' and then there were like 12 different mutual fund companies that had Japan funds, it might be annoying to go through 12 things like 'this' to try to pick out what each one said just about Japan.

If you went to the Fidelity Asian Fund, wouldn't that have its own prospectus?

Yeah. I mean that's what I'm saying. You can have both. They're both used for different purposes.

Would you prefer to receive this information in a combined document like this, or information about each fund in a separate document, such as we looked at earlier?

Well, there's two different purposes. You try to pick out in a group of what you want. And when you find out what you want then you have to go to the fund and get the information from that.

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This is for a summary of what's available.

So, if they're sending you the prospectus because you own shares in this mutual fund and so they're sending you their annual prospectus or biannual. I think I would go for 'this' one, the short-form. But if you contact the company and say, "I'd like to have a prospectus that compares all your international holdings," you know, then they could send you 'this' one.

I'd want to see the really, long detailed one and I want to see a lot more detail. The kind of details I was talking about in the beginning and for a couple of reasons. One is, I'm a long-term investor, I'm income averaging, I'm holding the same thing over a long period of time. And you know, reading the paper the last ten years and stuff, I mean a lot of these guys are crooks! Even Fidelity is getting fined for letting big investors get in and trade stuff after the market closed and stuff. So, I'd want to see a lot more detail. And then reading this stuff here and it says, "Hey, we're looking for companies with healthy balance sheets." I know this is an example, but this is the perfect kind of thing you always find. And then the next bullet says, "Potential to grow dividends and conduct share repurchases." I mean this is all a contradiction in terms! I mean, a big share repurchase program is a real sign that the company is working against cost of purchase to true investors. It's just a bunch of baloney. And that's not going to help them really pay meaningful dividends, especially in a world where dividends have been decreasing over the last three or four years. And I'm not answering your question exactly, but what I'm trying to point toward is like, I'd want to see a 'lot' more information. Because I don't invest in a lot of funds, but I want to pay attention to them. And once a year to sit down and really go through this and make sure that they're doing it right. And then to add that stuff that I was talking about before. Any stock portion of the fund – they should break it out. They should show the book value of an aggregate of what those stocks are. They should show the P&E and the total dividend and they should trend that stuff. Why they're not required to do that is beyond me. Because those are the true measures of value that people like us could relate to. And you know, if they force them to start to show that stuff in the stock portion of their funds, and then other stuff in terms of – like it says for the bonds it says, "Fixed income or mortgage backed." Well, is it Ginnie Mae or is it Fannie Mae? I mean there's a big difference! And just basic little things like that! And none of that stuff is in here! So while this seems to me to be a major improvement over the other ones, it's still got a long way to go in terms of truth and disclosure and having real value to know where my hard-earned money is going! And so I don't want to look at a little two-page thing because I don't trust these guys!

And when they buy into stocks, they get all that information before they even put any money into it. Fidelity will do a whole report on that company before they start investing in it. They don't just say, "Gee, their income looks pretty good, let's throw a million dollars their way."

Part of the problem here is, these prospectuses aren't going to be written by the SEC, they're going to be written by people and investors interested in getting people to invest in the fund. And so whatever regulations are imposed on how to write the prospectus, the guy who actually typed it up is going to be told, "Okay, try to make this as vague and attractive and blow all of the ugly parts as much as you can without actually breaking the regulations." And so any regulation that doesn't say, "You must put 'this number'," you know.

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Right. And that's where I'm trying to steer the conversation, that's what they're trying to find out. They should make it very clear. Just make it so everything is standardized across all these companies! It's like have chart and tell us 'this' and have 'this'! You know. Show your expenses and this. This has some tax efficiency stuff that's really helpful and there should be some very basic ways that they can show this and they can't show it any other way!

The converse of what you're seeing is that there's a lot of stuff in here that is just garbage. If you look at page six of the International and I think it's the same language on the other one, the "Investment Approaches," it's basically telling you, "Well, we do our very best to buy the very best stocks we can buy." I mean, you know, everybody wants to find the strongest branch. A "healthy balance sheet," well duh! So this is not very – as somebody said, this is like a tutorial. If you want to learn what are the principals of good investing, this might be useful. But it doesn't tell you anything about what they're –

That's why they need to put the metrics in there.

All right. A few more questions. If the information is combined for two funds, or five funds, or 10 funds or more than 10 funds – as you're thinking of this type of multi-fund prospectus change. In other words, is there a point at which it becomes too complex because there is too much information for too many funds?

How much is this thing going to weigh?

Just trying to find out what's available and what the relationships between the funds are, I mean.

Three is good, five is pushing it. More than five is just noise.

Unmanageable.

And some companies do it where they just have – it's like a little telephone book where there's just the fund information in each section and they're not comparing them all together.

Right.

I think the thing to do is to have software that allows you to pull up the information that you need. So that if you want to compare, you can compare. If you wanted just to read all the details about one, you can do that. You know, there are software packages that allow you some of that. They don't need to send you a bunch of paper anymore. They can have the interactive database that you can manipulate to get the information you need.

So, I guess what I'm hearing is, "Three funds is okay." More than five is too much. So, it's nice to be able to compare but too much information can make it difficult. And (Name redacted) was saying it would be nice to pick in an interactive way, just the funds that you were interested in and be able to compare them just on certain metrics, which is kind of

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different than this because you're getting a lot of information about three or four or five or however many funds.

Is a page limitation also involved in here? Is it not just three funds or is it if it's a hundred pages, versus 20 pages?

If it's some good information on a package this size – I mean even if it's ten, if they chart it properly. I mean the thing is, how much information are you going to put in there? They show the relationship of the different funds, what their direction is. We were talking about the top ten holdings versus the balanced portfolio. This shows what a fund is. This doesn't tell you what a fund is. But 'this' tells you what you can invest in, what they aim to invest in. So, the thing is, that – if you have a company like Fidelity, which has over a hundred funds and you take different groups and you say, "Gee, this is the different groups and this is what the differences are," so someone could look at it and say, "Gee, I'm interested in 'this'." So, then you get a prospectus on 'this' and you find out what the meat-and-potatoes are all about.

And I think that if there are some pieces of information that would have a material effect on whether or not you'd want to invest – like the Asian funds, since they invest in places that where the markets are open on Sunday, then your value of your investment could tank on a day that you absolutely can't take your money out. That's a really useful thing to know! That's something you might not have considered. And I would hate for something like that to be chopped-out because, "Oh, we put that one sentence in and then that goes over the 25-page limit," or whatever, on the prospectus.

Which of these two presentations that you just reviewed, do you prefer?

Between the International and the Personal Strategies?

In terms of format.

There's more information in here than 'this' one.

But they're asking the same questions!

They're hard to compare because they're such different vehicles.

But this information is a lot more consolidated.

The headings -!

"Which fund is most appropriate for me?" I mean they both have that, don't they?

So, there doesn't seem to be much difference between the two?

I don't think so.

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Okay, just a couple more questions. How current should the performance information be in a prospectus? Should it be the most recent calendar year? The calendar half-year? Or the quarter or the month?

With computer programs they have nowadays, they can make it within the last month. I'm not saying nickel-and-diming everything, but the ten biggest investments. They should have at least that set-up with what the fund is generally standing.

Give us the most recent data!

The most recent data isn't always the most helpful though. I mean, you want to look at performance over a fixed period of time.

They have publishing systems that could just take whatever the most recent numbers are out of the funds database and give you what the value is at the time that this document is going to the printer, so.

Yes. They have to give you the most – they 'should'.

So, 'most recent' being 'most recent month'?

Yeah.

What was the question again?

How current should the performance information be in a prospectus? Should it be the most recent calendar year? Calendar half-year? Quarter or month?

I don't think a month would help anybody. You've got to have at least a year.

She's not asking about – are you asking about the term? You mean over the past month?

As of last month.

Okay. How current should the performance information be in a prospectus?

It should be 'up to the last month'.

Yeah. Long-term information, but ending with.

So in other words, they give you one year/five year/ten year – but that one-year period is as of six months ago as of 12 months ago?

Is that the question?

I don't know!

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I asked the question the way it was written.

How the fund performed up until April 1st, 2008!

Up to.

If you get something that's the most recent data in the prospectus and it's six months ago and in the past six months the market has crashed!

The package I have, they have up until the last week. They give you interest rate. It goes a year, five years and ten years. But the thing is, that's the interest in relation to what the market is doing. But they don't give you any perspective information that's available. So, the thing is, they're writing all that perspective like the last top ten investments that they have – it would be nice to know, if you were investing on your own.

Is it important for you to obtain current performance information or portfolio holdings information in the prospectus itself? Or is it sufficient if the prospectus directed you to a toll-free number where automated current information could be obtained?

I don't understand.

I'm not going to call anybody.

How about a Web site?

Yes.

Web site.

Web site! Save a tree! Save a million trees!

So, that would be okay rather than having it in the -?

Well, not everybody has computers!

Okay, if you'll bear with me a minute.

Are you asking us what we would prefer for ourselves, or what the policy should be?

No, what you personally would prefer.

What would make sense for you personally.

Yes. Would you rather have the portfolio holdings and the current performance in the prospectus itself or available by calling or available online?

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Online.

And I think I heard some people say they wanted it in the prospectus itself.

The point was that not everyone has computers.

Interpreting the question beyond the intent.

Yeah, I would always like to just look at it on paper. And yeah, it's the same way with the other question in terms of is it going to be six-month old information. You can always go online and then look at it there. But what's so frustrating about so much information online, unless you're willing to pay for special research, is it's the same stuff. You can't really look beyond certain (inaudible word).

Let me go in the back and see if there's anything else they want me to ask and I'll be right back!

The thing is, financial advice – I hate to go to a financial advisor. And I expect him to be giving me the best information that would be possible. And I would hate for him to say, “Well, I'm getting kickbacks.”

It's very prevalent!

It's worse for them not to tell you!

It's a problem but it's such a common practice.

Well, a lot of the ones on the phone from the brokerages, they'll tell you, “I can't recommend, I can only answer questions about, you know, objective information about one choice or another, but I can't be a stock picker for you or a fund picker.”

Especially in over-the-counter-stocks. The house buys a block of stock and then the brokers get on the phone and crank it to retailers. And they get a higher percentage of commission if they're selling house-owned stock.

One more question. What I want to do is ask this question and then go around and ask each of you to respond to it. And we'll start over here with (Name redacted). And actually, this question has two parts. Are you willing to go online for detailed information about a mutual fund you might be interested in? And how about getting the short-form in paper and the long-form online?

That's not a bad idea. I mean, if I were going to go online, I would want to know that there's a lot more information that I can get going online to get this stuff. And the paper is nice to have in summary; I think that's a good summary to whet your appetite. But the real meat-and-potatoes, if you could get it online, I'm perfectly fine with that.

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And you're willing to go online?

Absolutely. I would go online and get that.

How about you?

Yes, I'm certainly willing to go online to get more information. And I would accept having the short-form on paper and the long version online. The long prospectus, I'm only going to read it once, so. And it would be even better if it was not only online but if it could be hyperlinked in a way to make it easier to sort of navigate, you know, comparing 'this' fund with 'that' fund or skipping around to like all these cross-references between the share classes in the 'ABC' fund. If there were more internal links between sections of the prospectus that I was reading online, it might be easier to follow what all the costs were.

How about you?

Yes and yes.

I would rather read it. I'm more apt to check the price online, but I'd rather have it in front of me and read it.

Okay, you'd rather have the long-form? Okay. So, but you are willing to go online to look it up.

Yes. To check the price.

How about you?

Yeah, I've looked online for more detailed information but rarely get it in the printed format. I'm not going to print it out if it's 20 pages or 40 pages and I'm not going to read that much stuff on a computer screen -- I'm getting older.

(Name redacted)?

I don't like clutter! And also the convenience of online at two o'clock in the morning when I'm an insomniac, I can go through my portfolio, I can look at it and I don't have to live with it in my house. So online for everything, if I can!

Even a short-form?

Even the short-form. Because the short-form, if I want to be tactile and touch it, I can print it. I'm not going to print-out a 200-page prospectus, but I might print-out a short-form of six pages or 10 pages or less.

Okay. How about you, (Name redacted)?

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I probably prefer having the short-form to read, but I prefer to get the long-form online.

The short-form is nice to read, but I'd rather read it on the computer. I'm not that great at computer literacy myself, but I have enough to handle it to use it. Like I said before, not everybody has computer, so there has to be alternatives.

(Name redacted), **how about you?**

Getting the short-form in the mail on paper and the rest of it online. And I think there is way too much to print-out from the form. And they can save lots of paper!

And (Name redacted)?

I'm with (Name redacted). I prefer it all online.

Okay. Great. Well, thank you all for coming out so late. This has been a good group and I thank you so much!

April 9, 2008, 8:00 PM, Denver, Colorado

(Explanation of group purpose, confidentiality information, OMB info, etc., by moderator. Moderator reads the disclosure about the materials to be used. Moderator comments are indicated by bold font).

Let's do some introductions. And we'll go around the table and if you would introduce yourself, first name only. And then I wondered if you could describe your involvement with mutual funds; do you invest on your own or is it through a retirement plan, such as a 401(k) or both?

I invested in mutual funds because I have a daughter who is 16 and going to go to college. And I received quite a bit of money about 12 years ago. And at that point in time, I turned to my friendly banker and my banker recommended a broker and I went from that and he's been very, very successful. I know some of the mutual funds I own but I couldn't tell you all of them. I've been impressed. It's very solid and secure. I still have a good growth, a fair amount of interest.

Okay. (Name redacted), how about you?

My husband and I do our own investing but my husband works in the financial business as an investment advisor, so he helps a lot. But I'm always involved in the input and we have both mutual funds as part of our 401(k) and also separate as individual investors.

I'm **(Name redacted)**. I started investing in mutual funds through a brokerage firm 25 years ago and also then a 401(k) and since then I've retired and rolled-over the 401(k), so I'm making all the decisions myself outside the 401(k).

I've got mutual funds and a 401(k), of course, that I shift around through the government TSP program. And then with my private money, I've been in mutual funds for about 30 years, making my own choices based on risk and what the funds have to offer and it's fun!

I have mutual funds through the (inaudible word), 401(k). I haven't been real happy the last three months.

I'm **(Name redacted)**. I started investing in stocks in the late 1950s and was aggressive. I started and went into some real estate and some personal investments and apartment houses. I realized before I retired that I should get out of illiquid investments and so I got rid of all my real estate and similar investments and went into mutual funds and that was probably in the late 1980's and 1990's. I still have some stocks but most of my investments are in mutual funds and I manage them all myself, through a broker, with his advice.

Okay, that's very helpful. Let me begin by asking what sort of information is important to you when you're making a decision about investing in a mutual fund. And I wanted to ask specifically how important is each of the following?

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How about investment objectives and strategies? Is that something that's important when you're making a decision? (Name redacted)?

Probably one of the top reasons, yes.

Yes.

Most people 'yes'. Okay. How about the risks involved?

Yeah, that's a high priority for me.

Yes.

How about the costs?

Yes!

Yes.

How about the performance of the fund?

That's the most important thing.

Long-term.

Yeah, that's what I look at.

Five to ten years.

How about the top ten portfolio holdings? Is that important information or not?

Yes.

Only if it's too concentrating.

I'm more interested in looking at who is overseeing the investment.

That's my next thing to ask about.

Their trust.

The fund manager is very important to us.

How about information about how to buy and sell shares? Is that important information to have?

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We probably all know how to do that.

It comes without you asking. They're always asking for you to invest.

How about the tax consequences? Is that important information? (Name redacted), **you're saying 'yes'.**

I don't know exactly what you mean.

The consequences of –

What my tax liability is because of the gains?

Yes.

Something I should be concerned with later!

Yes!

While we're talking about mutual funds, they have to distribute the dividends and the long-term capital gains every year to avoid taxation of the fund itself. So, I mean it's, so but you're paying taxes on it and I am too!

So, the tax efficiency of the fund.

Yes.

And how about payments to the broker/dealers and other financial intermediaries? Is that important?

Well, you go 'load' or 'no-load' and then of course you've got the amount of load, that's always a factor also to compare against performance.

If you have to pick one of these as most important, which one is most important? I'll read the list again:

Investment objectives and strategies. Risks. Costs. Performance. Top ten portfolio holding. Fund managers. How to buy and sell shares. Tax consequences. Payment to broker/dealers and other financial intermediaries. (Name redacted)?

I'd say fund manager.

(Name redacted)?

Risks.

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Probably risks.

I'm going back to the basics – 'objectives'.

Risk.

And I'm 'performance'. Before I make a final decision, I will take all the funds that I think I'm interested in and I'll compare them on a five-year and ten-year basis and that's where I make my final decision.

Okay. Have any of you ever used a mutual fund prospectus in making a decision about whether to invest or not? (Name redacted). Okay. Anyone else?

I've never studied a prospectus.

Only as a small part of other factors.

It's in my filing cabinet!

For those of you who have used a prospectus, what kinds of information did you look for in a prospectus, can you recall?

Top ten holdings and performance.

We look at it basically just to kind of get an idea of what the whole fund is all about, we use it as a top-level guide in selecting where we want to go.

Anything that you recall having looked for in a prospectus but not found? Okay.

I want to ask you now to take a few minutes to review some materials that I'm going to pass out to you and then I'll have some questions about these materials. And each of you will have a long-form prospectus and a short-form prospectus. You can feel free to take a pencil and make notes as you go along. And what I'm going to be asking you is how helpful or not helpful some of the information is.

We'll take about ten minutes, so you'll have to go through somewhat quickly.

Can we mark on these at all?

Yes, yes. Please feel free to mark on them.

And you want to know what we think is helpful and what's not?

Yes.

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In both?

Yes.

(Group reviews the materials)

Okay, let's talk about these materials. Let's look first at the long-form prospectus. What did you find especially helpful in the long-form prospectus with respect to making an investment decision? What information in here was helpful to you or would be helpful to you?

I like page 10, which is the 'Investment Mix by Security Types' and they're showing you the ten largest fund stocks.

Anything else that you found helpful?

On page 20, I finally found (inaudible word) investments. And on one of the previous pages the transaction fee and where the cut-offs on how they decrease the transaction fee based on the total number of shares that – it doesn't say so, but in that company, not necessarily in that fund.

All right. (Name redacted), was there anything that you found helpful?

I'm always at the graphs and stuff. Maybe if you were sitting down and just reading it, it probably isn't going to happen to me. Maybe if I can go through a graph, it's probably more meaningful to me.

How about you, (Name redacted)? Anything you found helpful?

Well, there was a lot of information there; I almost think there was too much. But everything was useful in the graphs, the fees, the minimums – it was all there. But it would take an hour or two to really digest all of that.

There's a lot of things that you can tell is put in there because of legal reasons.

(Name redacted), was there anything that you found especially helpful?

The fees and expenses and that page 10, I just like to see the top ten in the portfolio.

(Name redacted), how about you?

I wouldn't move without my investment advisor's advice anyhow, so I wouldn't bother looking at it unless he told me to.

And (Name redacted), how about you, what was helpful?

The fees and expenses are laid out in a way that's understandable. And the investment objectives are stated simply in the first sentence on page 7. And then the investment mix.

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How about anything that was not helpful? I know (Name redacted) mentioned some of the information seemed like it was there for legal reasons. But anything else that was not helpful?

I would agree that it's just so long that it's a disincentive to take the time to read it.

The graph at the beginning when it shows 'Expected Returns', you know the performance, is much easier to look at.

What page is that?

Page two. And then you get in here about showing you the 'historical results with the fees', and to me, at that point I don't care because it's going to be dependent on what you are. I just want a basic idea of how it has done.

(inaudible few words) numbers were doing that?

Yes, and they do a lot of it, because they show then examples of it and so forth. And if you really want to sit down and spend a lot of time with it that would be one thing, but most of us don't have that time, so.

To me, all that performance data is only of limited use because it's out of context and if it's not viewed in the context of the category results --- that's what I look for, so. And it's just about this fund, so I've never seen one that 'did' show information.

Like 'apples to apples' like to similar funds.

Yeah. Like you go to Morningstar and you can get a 'category rating' so you that you can see what this fund does in relation to a fund that is pretty much like it.

Anything else that was not helpful in the long-form prospectus? (Name redacted), how about you? Was there anything you found that seemed like it was not helpful?

I think the question 'helpful' or 'not helpful' -- I think the long-form has all the information that you 'might' want; a lot of it you don't want. But if you really have a problem -- like I was looking for 'minimum investments' because I've started mutual funds for all my grandchildren and great-grandchildren and I had to know what the minimum amount was, and in this case it's \$250. And that's available 'here' but it's not available 'here'. So, I have learned to skim and read the sections that are important to me and just ignore the rest. And of course, we get these with our Quarterly Statements and everything else and I mean it's -- I thought it was okay.

(Name redacted), how about you? Anything that struck you as helpful?

Back to the graphs, I guess, because in a short time you can skim through it and pick out things. But there's no way I'm going to read it!

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All right. Anything missing in here that you would like to have found?

In the long form?

Yes, in the long-form.

The category comparison.

Anything else?

I consider this a 'reference book', not a 'primary book'.

So, you would look up specific information.

If I wanted to. I think this is much more user-friendly, you can scan it. But I think it's just as important to have the two. And maybe what they should be doing is sending out both and have 'this' [indicates short-form prospectus] as the first two pages and then all the reference material.

Like the cover sheet.

Okay, let's turn to the short-form prospectus in making an investment decision. What about the short-form prospectus did you find especially helpful?

The ease, the shortness of it. Just being able to flip through and see the graphs and the charts are all right there.

So, the length and the way information is presented.

I didn't see any pie graphs and I like pie graphs.

Okay.

But the example, I'm assuming that the same kind of example would be generated for every fund so that you can take a short-form and you can shop for it. But if that's not the case, then that limits the value of that.

If the other ones were not formatted in the same way.

Right.

Even bolder print; because most of the investors probably are older people and you'd probably appreciate the bigger print!

So, easy to read. All right. (Name redacted), how about you? What did you find helpful?

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I think it cuts to the important factors of performance, cost, objectives. I like it. When we get to the point about what's missing, I'll chime in.

All right. I will get there, so. And anything that you found especially helpful in there?

I think, and as I said earlier, in comparing funds – whether it's through Morningstar or through Messer's Business ____, I will take five or six funds that I think are interesting and the performance is the thing that I finally decide on. And the one that has the best 10-year performance I will put my money there rather than one that has been highly recommended that isn't performing well. And both of them have that information in it.

Okay. Anything in the short-form prospectus that was not helpful?

This 'risk' stuff, the definitions. I think that's more legal mumbo-jumbo.

Page two?

Yeah.

Okay.

Yes. It's 'general' information rather than specific to this fund.

Anything else that didn't seem helpful in here? (Name redacted), how about something that was missing?

Well, I didn't see the ratio. I did see the 10 top holdings, but I didn't see 'ratio'. They said 'sector ID' and I didn't see the rollover instructions, as far as buying the funds. And I didn't see the 'privacy statement', I don't know if that's required.

I really like to see the pie chart, it's just so much easier to see.

How it's diversified.

Yes.

So, you like the pie chart on what page?

Page 10 of the long form.

Anything else that seemed to be missing here?

There's no history on the managers, on the people that are overseeing the fund. I'd like a little bit more information on where they've been, what they've done and why they're here.

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I think it's helpful, on the long-form page 16, where it spells out, if you get a share class with contingent deferred sales charge, how long it takes before you can sell it without paying that. And I don't see that on this short form. And I don't think you have to have all of this information, but just "Six years or one percent if you sell in the first year", or something like that I think would be helpful information. And the other thing is under 'Principal Investment Strategies', just that one sentence in the long-form about the objectives, "Capital preservation, blah-blah-blah-blah-blah," I think would be helpful to have in this.

Bigger objectives.

Yeah, the sort of overall objective.

Okay. How about the format? What did you like or not like about the format? How about you, (Name redacted)?

It's okay. I mean, you can skim it and immediately tell what it's got.

Yea, it's very easy.

Somebody mentioned it earlier, just the bigger print and the graphs – that one pie chart and everything is there – tables.

The presentation is good.

Yeah, I mean the way it's broke-up and margins and stuff like that, yeah.

Anything that you didn't like about the format? Okay.

If you had a choice, which one of these documents would you be more likely to look at to find out about a fund?

The short one.

How about you, (Name redacted)?

Before we purchased the fund?

In making the decision.

I'd probably want both, because 'this' is enough for me once I'm in it [indicates short-form prospectus], but I might want the whole – you know, in case there were some other questions.

This would pique my interest.

(Name redacted), how about you?

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I might use this to rule out a fund; so I might never get to this if I see stuff in here.

So, kind of like a ‘screening’ tool almost? All right.

This would be an indicator of whether to do more research.

Yeah, I’d share that with you. I mean, I think that this [indicates short-form prospectus] you’d read and if you’re interested and then you’ve got questions and you want to go more in-depth and go to the long one.

And I agree. I think both of them have their place. I think it would be foolish to give up the long-form for ‘this’ and I think it would be foolish not to have the short-form and insist on a long-form. They both have their place.

I wanted to draw your attention to a few things in the Summary Prospectus, the short-form prospectus. First, the top ten portfolio holdings on the top of the back page. Do you think that a fund should list its top ten investments in the short-form prospectus?

Yes.

That’s important information to have in that?

I have probably nine funds and probably five years ago one of my advisors said, “Why don’t you sit down and see whether or not you have five different funds or do you have five funds that are all invested in the same thing,” because four of them were American Family. And they were nothing different, but I kept them. But I was surprised to see how much overlap there was.

That’s why I like page 10 in the long one, because it’s also got the sectors, too. Whereas this just talks about this – I don’t know what ‘XYZ’ – this way it breaks-out what the sectors are and how much – you know, and to me that’s very helpful because these could all be tech companies or something. And it’s nice to know what sector.

And all you’d have to do is have another little column here identifying the sector.

Or just take page 10 and put that in there [indicates short-form prospectus].

Right.

I think the other thing that would be helpful here is, if at a glance you could see what percentage of the total portfolio the top ten are.

It’s already there. It’s in parentheses after the –

Yeah, but you have to add it –

I mean, there would just be one little number here.

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Because depending on how much they diversify, this could still be a small part of their holdings.

That's 7 percent.

Yeah, the first three are seven.

Out of five billion dollars is a lot of money.

You're right!

Is this the kind of information, though, that is important to you – the top ten?

How do they know what sector they are?

It's the sector and also what he was saying about making sure if you own multiple - that you don't have all – if you have several mutual funds, you don't have them all in one.

I'm going to distribute now several examples of ways to show information about the stocks and bonds held by a mutual fund.

I've got a stack of quarterly reports like 'this' next to my desk, that have literally accumulated for eight years.

So, everyone has an investment portfolio and a bar chart and a pie chart. Okay. Let's look at the portfolio allocation, the list.

You're asking us now about presentation?

Yes. If information about a fund's investments would interest you, how much detail do you think would be helpful to you? Would you rather see a list of the top ten companies the fund invests in, like the one in the short-form prospectus that we just looked at, or the portfolio allocation list that's shown here, or something else?

What was the question again?

Would you rather see a list of the top ten companies the fund invests in, like we saw over here, or the portfolio allocation list, which is this one.

Allocation.

Allocation.

Allocation is more important. I don't see how you could exclude that, though.

Yeah, I was going to say, does it have to be 'either/or'?

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Assuming you could only have one, which one?

The allocation is more important.

I think most of us would say we want both.

Yeah.

(Name redacted), how about you?

This would explain it to me.

Let's look now at the bar chart and the pie chart, as well as the list that we passed out. Would you rather see the portfolio allocation information in a list or in a pie chart or in a bar chart?

Pie chart.

Pie.

Okay, we like pies, okay!

Pie.

I like the bars.

But you can't add all the bars up to – the pie is so – it's so finite to me.

(Name redacted)?

I like the pie also.

(Name redacted)?

Maybe this is just my thing, but the bars – the bars going up and down.

So, vertical rather than – okay.

I agree with him.

All right. For those of you who like the pie chart, you mentioned that it adds up. Anything else that you like about that presentation compared to the other ones?

It's just easier on my eyes to focus. I mean, I just go, "Okay, this is the biggest portion."

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I think you get a better sense of the ratio.

That's true.

Any advantages that you can think of to the bar chart?

Well, it gives you the same data.

It's perspective, I guess.

And then how about as compared to the list?

It's just probably more visual, the impact is much stronger on the pie chart I think.

All right. Let's move on to some other topics.

Were you aware that payments made to persons who sell mutual funds create conflicts of interest that may affect the recommendations you receive?

Yes.

Everybody was aware of that? Okay. Let's go back to the Summary Prospectus on the bottom of page 4. Do you find this information in the short-form prospectus to be understandable?

Yes. It's understandable. I don't know it's necessary, but I guess it might be to some people.

If you don't know what you're doing investing, it definitely is something you want to know. If you're reading this information, you probably already have some experience.

If you have a lecher broker after you and you're a novice, then you would want to know this.

Right! You wouldn't want other people to be telling you this, but by law they have to, don't they?

I'm not sure. So, is this useful to have here in the short-form prospectus?

Yes.

Sure.

For beginners, for sure it is.

When would it be most useful for you to receive information about payments made to your salesperson? Would it be at the beginning of your relationship with the broker/dealer or

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the financial intermediary? At the point in time when you decide whether to purchase a mutual fund? Or upon confirmation of the mutual fund purchase?

I think it's important for people who invest in mutual funds to know about it before they sign in or buy. Because I think that some people – and I can think of one person that I advised – who really doesn't understand the upfront commission. And it was 5-3/4% and that's a lot of money! And so she is very reluctant to change. But she does know it. And I think if someone was to say, "Go buy some mutual funds and here's a thousand dollars," and not know that. And I don't remember when I first started investments whether or not I was aware that I was paying a load fee, because it wasn't popularly talked about.

I wasn't.

I didn't know.

I think it ought to happen upfront as like a disclosure.

Yes! Mandatory.

(Name redacted), when do you think that information should be provided?

It needs to be upfront. I'm just trying to think – because maybe I'm wrong on this, but I think some of them are kind of negotiable. But maybe that's not for a mutual fund.

On a mutual fund, if you agree to buy a certain amount or put in a 'Letter of Intent' that you will buy over the next year, both in your name and various members of the family names, certain amounts – then your commission amount may be dropped from 5-3/4 to 3, to one-and-a-half and at a million it goes to zero. But it doesn't have to all be in your account. That saves a lot of money.

(Name redacted), when would you want it?

Upfront. And also, what bothers me about brokers and stuff – I mean, when they say, "Well, everybody lost – get over it! So, what's your problem. The world didn't come to an end so stay in there." That bothers me. I think a broker should be a little bit more personable like he's going to watch over mine like his own. I mean to find those people in this day-and-age, it's tough.

(Name redacted), how about you?

These costs are not a small part of the decision process, so I think the earlier the better; certainly before you sign any papers, as part of the basic process – as part of the performance, if you ask me!

If you were using the short-form prospectus and you read this information, would you want to find out more about these payments?

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Find out what they were, yes.

Because they differ from type 'A' shares to type 'B' shares and 'C' shares.

How would you want to find out more information? Would it be by calling your salesperson? On the Internet? In a written document? How would you like to get additional information on this topic?

I think if you want it, call. I mean, because it kind of breaks out – I mean, this one breaks out management fees, the operating expenses. So, if you wanted to know more specifics about the management.

And here we're talking more specifically on page 4.

That refers to the sales charge.

All right. Now let's go back to page 1, and –

The long-form on page 21 and 22, all the sales charges are there. And that's where I think that having this available for the reference book, if you don't find the information on 'here'. They break at \$50,000, \$100,000, \$550,000, \$750,000 and a million.

So, it's in a table format there.

And that's not that much more space to put in there.

How about 'Fees and Expenses of the Fund', up at the top here on the first page? Do you think that information is understandable?

I think that first chart is completely uninformative to the average person who is not an investor.

How could they make that more useful to the average investor, do you think?

Damned if I know! The 5-3/4 and the 5%, which we've been talking about for about 10 or 15 minutes, really doesn't show-up there as to what it really means.

No. It's not as informative.

Because the 'deferred sales charge' is the charge that they deduct when you sell a stock and it doesn't say that. This is not informative.

All right. Let's go to the top of page 2, 'Portfolio Turnover'. Do you find that the information here about performance portfolio turnover is understandable?

Yes.

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Anyone have a different view?

I think it's a little ambiguous.

I'm sorry?

I think it's ambiguous. It doesn't uh –

I think this is important to say, “During this most recent year the fund’s portfolio turnover rate was 63%.” I mean, that says a lot.

The thing you do is you take that figure and you compare it to another fund that might have turnover of one-and-a-half, rather than 63%, 1.5. And some of them do. Some of the more aggressive funds.

So, I think that's important to show that.

There are some of the more conservative funds that are less than point-five.

(Name redacted), you said you thought this was a little ambiguous.

Yes. I didn't know what it really meant until you guys expressed that just now.

The 63% means that you have reinvested 63% of the fund. If you have a hundred million, it means you have sold and reinvested 63% of it.

Into something else, right?

So, you're moving on.

Right.

Okay. And of course, the reason that's important to you is that each one of those transactions is a taxable transaction, which when they pay out the capital gains dividends at the end of the year, it has occurred. If they don't have those transactions, then they don't have capital gains, you override the taxes.

Right, right.

Anything that would make this paragraph more understandable?

Well, there's no reference to the tax consequences. So, maybe if there were just a few words just saying, “Which may have tax consequences,” or something like that, something pretty simple.

Is this sort of information on portfolio turnover useful to have in a Summary Prospectus?

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Absolutely. It really applies whether you're dealing with a trader or an investor.

Yes.

Let's move on. And I want now to provide you with two documents that contain information about several funds. And I'm going to ask you to take a moment to look at those and then ask you what you think about them. So, again, we'll take about ten minutes.

(Pause to review materials)

Okay, let's talk about these. Do you think that these are more or less helpful than the short-form prospectus that described just one fund? (Name redacted)?

I guess maybe it would be more helpful if you for instance, wanted to choose an international fund and you weren't sure exactly what you wanted and you could look at different kinds of funds in the same document so that they were presented in the same way. So, in that way it would be easier to compare one fund against the other.

Depending upon what your objective was in reviewing the materials?

Right. Yeah. If you knew exactly what you wanted and you wanted to look at a fund from 'this' company and a different fund from 'that' company that had the same objectives, then this would be fine. But if you didn't know exactly what you were looking for, then having the data presented in the same exact way would help make that decision.

(Name redacted), how about you?

I think as (Name redacted) stated, it does help in the comparison. But I saw a couple of things that were missing from the longer forms. I didn't see the top ten holdings or the turnover stats. And one of these funds had 80% stocks, without listing the top ten holdings and I think that's a serious omission. I did like that they had expenses listed in dollars and not percentages on the last page, so, that kind of let you know a little more as to how much it's going to cost you.

(Name redacted)?

One thing that I think is helpful, especially if you're not sure what you need to be investing in, is just kind of this first page where it talks about the 'Fund Objectives', about 'growth fund' and knowing the difference – between, you know, which one you're looking at.

Okay.

I really like this second page, too, "How can I tell which fund is most appropriate for me?" I think everybody has their long-term goals and then they want to get rich, "Want to make some money tomorrow," goals. And it explains it. That was very helpful.

(Name redacted)?

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I think both of them act like a fund company prospectus, where they list their funds. And the 'Personal Strategy', the three different types of funds depending on whether or not you want to be very conservative, conservative or aggressive. And in the international portfolio, they're all aggressive and so you really – but it tells you which ones most likely can make you money and how much. And then I think the tables in the back are excellent, its showing how much money they actually make; you've got 22% down to 7%. And that's a lot of money!

The international funds, the way it's laid-out, each different segment, actually how you could ____ or – the way they're printed I found most valuable.

Any disadvantages you see of the combined presentation for several funds?

Assuming it's all the same family – no.

Agree, it's helpful.

In fact, I think it's a definite advantage because if you wanted to look at American Funds or Fidelity Funds or – I mean, being able to sit down and say, "They've got a 'B' fund and their growth income and bond funds," it gives you an idea of where you want to go. And you may think that Fidelity is great, but they've got some lousy funds and they've got some damn good ones!

Okay. Comparing these two documents – one is longer than the other and the one combines the information for more funds. With that in mind, what do you think about combining information for two funds, or five funds or ten funds – is there a point at which it would be too many funds?

I get a report that's about like this twice a year from one of the companies that I have and it probably lists 50 funds. Three pages, then three pages and then three pages. And the only thing I can say is it's a hell-of-a-lot cheaper to send me one of those, than all the different ones! And I think I've gotten them. And I know that if I own 'this fund' I go to 'that' page.

So, it's fairly easy to use because you're accustomed to it.

It requires a lot of mailing and space in my basement, but....

It's a lot easier to look at when it's going up!

Okay. (Name redacted), what do you think? Do you think there's a point at which there could be too many funds? And if so, how many funds is that?

You know, I suppose it would be hard to put a number on it. But you know, I'd say five.

(Name redacted)?

I think that's about right. Because you'd get a little overloaded with more than that.

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Okay. (Name redacted), how many funds might be too many?

Well, just the ones with the international funds, I haven't counted them but there's a dozen or so, and I didn't think that was too many because they're all in one – it's not apples and oranges, it's all international funds, so I didn't think that was too many.

(Name redacted)?

I kind of agree with what she's saying and then also what (Name redacted) was saying. I wouldn't really necessarily need a huge document that had other funds that I wasn't interested in. If I decided I might be interested in one of those funds, I'd rather call my guy and say, "Give me some more information on this fund," and it should be a little more specific so you're not just getting a huge waste of paper.

(Name redacted)?

That's the way I feel about it. I'm tired of getting reports for something I don't need. Because this is all together in the same format it's easy to interpret. But I do get a lot of stuff from my mutual funds that is not necessarily applicable.

Okay. I asked about the number of funds. How about the number of pages? Would a prospectus combining information for more than one fund be too long if it were ten pages, 25 pages, 100 pages? Is there a maximum number of pages?

In large print, no!

The fewer the better.

The fewer the better but with a decent sized font.

With printing you can read, yes.

Is this considered a 'prospectus'? A combined?

Yes.

Okay. I guess I would agree with what you folks were talking about in terms of starting a comparison with less information and to avoid sending out the reports of paper. Because if I got this – if I got a 3-page information in the mail, with beginning information about all these funds, "Here's an array," I would be interested in all of them. So, to have a second-tier mailing for the ones I was really interested in, would make sense.

It really depends on where you are; if you're trying to decide to invest in it, if you're already invested in it or if you're not planning on investing anymore, you know. I mean it's nice to see what other people are doing with – you know, but you don't necessarily want to.

(Name redacted), how about you?

What I would like to see, again, Fidelity has got hundreds of funds; it would be nice to customize the inquiry process. So, you could ask them for funds 'A', 'D' and 'F' and have it come out in something that would compare them like this. It wouldn't even have to be in the same family. Formatted the same, that's the whole key. And I think that's what the whole process is getting at, standardization.

(Name redacted), it sounds like you've already used a document that has a number of pages.

Well, "New York Life Annuity Section" probably has 25 different annuities that they handle and I get a booklet about 'this' thick every six months that lists all their annuities. And then has maybe 3, 4 or 5 pages that are very capable of being read. The only problem I have with that is occasionally they change the names of the annuities and I'm not sure which one I have!

Because this did say the naming of the funds is important. Okay.

Right.

I think (Name redacted) is right; it all depends upon where you're at. You might get something that you're real interested in or you've already invested or you've got other things going.

Okay. That's helpful. Let me ask another question now and that is, how up-to-date should the performance and portfolio holdings information be in a prospectus? Should it be as of the end of the most recent calendar year, calendar half-year, quarter or month?

The month would be ridiculous, I would think. And every six months I think would be enough.

No, what are you asking for?

How up-to-date should the performance and the portfolio holdings information in a prospectus be?

In a prospectus?

Yes.

I agree.

Six months?

Yes. Because as long as you have access to the 'Net Asset Value' at the end of each day, which most mutual funds do. And while I'm on the subject, I want to really tell the SEC that they're doing a lousy job on hedge funds and there is no place you can find out what hedge funds, or

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what they're doing or anything else. And I think you're doing a lousy job in protecting us. And I think the hedge funds are gambling on the stock market, since 30% of the transactions on the stock market are by hedge funds that you're not controlling!

Okay. A subject for another group.

I know. The only reason I came down is to tell them that they're not taking care of our money very well.

Okay. (Name redacted), how timely do you think the information should be on the performance and portfolio holding?

I only want to worry about it quarterly.

Quarterly. All right.

Probably quarterly is good.

To me, personally, it doesn't matter because I get my information from the Web anyway. So, what the prospectus says is less important in terms of recent performance. Because there's no way that they can tell me what's been going on that recently.

Real time, yeah.

Is it important to you to obtain up-to-date performance for portfolio holdings information in the prospectus? Or would it be sufficient if the prospectus directed you to a toll-free number or to a Web site or updated information?

Web site.

Web site, yeah.

Web site.

Web site.

Or a phone number, but.

(Name redacted)?

Yeah, a Web site is fine. I don't know, I'm kind of old-fashioned, I guess, a phone number for your questions, I guess.

I'm going to go around the table, I'll start with (Name redacted) and ask you, how do you like to receive information about mutual funds? Is it by paper or online?

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I get it on paper, I haven't looked at it yet online because I only use it when I need to.

Online.

The same, online.

Online is fine.

I like it online, but then again – quarterly paper I mean, is great.

And I like both because I have a filing cabinet with all my monthly reports that I can go back and refer to. And I like it online where I just delete it when I'm through reading it. So, they serve two different functions.

Yes, and in line with that, I've gotten – I've made it so that I get a paper statement yearly and I keep those and then everything else I get online.

If you were getting paper, if you were able to search online and find documents for certain information that interests you, would you be more likely to get fund information online than the paper, if it were searchable?

Again me, I'd do both. I think I may look up funds online and I no longer go look up library funds, so I don't have to use the paper that much anymore.

And then (Name redacted)?

If I was researching, I would be online.

What do you think of the idea of receiving the short-form prospectus, like what we looked at earlier, in paper and then having more detailed information available online? Is that a good idea?

I agree with what (Name redacted) said about the 'second tier'; when you have interest, then it's worthwhile to pursue it at that point.

Maybe a choice.

I'm going to look online and then if it's something that you think, "Yes, this is the one I'm going to have a serious interest in," then ask for the prospectus to be mailed or download it.

All right. Let me go in the back and see if there are some other questions they'd like me to ask and I'll be right back!

This is all going to become recycled paper that goes into my printer!

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Computers started a new wave of saving paper, and I go through five times as much paper as I ever did before I got mine!

You mean printing stuff out?

Yeah, on my computer when I print it out. Here's all the stuff I printed out just for today.

That's because they give you so much crap on paper!

And it'll go to the shredder.

They give you so much information on your stuff that they want you to print!

But I download my mail and everything, coupons where I get \$5 off on my dinners! But before computers I never bought a ream of paper and now I buy paper by the case! And my shredder!

All right. A few more questions. For those of you who would like to receive information online, would you prefer to receive an e-mail with an attachment, an e-mail with a link to the document, or an e-mail letting you know that information is available online?

Just an e-mail that the information is available.

I would like an e-mail with an attachment that I don't have to download, or a link.

So, you can click on it.

Yes, I can click on it and get it. I don't know what they call that anymore. Hyperlink.

All right. (Name redacted), which would you prefer?

Yeah, I think a link would be what I'd be interested in.

Yeah, because I think an attachment, you'd have to physically delete it at some point in time. So, a link.

A link.

Link.

Link.

All right. Were you aware that persons who sell mutual funds may receive payments from a fund or its related companies that may affect the recommendations you receive? And these payments would be in addition to the sales load you pay.

Yes.

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Yes.

Everyone was aware of that. Okay. Do you think that this information would be useful to know?

It should be in the book!

If you were making an investment. Okay. All right. If so, when do you think it would be most useful for you to receive this information? Would it be at the beginning of your relationship with a financial intermediary? At the point in time when you decide to purchase a fund? Or on confirmation of a fund purchase?

I don't think it's fair for mutual funds to pay brokers, to get payments that are not disclosed. If I'm paying 5-3/4% and they're giving them money under the table, that's criminal.

I agree. And I think it should be upfront. When he turns around and says, "Here's your options," and he says, "This is where I'm making my money and I'm going to get 'this'."

Say you're the customer and say, "I want to go here, what is it going to mean to you?" I think I should have that option with my broker!

Okay. (Name redacted), when do you want to know?

The earlier, the better. Like I said, that's part of the performance of the fund is how much the fees are.

And what they're giving out under the table, yeah.

And if you would like this information at the beginning of your relationship with the broker/dealer, which everyone said they would – would you also like to be reminded of these payments prior to making each fund investment decision with that person, or is once enough?

Once is enough for me.

If it's a payment in addition to the (inaudible) – I'm opposed to those, so why do I have to be reminded every time I get an extra \$100 (inaudible).

I think it needs to be more than just the first time because for people who are just beginning to get advice, it's pretty overwhelming and I think you can get lost in the shuffle. So, I think – I don't know if there's some way besides 'only at the beginning' and 'every time', but at least for awhile.

(Name redacted), what do you think?

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I'm fine with just once.

Well, obviously I think the first thing they've got to sell is their 'trust', so to me that would be kind of where he's making his money and.

I only buy no-load funds now, but when I was buying load funds there would be a 'Confirmation Statement' and on the 'Confirmation Statement' would how much I bought, what the dollar amount was, how much the commission was and if there's a kickback, that ought to be listed, too! And so that makes it very simple; it should be automatic.

Reinvestment or a new purchase.

Okay. Those are all the questions I had. And thank you for coming this evening, you've been a great group!

Thank you.

Make sure to see the hostess on your way out. You can leave the materials on the table.

April 15, 2008, 8:00 PM, Dallas, Texas

(Explanation of group purpose, confidentiality information, OMB info, etc., by moderator. Moderator reads the disclosure about the materials to be used. Moderator comments are indicated by bold font).

So, let's jump into our discussion. I wanted to begin with some introductions, if you would introduce yourself, first name only. And if you could tell us what your occupation is just generally. Let's start over here.

My name is (Name redacted) and I'm an English teacher.

My name is (Name redacted) and I'm a marketing (inaudible word) consultant.

My name is (Name redacted) and I'm semi-retired and work part-time at (Name redacted).

(Name redacted), I'm in software development.

(Name redacted) and I'm a sixth grade teacher.

I'm (Name redacted) and I'm retired.

Care to share what you did before you retired?

Sure. I was with a large corporation, a management corporation.

I'm (Name redacted) and I'm director of (Name redacted).

I'm (Name redacted), I'm retired from the postal service.

My name is (Name redacted), I'm a project manager for a computer company.

So quite a range. And I appreciate your sharing that information. Let me go around the table again. We'll start over here this time. And could you describe your involvement with mutual funds. Do you invest on your own? Through a 401(k)? Through a combination of both?

Through a combination of both. I've been with my company 24 years so I'm vested in 401(k). So I evaluate the performances semi-annually and make the adjustments. And then on the side, my wife and I, we invest in mutual funds.

About how many other non-401(k) mutual funds?

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We have different families of mutual funds. We have two small children – well, a 12-year-old and a 9-year-old and we have an account set up for them each. We have other mutual funds that we co-share.

(Name redacted), how about you?

I invest on my own to mutual funds. I would say it's about 30% of my assets. I've been trying to invest for the grandkids, for their education.

I use mutual funds to – I invest it for my daughter's college education. I have a 23-year old at (Name redacted) and a 21-year-old at ____, and a 12-week-old at the house. I've got incentive, you know.

I have been in mutual funds for a number of years and primarily it's my retirement income that is in mutual funds and stocks and bonds. And I evaluate them every few months. I'm watching. I don't shift real often, but do make some changes.

I've been investing in mutual funds for a couple of years outside of my school district. And I too have small children, so I have some 529's that I got in Utah, that are my mutual funds. But I've been kind of dabbling through Scott Trade and I'm a disciple of Scott Burns who writes in the paper. I'm a margarita right now, so – Margarita ____ anybody who knows Scott Burns is!

I've got both 401(k) mutual funds and stuff I have on the side as well. I evaluate them every so often. I tend to switch around the ones in the 401(k) more frequently than the ones I buy individually; those I tend just to keep there and just keep reinvesting the dividends. I don't know why, but I just don't tend to move those as much.

I'm diversified in stocks and bonds and mutual funds and I periodically check into them to make sure that I'm doing well. The market, the way it is right now is just kind of a touchy situation, so.

I've got IRAs; my wife and I have IRAs which are rollovers from the 401(k) plans that we had mutual funds in. We have a joint account for our mutual funds. I have another IRA that's a bunch of SPYDRs that we just started last year. We look at it once a year, we go through and decide whether or not we're going to do anything. We're sort of the 'buy it and leave it alone' type.

And (Name redacted)?

I started out in mutual funds probably about 35 years ago. I've picked up stocks and actually do work with an advisor now, I've been trying to set up for retirement. But I've got mostly mutual funds and stocks.

All right, that's helpful. Let me begin by asking, what kind of information is important to you when making a decision about investing in mutual funds? And I want to ask you about some specifics that might be considered in your decision.

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How important are investment objectives and strategies if you're deciding on an investment? Are they important or not?

Very important!

Very important.

They are very important.

Very important.

Very important. Okay. How about the risks?

Very.

How about costs?

Sure.

Yeah.

Impacts returns.

Performance?

Yes.

All right. How about the top ten portfolio holdings? Is that something that's important when you're making a mutual fund investment decision?

It pretty much indicates whether or not they're following what they say they're going to do; following their investment strategy.

How about fund managers?

That's when I might make a change if they change fund managers. And then I watch it for awhile and see if it's changing its course.

Sometimes I think it's hard though, because deciding if they do change fund managers – obviously giving the person coming in a chance, but why the person leaving left. You know, is it their decision or a ___ decision because it wasn't performing?

I don't think there's very revealing information, it's kind of like reading the qualifications for somebody who is running for judge.

Right. You truly don't know them.

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How about information about how to buy and sell shares? Is that important information in making an investment decision or not?

Now it's fairly automated.

Only if there would be something unique about it; it's all pretty much boilerplate.

How about the tax consequences?

Very much so. That's why I'm discouraged with mutual funds, if they're in a non-IRA, because of the tax consequences; especially (inaudible) it's gone up. They declared such a large capital gain at the end of the year.

And how about the payment to broker/dealers and other financial intermediaries? Is that important information or not?

How is that different than the cost? You're talking 'cost' that would just be internal cost.

I buy no-load funds.

You're talking about commissions?

Yes.

Obviously you know that they are –

It depends really on how much it is. I mean, some of them are 5 or 6%, and that kind of forces you to hold onto the stock or mutual funds for a longer period of time hoping that the gains would offset what you've spent. But it's factored in, across the board.

All right. Let's see a show of hands. How many of you have ever used a mutual fund prospectus?

Used one?

Yes. Seven. Okay. Those of you who have used a prospectus, what types of information do you usually look for in a prospectus?

The net asset value, the holdings.

Money-market fund.

Anything else?

Their objectives; what's the purpose of this fund versus another fund.

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Management. You want to get the best management fee.

All right. Those of you who have not used a prospectus, why haven't you?

I'm not messing with my mutual funds, because I have stocks, I'm not messing with my mutual funds I'm just buying them. I'm not really – I'm not looking, it's a long-range proposition for me. So, my costs are pretty limited because I purchased them on my own, so I really don't – quite frankly, the way it's tanking right now, I have not even checked on them in quite some time and I don't care to. So, I just buy them and I'm just letting them go, as I can afford them. That's it. So, I get the prospectus, of course, they're mailed to me but I really don't – and I don't even really look far into what I have, I'm going with, and one of them is doing quite well and one of them is not! But they're offsetting, so my losses are minimal right now.

There seems to be a lot of detail. I can get the information very briefly from Morningstar, all of the information that's available.

And I agree with that, too. But sometimes we get the prospectus that triggers you to think about it, you know. And then I'll spend more time after I get the prospectus maybe reviewing all of them just because I'm reminded of it. But I look at it – usually you look at the prospectus but then you do a lot of comparison and stuff – and then I'll do a comparison afterwards.

I look at the paper that gives the performance.

Because I know what the goal is of the fund.

I use them mainly for something that I'm considering rather than something I already have.

And (Name redacted), did you have a point?

No. I think there is so much detail and if you hold quite a few, I don't spend a lot of time. I tend to get on the computer and do more analysis, that type of thing. There are so many tools that you get through Fidelity or whoever you're happy with, to use, that you can go in and do analysis and I guess comparison. I may scan through it and look at performance and a few things, but I don't go through in great detail. And maybe look at holdings they have, that's always a good source for what they are into.

I sometimes look at the holdings just to get ideas for maybe individual stock!

And (Name redacted)?

I was going to say, I work for a school district also and we have a 457 plan. I really don't have any choices there, so I would never look at the prospectus from them in that situation because I just don't have –

It doesn't matter.

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It doesn't matter; it's just crammed down my throat! It was in the paper recently, too, that TRS has stock holdings in Bear Stearns, and I would not have known that. And then when I saw that we lost \$10 million I was like – of course, we do have a couple billion in there, but it's still kind of one of those things where I didn't realize we had it!

What I want to do now is pass out a couple of things for you to look at. One of these is a long-form prospectus and the other is a short-form summary prospectus. And I want to make sure that everybody has one of each. This is, as you might imagine, the long-form.

So, let's take about 15 minutes to look through these and then I have some questions that I want to ask you. You can feel free to make notes on any of this. And the things that I'll be asking are, what in these you found was helpful. What was not helpful. What was missing. What did you like or dislike about the format.

(Pause to review materials)

Okay, let's talk about the long-form prospectus first. What did you find in this long-form prospectus that was especially helpful to you, as you would think about making an investment?

It's very detailed. It tells you exactly, in the Table of Contents and then you can evaluate the subsections within, 'Risks – how much, when choosing a share class', and so on.

So, you like the Table of Contents because you could see what sections you wanted to look at?

Yes.

What else was helpful in the long-form prospectus?

For example on this page, I'm looking at 'How to Compare Costs of Investing', with all these additional expenses, which are not normally gleaned very readily. And so it puts it down in totality, which is good.

I like seeing the 'sector' information and where they're investing, in what sectors. You'll see the top holdings and the other – but not the sectors.

What else in the long-form prospectus was helpful?

It's very detailed. It tells you exactly what – any kind of a question that you would have. I'm like him, though, I like the 'sector', too.

What was not helpful in the long-form prospectus?

Well, the 'Historical Investment Results', they just give a chart; it doesn't say 'why' it went down or. For example, I mean, yeah we all know that '911' happened in 2001, but you know, there are other things that happened. Any time you put historical results there, you need to have

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some sort of template or timeline in there that should say what's the mood of the country and that type of stuff. They're just throwing a pie chart or a graph chart that can basically say anything they want to.

So, put it in context.

Right.

I guess one thing I like is the Class 'D' and I don't care about all this stuff that's in here about 'A', 'C', 'B', 'E', 'F'.

Not focused enough on what you might be concerned with.

Maybe I'm jumping ahead. I like to see 'this' [holds up summary prospectus] to create my 'short list' and I'd like to see 'this' [holds up long-form prospectus] once they're on my short list.

Okay.

It reminds me of so many that you get and most of us don't take the time to go through it in detail, so you're always kind of thumbing through searching for pieces. So, you go through and there's so much detail in it that it gets to be that if you've got 12 mutual funds or something, it's just an overwhelming amount of data that you've got to page through.

I mean, we're here so we go through it and you're drawn to the visual things, right – where there's charts and graphs and things like that. I mean, that makes it a lot easier. Then you start trying to read and all the – it gets heavy quickly.

I think if you had the more important stuff up front. So, that, you know, I'm looking at the bar chart and then I turn over and there's a whole bunch of verbiage and the next page is some results. And then all of a sudden I'm sitting here in this detail about the objectives and strategies that seems to be kind of really detailed. I'd like to see – let me look at the 'high level' first. Management summary first, and then if I really do care about the fact that I have an employer plan or a 529, put that at the back.

So, sort of a summary.

A summary so that I can look at it and say, "No, I'm not interested."

I know this is long, but is there anything in the long-form prospectus that seems to be missing that is something that you might look for in making an investment decision?

You know, I didn't see – there was nothing here about how they're allocating the money right now. But it was just a snapshot and it wasn't something necessarily like what their target allocation or something like that – what they're striving for. I wouldn't be tempted by receiving something like this, unless the results were really out the whazoo. But it doesn't tell me like – it just seemed to me like they were –

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It wasn't eye-catching enough.

It says, "The ___ 50% of the assets of common stock, 25% in debt securities and money market securities," and the other 25% is hidden somewhere in these other 80 pages.

So, you wondered where that was?

Yes.

About 15 times a year I get a document like this and wonder, "Okay, how much of it is basic 'CYA' for the fund managers and how much of it is useful information?" One thing I'd like to see is, especially on some of the funds, is "Who are we in bed with?" I mean, are there any hedge funds? Big hedge funds? The exposure and that type of stuff. Because you know, quite frankly, if you're in a fairly big mutual fund and it's owned 30% percent by a Warren Buffet or 30% by a hedge fund that could be ____, they can make a run and it and you could be up this morning and down this afternoon – or vice versa, I mean.

I guess that is one negative; if you see what the holdings are within the fund, but there's no information on who is holding the fund. As he was saying, hedge funds or something, because if they make a run on it, this mutual fund could really take a beating. And it has nothing to do with the holdings, it has to do with who held it and then who decided to dump their five million shares in two days, or whatever. So, maybe the prospectus should have at least the major – five top major owners of the stock, I think would be very helpful.

And I understand these have been quartered in and you know, at the end of the quarter we have a whole bunch of people showing up – jockeying for position, just so they won't be on the ___ like this, you know. Because if you own 5.3% and all you've got to do is sell three-tenths of a percent and then you're down to 4.9 and you don't have to disclose it or don't have to be disclosed. But we may want it because more and more of us are making our own decisions and that type stuff.

And kind of along those lines, it's like those holdings – how long have they held it? I mean, theoretically they can have 2-1/2% of their net assets in Microsoft 'on' December 31st. And then 'zero' they're gone! I mean, I don't know how many prospectuses I've looked at and it's almost like everybody owns Microsoft.

Well, that's the beauty of the mutual fund. I hope they don't turn too much, but that's where they make their money 'for' you, by buying low and selling high.

How about the format of the long-form prospectus? Was there anything you liked or disliked about the format? (Name redacted) had talked about the need to have a 'Management Summary' or an 'Executive Summary' at the beginning. But anything else about the format of this report that you like or dislike?

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From a marketing point-of-view, there's two parts to this document and it's all shuffled together. It's 'legalese', 'CYA' stuff and sales material. You know, give me the sales stuff together and give me the legal stuff together.

You're talking about it's all mixed together. It's not self-explanatory.

Too much. There's too much information in here. If I sit down and read this, it would take me at least an hour.

To understand it would take an hour.

Yeah.

And another hour to chart out what I want to get out of it. And I'll do that if it's something I'm really interested in. But I don't do that for every one I own, not every time they send me one – end of the quarter or end of the year.

And I think there is so much in it, and I can understand how a prospectus gets developed to that depth that there's so much more information to people, where it could be segmented to new buyers wanting all three packets or do they just want performance information. If you're an existing holder, do I still want to see 'A, B, C, D, & E' and what they're doing? Or if I've made a decision, all that information is not necessary. Because there's a lot of data to glean through that is of no interest to me if I'm an owner. Most of the people that get the prospectus are the owners getting them on a regular basis. You get it when you're making a decision if you request it. So many people, in today's market, are buying on information they look at in the Internet and then they get the prospectus after they're an owner, not before, even though that's available to you – it matters who you're dealing with, of course, or if you're in a brokers office, or.

Is there other – this is for the SEC – is there legal – like do they 'have' to produce this 'this way'? Is it open to each company? Do they have to have all the legalese in there all the time? Is that part of a legal requirement?

I'll check on that when I go back at the end of the group.

But they can decide what they want to put in there and how they want to put it in there? They do have control over that?

Well, I think it has to come down to disclosure. Because if you don't put it in there, then you have somebody who is hiding something. Or somebody who is very litigious, "Well, you didn't tell me that my risk was what it is and I'm going to sue you for quadruple whatever my losses were!" I mean, the exposure is too high. So, they put this in there to cover themselves and to cover you to say, "Look, did you read the prospectus! Did you see, it's on page 6. Did you not read page 6?"

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Each individual investor would probably get an opportunity to say, "This is what I would like," if that would be like if everybody has their own, "What they want to look at quickly." And if you wanted to order this, so that would become available for you. So, you just get what you want.

More comparisons maybe, too, like with market benchmarks or comparisons.

Well, they do! There's S&P.

I didn't see that there.

It's in there.

One other thing that may be helpful on this page, page 10, "64% common stock." How many companies?

Is this the format for a prospectus? I don't pay much attention to the prospectuses that come in. Is this the regular format that all mutual funds have to adhere to this format? Like this outline and the fund?

Most of them are kind of similar to this.

They're similar but they're not necessarily the same.

I think one thing that would be desirable, is if they had it similar.

Now, there's a difference between the 'report' and 'prospectuses.

I'm talking about the prospectus, because it's formatted like this.

All right. Let's move on to the short-form prospectus. And I wanted to ask you what you found helpful in it.

Right there, in five pages!

There's enough information 'here' to decide whether or not you're interested. It's a two-minute read. If I want more information I can ask for it.

For the long-form, okay.

The only thing that I saw that I would like, would be the sectors there. Just because I like to know, are they into technology or you know what I mean, or manufacturing or that type of activity. That would be helpful to me just as a short piece. It's not very much information.

They show the top ten, but not the sectors.

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Yeah, that's the weakest part of the short-form is that if it was more like page 10, it would be a lot more useful.

Right to the half-page on (inaudible) risk – “Please see the ___ wherever for principal risk.”

Okay, so that wasn't helpful because it was information you had already. It was pretty standard.

Every stock, bond, mutual fund – whatever you buy has all these risks. Unless you're a new investor, you know there are risks and all these factors.

All right. Anything else that people found especially helpful?

Well, the back page explains who the investment advisor is, the portfolio manager, how to purchase shares, or how to redeem them.

Anything else that seems to be missing from the short-form?

They have the top ten holdings, but they don't show if they're into bonds also. So, sometimes it's kind of nice to look at that just from the risk standpoint, how they're dividing up their money. Sectors help you in that and also if they're into bonds, that type of thing.

Yes, it says it is a bond fund, kind of saying at this point they were 65% in stocks and then they got to 75% and now they're back to 65%, that sort of thing would be beneficial.

It says, '5.75% of .75% and 3%' – you know how they're starting on any point to know relevancy, to know what that is. If I'm trying to tell you, “This is a good tasting apple,” but if I only let you judge it from where you're sitting – you know, there's no historical, there's no guidelines what these numbers, what this percent is. It's like you see that percent and you go, “Okay, it tells me it's 23% or .33% but it doesn't tell me anything!” And once again, I mean I like the short-form because you know, it's what we call ‘Flash Reports’, but they've got to be relevant. When you look at a ‘Flash Report’, you got to be able to see your business – get a good snapshot of your business. And the average investor is not going to understand what the percentages are. You know, and that may be what the problem with trying to put this information in the hands of the average investor. Because no matter how you look at it, you're looking at the thing going, “Okay, we understand the tip of the iceberg, we don't understand everything underneath.” And so we get to a point where, “Okay, we want you to know are we being held accountable for knowing what they're doing underneath, or just what we can see?”

Yeah, 23.72% - neither one of these things – that's a 40%, 155% of the current ___ stock or ___ and a 70% loss on everything else in the fund. So the 23.72% is kind of like – it's kind of like a scorecard but you don't know what you're scoring.

If you had a choice, which one of these documents would you be more likely to look at if you wanted information about a fund? The long-form or the short-form?

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Short-form.

Short to start with.

If it's an 'either/or', I can only get one – I'd have to say 'this' one, the long-form. If I can see 'this one' first and then have that one as a back-up.

The short one clearly tells you it's a summary prospectus, it declares it right upfront, it's a summary.

I just think if you're trying to compare funds, if you're taking a prospectus and looking; something like 'this' gives you something to go through and do a much easier task. And then maybe you want more detail and then you can pull it off the Internet or whatever, you know, there are more ways to get information.

As long as everybody does it the same way. Same format, same way of calculating.

Each fund.

Each fund has to have the same exact measure, same format.

Call 'costs' the same way, not hide them and you know.

Have everything upfront. And like you said, if you want more details.

Yea, I'd much rather start here.

All right. I want to now spend a little time looking at some specific items in the short-form prospectus. And if you would look at the top ten portfolio holdings, the top of page 4. Do you think that a fund should list its top ten investments in the short-form prospectus?

Yes.

Yes.

I think so.

Is this something that you would normally look for if you were researching a mutual fund investment?

Yes.

Yes.

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All right. I'm going to distribute several examples of ways to show information on the stocks and bonds held by a mutual fund. So, everybody should have three pages: a list, a bar chart and a pie chart.

If information about a fund's investments would interest you, how much detail do you think would be helpful to you? Would you rather see a list of the top 10 companies the fund invests in like we have in the short-form prospectus, or the portfolio allocation list shown in this one page?

Like the portfolio holdings.

How many would prefer the portfolio holdings? Okay, six of you. And then how about the asset allocation? How many would prefer that?

If it's either/or, I'd rather see that. I'd like to see both.

So, it would be nice to have both. All right.

Would you rather see a portfolio allocation in a list, such as we have here, or in a bar chart or in a pie chart?

I like the pie chart.

Let's go around and I'll ask each of you your preference. (Name redacted)?

I prefer just the list. The pie chart and the graph really doesn't do me any good. I mean, I can see so 50% is three-quarters of the page – big deal! 1.1 percent is just – you know. As long as it tells you the percent, the –

You don't need the bar.

I don't need the bar; I mean it doesn't – it's inconsequential to me. And so percentage of the pie chart, too. I mean, just tell me, "50 percent."

So, the list is okay. (Name redacted), how about your preference?

Like he said.

I prefer the list myself.

I like the pie chart just because it gives me the information as the list, but I can just glance at it and I can see the top three just quicker.

Pie chart. I prefer it in color though.

(Name redacted)?

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I agree with everybody. I like these two. I definitely don't like the bar chart, what that's worth. But either of these two is a good presentation of the information.

What don't you like about the bar chart?

I can't speak specifically to it, but it didn't jump out at me. The pie chart, it provided me some sort of graphic representation. This one, you know, it has – the percentage is listed down 'here' and 'this' is what I was reading and related to percentages and then going over here. And so it's basically the same thing as the list, but it had some busy information in the middle. This just didn't give me anything.

(Name redacted), which did you prefer?

I like the combo of the list and the graph. But if I had to pick one, I'll take the list. But I like the combo, both of them together.

The pie chart. So the pie chart was your second choice.

Right.

I like the pie chart because I'm visual like (Name redacted). And the other thing is, this gives me a visual – I don't have to go look in and say, "Oh, okay, this-and-this-and-this adds-up." This tells me that, "75% is in domestic, international and U.S. Treasury Bonds," just by looking at the graph, I mean at the chart. That's why I like the visuals, because I can pick up the relativity between the different glances without thinking about it.

And (Name redacted)?

I like the list.

What do you like about the list?

Well, when I get stuff from my current companies, I get, "Domestic stocks, 50%," and then I get a list of what they hold. And then I get, "U.S. Treasury Bonds," and a list of what they hold. So, that's what I'm used to and I prefer it that way.

All right. That was helpful.

Are you aware that payments made to persons who sell mutual funds create conflicts of interest that may affect the recommendations that you receive?

Yes.

Yes.

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Everybody is aware of that? Okay. Let's look at the 'Intermediary Compensation Disclosure'. And this is at the bottom of page 4. And this refers to payments by funds and related companies to brokers and not to the commissioned loads that you as an investor, might pay. Do you find this information at the bottom of page 4 understandable or not?

The way its written right there, it's more CYA.

Legalese.

Yes, legalese. I don't mind a broker making his daily bread, as long as he earns it. But I would like to know the exact percent or if there's a cap and that type of stuff, you know. And it's one of those things, like in the newspaper industry – it could be in 3-inch headline and in bold. This is coming directly out of my pocket either on the front-end or on the back-end, but it's coming out of my pocket. And I think I have a right to know – how many things are in that wallet, you know. And if it's going and coming – I need to know that, too. That's a two-way gig and you know.

I think they'd have to give you a range, because they're on a percentage.

I think the use of the word 'intermediary' is a problem. Because I took a class with that as its name and I have a degree in finance, so it doesn't bother me. But most people don't have degrees in finance so they don't know what that word means. And I think that almost, since it's the short-form, almost they wanted to explain it; they would draw a little picture of themselves and a little picture of the broker/dealer and a little picture of the person and show them the money flow.

So, that word could be difficult to some investors.

I am 'sure' it's difficult.

When is it most useful for you to receive information about payments made to your salesperson? Is it the beginning of the relationship? At a point in time when you decide to purchase a mutual fund? Or on confirmation of a mutual fund purchase?

Beginning.

Beginning.

Beginning.

Beginning.

Anyone have a different view? Okay.

In fact, if I'm talking to somebody that's a broker that's, "How do you get paid," and then, "What percent is that?" That's one of the things I ask because typically I shop around for

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something that has the lowest cost just because if they've got the like performance I'm going to get more out of it!

If you have \$100,000 to invest and you buy, you're not really getting \$100,000 in the mutual fund, you're maybe getting \$90,000 because there's \$10,000 that is paying someone.

That would make a decision for you how much you invested.

Yes.

As far as transactions. Or for example, if I was looking at three different things and I ask my broker, "Okay, how much do you get for 'this, this and this'?" He'll tell me. His recommendation has to be colored by which one he's getting the most from, if that's the one he's recommended.

Is this information that you want to get each time you make a purchase or is having it upfront sufficient?

It's always different.

Yeah, it's going to be different every time. But you should know up front.

Okay.

And getting something that says, "ABC Brokerage gets a 1.2% commission from ABC Mutual Fund when they sell our shares," am I supposed to remember that forever?

So, you'd like to know each time. All right.

After reading this disclosure on the bottom of page 4, would you want to find out more about these payments? And if so, how would you prefer to do that? Is it by asking the salesperson? On the internet? A written document?

Written document.

I think this can be solved if there's a standard format. Standard disclosure. Because most of us are educated – or consider ourselves educated buyers or investors, so therefore we know that everybody has got their hand out, you know. And all I want to know is the percent – how much. I don't mind investing \$50,000 with somebody, I don't mind giving them 5% if they can prove they're going to earn that 5%, you know.

A disclaimer too of 'past performance does not guarantee future results', always weighs in. So you pay someone 5%, but you know it's a risk that you're having to put your signature on and say, "I'm ready to take that risk."

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I don't know why in something like this could say, "From a range of two to five percent," or actually have something in it. Because the mutual fund has decided what they're going to do for various brokers and different ones probably get different rates. But as an investor I'd like to know what that range is.

I don't know if it's just 'this', but if I'm going to invest \$10,000 in a fund, then I look at it and, "Okay, \$10,000 out of my pocket, \$500 to the broker, \$147 for this, \$37 for that," so what have I made investing and how much money am I tossing away?

Okay.

I'm like you. If I put \$10,000 down and I get \$9,400, I figure I'm 6% in the hole starting out, so.

Yes. Which means that if you're getting 5% for your return on average in a year-and-a-third.

For example on page 16 of the larger prospectus, it talks about the 'Initial Sales Charge' and then there's the 'Deferred Sales Charge'. That tells you upfront, 5.75% and they will reduce it up to \$25,000 or eliminate altogether if it's a million or more. That's just a buy-in to the fund. It doesn't say anything about the brokerage fund. So, there are hidden fees. And I think further in I saw, it's common with all disclosure – let me see if I can find it. It talks about 'Other Expenses'. Well, what 'other expenses' could there be? Perhaps they're offsetting the printing. Now that the prospectuses are pretty much available online, just to opt you into getting it online.

Are you talking about on page 5?

Maybe, I don't know. There's an explanation of all the costs – it may be on page 5, I know I saw it in here. But it's standard. Yeah, on page 5, exactly. 'Fees and Expense of the Fund'. So, this is a disclosure, it tells you, "Other expenses, management fees, the operating expenses." And then it explains here, for example, the 'other expenses', if you refer down to '10', "Includes custodial legal, transfer agent, transfer agent fund." So as (Name redacted) was saying, everyone has got their hand out – from the secretary to – I mean, who is the transfer agent? The sub-transfer agent? How many people are in this transaction?

For a \$10,000 investment, your net investment is actually \$9,522, or something like that. So you understand up front that.

Let me ask you about something on the first page of the Summary Prospectus. And that's under 'Fees and Expenses of the Fund' and then the second sentence, "You may qualify for sales charge discounts if you and your family invest or agree to invest in the future at least \$25,000 in 'XYZ' funds." Is that understandable information? Is there a way that that could be said better?

I understand what it's saying, but who is the scorekeeper? Nowadays there should be an automated program; if I invest \$5,000 every six months in this fund, okay, when I hit \$25,000 I should get my fees rebated back to me. I mean, if there's a cumulative or if it's just a one-time buy – all up front, that type of stuff.

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So, a little bit more information.

And let me know how the trigger mechanism is, because I mean – if I've got \$20,000 in 'ABC' fund and I'm also in 'XYZ', but I know that I can put another \$5,000 with ABC and get all my commissions back, okay that's why I just picked up a percent or 2% of my total and it may be worth it!

All right. Any other thoughts about that information in the Summary Prospectus?

I've got a problem with the verbiage, "At least \$25,000." Because I mean, just say "\$25,000 or more."

"May qualify."

Exactly! I have a problem with that. You do or you don't!

"If you and your family agree to invest in the future." What period of time?

25 years?

Exactly! Your family – does that go down for three generations?

All right. How about on top of page 2, 'Portfolio Turnover' up at the top? Is that information understandable?

It's understandable but I don't think it gives you much information. I mean, it tells you what their turnover rate was in the last year but it doesn't tell you what an average is or something like that.

It's a snapshot.

Or their sales.

Acquisition costs, or.

I would think those costs should be reflected in the operating expenses, the annual fund operating expenses.

Well, the 'Portfolio Turnover Statement' of portfolio rates was 63%. But I think they should also follow up with, "But this fund lost 6% of it's net asset value over the fiscal year." So it turned over 63% and you think, "That's a great number, it's two-thirds turnover!" I'm saying, it tells you in the disclosure the portfolio turnover, but I'm saying I think they should add another few words to give you a perspective of what that 63% rate means. 63% of what? Let's say you've got ten shares of stock and you take 10% and you rotate it every three weeks or every two weeks or every month. Well, you look over the ____, you may have turned a small block over,

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you may have turned it where you have some long-term stuff. So, 63% - it's a nice number, you know, it tells me (inaudible), that's - you know.

The one thing it really says is, "There's some exposure here to potential capital gains."

But they're listing portfolio turnover, so they're just recounting the portfolio turnover. The annual turnover is in another part. I think that's pertinent to know they separate the two.

It's almost like it would be more informative, though, if they put the turnover like on a year to year basis.

Not just the most recent?

Not just the most recent.

Yes, I agree with that. It should be on the chart someplace what the one-, five- and ten-year - like what's - give us more about that turnover thing.

Or if they give you 'one' year, to at least give you what the five-year average is, or something that gives you a clue, "Is this an unusual year? Is this a typical year?"

Okay, those are helpful suggestions and we appreciate them.

Now I want to provide you with two documents that contain information about several funds. And I want you to take a moment to look at these and then I have some questions I'll ask you about them.

(Group pauses to review materials)

I apologize, but I just had a thought about the last conversation. When we were talking about the percent turnover. It's also important that everybody calculates those numbers the same so that when we are looking at two different companies numbers, that we know there is the integrity there.

So it's consistent.

Sorry to interrupt you.

Thank you, though.

(Resume pause to review materials)

Okay, let's talk about these. Do you think that these documents are more or less helpful than the short-form prospectus that describes just one fund?

Yes.

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They're more helpful?

Yes, these are more helpful.

What makes them more helpful than the short-form prospectus?

Well, there's a variety of things that are in there that I guess.- it's actually got several funds of some of the things that it does, is - it does give you like for example, on one of them shows the differences between funds, and how they are going to allocate, what are their ranges, what are they doing, how they perform, compares them, their returns before taxes as well as some benchmark rates, so I like that.

I particularly – I saw the S&P mentioned in the one fund and the other one. But I like the way that the comparisons are made on these formats a lot better than what we had previously. I like to see this kind of comparison.

I like the, one-year/five-year/ten-year comparisons, and the listing of all of them and how they deal with the balance fund versus the income fund.

And you liked it better than the short-form prospectus?

Right.

I have a question on this. On both front pages it says, "Any representation to the contrary is a criminal offense." What does that mean?

I don't know.

I mean, if all I'm interested in is the growth fund, why do I have to read the rest of it. I like this in terms of, if I'm (inaudible word or two) in fund 'D' then I'm going to give you all the different personal strategies in one document. But if all I am an investing in initially is the growth fund or the balance fund and the income fund, then all this other stuff is just superfluous.

Though I did notice on the table on page 2, I like (inaudible). The income and balance fund get – both those things get the same ____ at various points. I think 2%, 3%, 10% - (inaudible). I could have the same allocation, but yet they're calling them different. So that did point out that sometimes the balance is income and sometimes the income is balanced. But that was about the only –

So, you prefer the short-form prospectus then, for a particular fund?

If I'm interested in a balance fund, I don't care about this stuff that's in here about income funds and growth funds. If I'm interested in purchasing a personal strategy fund then yeah, I'd like to see this.

How about you?

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Well, it's interesting getting perspective from the different levels of investors. Now, this type of thing, it kind of leads you through. I don't think it's a very directive – like 'international funds', I just happened to be interested in international funds and I like the way this is laid out and it's stepping through international funds. These guys are investing and they're going right for the numbers. And this just directs you through. If you're choosing to possibly get into international funds for the first time or to go back into it, it kind of leads you through it and gives you the examples and their strategies and what they're going to do in these parts of the country. I travel around the world and there's some countries I'd like to invest in – Central America is one continent, so it keys that out. And then it goes through to the more seasoned investors where they can go right to the comparisons on what it's doing compared to other stocks that you have. So, from that perspective, it's almost like this one form is not cookie-cutter, so everybody is going to get page 77 and then I'm going to maybe start at 2 through 9, take a look – you know what I mean? So it's kind of a directive document for me. It directed me one way, it directed him another way and so on. And so I think that's kind of – I liked it actually; I like the way it was broken down.

If you're interested in international funds as a whole, yes, this is a good document. But if you're only interested in Asia Pacific, you don't need it.

Right. It doesn't seem like – it doesn't fit everybody, one-size-fits-all. Although, you can find what 'you' want and I can find what 'I' want, so it does kind of.

I just wanted to say, mutual fund families have publications that provide information – maybe not a prospectus, but a summary of each of their funds. And I would prefer a prospectus for each individual fund, rather than be grouped like this.

But I wanted to raise this question. We had talked about managers of funds. And in any of these prospectuses, have they shown who the manager was?

Was that apparent to you?

The long-form had it.

The short-form did and the long one did as well.

The first two I remember seeing it.

(Name redacted)? Do you like these multiple -?

Yeah, I found it very helpful, yeah, when I skimmed through it. There was no fund manager information on who is behind this.

Did you prefer these or the short-form prospectus?

These. To me this is kind of a compromise. It's not as detailed as a 45-page. But again, much more information than just the four-page short prospectus.

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(Name redacted), how about you?

I think they did a good job of explaining the risk and what all is involved, especially investing overseas, because there's a myriad of factors that can play on everything – from something being nationalized to war breaking out, really affecting the economy. What I like to see is a clear thing with a direction. If I'm the fund manager and I'm going out and looking for investments, or do I sit back and intend to invest but have them come to court me? There's a world of difference. If I'm a fund manager, the investments seem to have a little bit luster if I go and find a few, because therefore I think they're a little more investor-worthy. If you come and find me, you may be a good investment, however you needed the money.

(Name redacted)?

I have mixed – I like these as far as the comparisons. And I guess if you think of a fund family getting theirs out to you to make choices on where you might go, it's good information. But it seems to me, you just about have to customize it otherwise, am I looking for just stuff in the Far East and do I want every foreign fund? But I'm not sure how they match up by doing this. I think it's an interesting comparison. I think if they would take 'like' funds; if they have four income funds and put them together in the prospectus so you look at the income funds or maybe the growth funds or things that would be of interest, then you could comb-out one. But I don't know how far it goes. Do you end up putting ten funds in? Like three, I think it's just – I think we get a lot of that same information by looking in different fund families many times, and different pieces of information, without it being necessarily a prospectus. But I like the format. I guess if I was looking and say I'm interested in 'this' fund, a little short form would be fine. I do like the portfolio holdings and that was missing for me.

So that was one advantage of the short-form?

Yes, the short and the long-form versus – it didn't have that in there.

One of these is longer than the others and it combines the information for more funds. With that in mind, what do you think about combining information for two funds, or five funds or ten funds? Is there a point at which there would be too many funds compared in a single document?

Absolutely.

So, what number is that?

It's subjective, but I think you start getting information overload after two or three. I think three – comparatively with two. When you start doing three or more, four more, I think it really starts to get –

How many was in that international?

Quite a few.

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I think if you give us maybe four or something like, somebody can go through it. If you start getting ten funds in a document, that's a lot.

How many do you think is too many? We've heard two or three or four.

I would say three or more.

I think this is okay.

This has got four.

This is a nice little tutorial on the international market, but it's got – there's so many different kinds of funds. I've got the "Lilly fund and I've got the Mediterranean fund and I've got emerging market fund and I've got European __ and I've got a," I mean, some of these are like – they're kind of in the same territory. I guess it's like again, that I can go to look at all of these different offers from International Funding and decide which one I want. But too, that's a marketing thing and this is more of an SEC thing. If I was in international funds and wanted to market like this – cool. But from an SEC, investor perspective –

So, that's too many in there, in your opinion?

Yes.

Okay. How about in terms of the number of pages? Is there also sort of overload if we go above 25 or 50 or 75 pages?

If it's 'legalese', that's where you get bogged down in a prospectus. Like going through those 20 pages, even though some folks decide it's too many. But if the information is pertinent to you, you like it. And the legalese stuff, I don't think anyone reads that. Even though I guess it's pertinent in one respect, because everybody has got to know legally so they can cover themselves, but most of us are saying we don't like the legalese, it just bogs you down.

This is 20 pages long and for what it does, it's not too long.

That's right.

Twenty to 25 pages I think is – you know.

All right. How up-to-date should the performance and portfolio, all this information be in a prospectus? Should it be as of the end of the most recent calendar year, the most recent calendar half-year, the quarter or the month? How up-to-date should that information be in a prospectus?

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As up-to-date as possible. I mean, you're talking from the perspective of the prospective buyer.

You're using a prospectus, how up-to-date should the performance information be?

As up-to-date as possible. This has a 63% turnover over the course of a year. If the information I have is a 11 months old, then it's 60% out-of-date.

I would say twice a year.

Okay, twice a year.

But you're going to have to weigh how much it costs to produce this information. If I got sent out a big-four accounting – am I going to have a big –

But they have it all on computers, you know what I mean? They can generate the information. And printing is a problem and format.

But accounting-wise, they've got to do certain testing and that type of stuff and that takes time. It's just like a bank confirmation. You're going to have a big accounting firm that's going to sign-off on this and that type of stuff. So, we, as investors, are eventually going to pay for that information.

Okay. But I thought the question was, specifically about the content of the fund – maybe I misunderstood.

And the prospectus.

And this prospectus, okay.

If you're doing without that information then you're going to make a poor investment.

I think it depends somewhat on the fund itself. If you're talking about emerging markets and small caps, I kind of expect a little bit more turnover and so I want to see more information. But if I'm talking about a bond fund that only buys Treasuries, you know, there's no need to show me what they held every month – I don't care because I already know that it's stable. But on a more volatile fund, I would want to have more data.

I think in today's times, it's fairly easy to have a lot of standard information and just have the performance data at the front end and be for the past quarter or within so many months or whatever is a logical thing. But I mean, data flows so easy and it's brought together. Because you're trying to make the best decision you can on the information available and if it's stale, they're not helping you make those good decisions.

What they probably ____, friends of the government – don't have to have it on paper, it could just be on the Internet. People that don't have access to the Internet aren't going to make an investment.

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And maybe it's based on maybe once you get a threshold of turnover, you have to produce a new document.

Is it important to you to obtain up-to-date performance on portfolio holdings information in a prospectus or would it be sufficient if the prospectus directed you to a toll-free number or a Web site for updated information?

Let's take the toll-free number out.

You can go to the library and be on the Web and it doesn't cost you anything, except 15 minutes.

And that's why I think they could direct you very easily. And if it says, "This is not necessarily the latest, current, go to this Web site and you'll get the full comparison," that would be acceptable if you were doing something. It's just to get information that is the latest and not read the detail or pay attention and find out it's a year-old and the fund manager changed.

And total allocations.

Yeah, right!

That's why I'm saying, those that have good Web access.

But again, maybe it goes back to how out-of-date is the information?

How do you like to receive information about mutual funds, paper or online? How many of you prefer paper?

I prefer paper – I wouldn't say I 'prefer' it but I like getting it.

It's like a back-up.

It's like a back-up. Especially, some of my mutual funds are there and I just don't look at them that much. And so when I get the bi-annual statements, that's my chance to remember that I own this stuff and pay attention to what's going on then. .

I get e-mail that says, "Do you want it?" There's a prospectus, a 904 on the pdf and go to page 3 if that's the one I want, and I print that one off.

That's what I do, too. I used to get them but my goodness – the basket was always full of prospectuses!

Let me ask each of you, and I'll go around the table. Here are three opportunities for getting information electronically about your mutual funds. One would be an e-mail with an attachment. One would be an e-mail with a click-able link to the information. And the third is an e-mail just saying that the information is available on the Web site. Let me go

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around the table and we'll start over here with (Name redacted). Which of those three do you prefer if you're getting electronic information about mutual funds?

E-mail with a clickable link.

E-mail with clickable.

I prefer e-mail with clickable link.

Same here.

All three are acceptable. I'll go with the link. All three would be fine.

Clickable link. The problem with the attachment is just the time it takes to download it.

Clickable.

I want the information on the Web site.

What do you think about the idea of receiving a short-form prospectus on paper and then the more detailed information online? Is that a good idea or not?

Good idea!

Yes, very good idea.

It will save paper.

Yep. They just have the URL on the short-form, is what you're saying?

Okay. If you'll bear with me a minute, let me go in the back and see if there's anything else they want me to ask and then we'll get you out of here!

They could have said that right up front couldn't they?

Everybody file their taxes yet?

Good news! No more questions. We have you out of here at ten o'clock. Let me ask you though, if you would pass up the short-form prospectus and those three loose papers all together.