



The Capital Group Companies, Inc.
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May 7, 2018

VIA FEDEX AND ELECTRONIC SUBMISSION

The Honorable Jay Clayton
Chairman
U.S. Securities and Exchange Commission
100 F Street, N
Washington, DC 20549-1090

Re: Electronic delivery of mutual fund shareholder reports

Chairman Clayton:

We are writing on behalf of The Capital Group Companies, one of the oldest asset managers in the United States. Through our investment management subsidiaries, we actively manage assets in various collective investment vehicles and institutional client separate accounts globally. The vast majority of these assets consist of the American Funds family of mutual funds, which are U.S. regulated investment companies distributed through financial intermediaries and held by individuals and institutions across different types of accounts.

We strongly support efforts by the U.S. Securities and Exchange Commission to permit mutual funds to deliver shareholder reports by posting the documents on their websites and providing notice of their availability. Accordingly, we urge the Commission to implement Rule 30e-3 allowing electronic delivery of shareholder reports. The rule, with certain modifications, as noted below, will improve the information's overall accessibility while reducing burdens such as printing and mailing costs borne by funds, and ultimately, by fund shareholders.

1. The Commission should allow website disclosure of shareholder reports in lieu of mailing the documents

In 2015 the SEC proposed Rule 30e-3, which would permit mutual funds to deliver shareholder reports electronically. We believe, the SEC has a unique opportunity to acknowledge the widespread use of the Internet and shift in investor preferences for financial information through its adoption of 30e-3.

Access to and use of the Internet has continued to increase significantly. A survey by the Investment Company Institute found that in 2014, 94% of U.S. households owning mutual funds had Internet access, with widespread use among various age groups, education levels and income levels. Moreover, as the Commission stated in its rule proposal, investor testing and Internet usage trends have highlighted that preferences about electronic delivery of information have evolved, and that many investors would prefer enhanced availability of fund information on the Internet. Moreover, electronic delivery of shareholder reports is consistent with the "notice and access" approach adopted by the Commission for disclosures of certain corporate issuers and proxy voting materials.

Our organization, with the help of an outside consulting firm, conducted a research study with the goal of identifying ways we could improve our communications with investors and more thoughtfully align our information deliveries and resources with investor needs and preferences. Our research provided insight into how American Funds shareholders view specific print and digital information, including the value of shareholder reports. Our research suggested that American Funds shareholders have low interest in the printed form of fund shareholder reports and are increasingly seeking information similar to that contained in fund shareholder reports online. We subsequently eliminated feature articles in our shareholder reports, eliminated the use of photographs and glossy high quality paper and aligned to industry standards regarding shareholder report content. We shifted our focus and resources to providing high value content on our website.

We, along with other fund groups, use our website to serve the diverse needs of our shareholders with extensive educational materials. Our website offers investors who want more detailed information access to it, while those who do not can access only the essential information they need. Fund shareholders recognize that when they want current

information regarding their funds it is readily available on our website. Use of our investor website has increased significantly over the years. Last quarter we reached an all-time high of 6.5 million visits to the American Funds investor website. Web usage has increased approximately 21% year over year. In addition, allowing funds to deliver shareholder reports online would open up new opportunities for the use of embedded links and visual displays, allowing shareholders more detailed information in useful layered disclosure. Thus, clinging to paper shareholder reports not only stifles innovation, but inhibits the presentation of effective disclosure while increasing shareholder costs.

2. Environmental impacts

Production of paper shareholder reports has a significant negative impact on the environment. For the American Funds, over the 12-month period from July 2016 to June 2017, we mailed approximately 30.4 million semi-annual shareholder reports and 32.2 million annual shareholder reports. Approximately 4,800 tons of paper were required to print the reports. This resulted in the destruction of about 114,000 trees. In addition, transporting this amount of paper required approximately 331 tractor trailer truckloads, resulting in an increase in carbon emissions.

3. Cost savings

Eliminating the paper delivery requirement for shareholder reports would result in a substantial direct savings to fund shareholders, as well as an environmental benefit from reduction in paper usage. For the period noted above, the cost for mailing production expense, postage expense, freight expense and print and design expense for our semi-annual and annual shareholder reports during this period was approximately \$28 million. Eliminating the costs associated with delivering shareholder reports will benefit fund shareholders without detracting from their ability to review the documents either electronically or by requesting a paper copy.

We believe the proposal strikes the appropriate balance in preserving choice for investors who prefer paper reports. A fund shareholder under the proposal would have the option twice a year to request delivery of paper reports.¹

As a global mutual fund company we note that our funds are sold in Europe, as well as in Canada and Australia. The European Union permits funds to notify investors that shareholder reports can be obtained on a website, with the reports available by mail on request.

Canadian law permits a fund manager to establish an opt-in communication instruction with shareholders under which a shareholder can request a hard copy of the shareholder reports by mail, or otherwise choose to access such reports electronically. Likewise under Australian law, our funds make shareholder reports available on our website, as long as we explain to investors how to access the website and provide the option to request a paper copy of the report. This shareholder report delivery system works well in all of these jurisdictions, which recognize investor preference for electronic delivery of the reports.

In developing a final rule, we urge the SEC to consider our prior comments as well as those of the Investment Company Institute. It is important to implement a more workable rule that results in substantial savings for fund shareholders. For example, the rule should provide funds with the flexibility to incorporate the notice of availability into other documents that are sent to shareholders such as the quarterly account statement or the summary prospectus. Allowing the notice on account statements would be particularly opportune as quarterly fund account statements, according to various sources, are considered by most shareholders as the most important document they receive and are likely to read regarding fund investments.² This stands to reason because the most important piece of information for shareholders is the return of their fund. In a survey conducted for the Commission's 2012

¹ As noted in our August 11, 2015 comment letter on the proposal, we typically mail the annual report with the updated summary prospectus. We believe the 30e-3 electronic delivery regime should be extended to delivery of the summary prospectus to produce additional cost savings to fund shareholders.

² See, e.g., Recommendation of the Investor as Purchaser Subcommittee Regarding Mutual Fund Cost Disclosure, Securities and Exchange Commission Investor Advisory Committee, April 14, 2016, available at: <http://www.sec.gov/spotlight/investor-advisory-committee-2012/iac-041416-recommendation-investor-as-purchaser.pdf>, Government Accountability Office, Statement of Richard J. Hillman, Director, Financial Markets and Community Investment before the U.S. Senate Committee on Governmental Affairs Subcommittee on Financial Management, the Budget and International Security, "Mutual Funds: Additional Disclosures Could Increase Transparency of Fees and Other Practices," January 27, 2004, available at: <http://www.gao.gov/assets/120/110547.pdf>

financial literacy study, more than two thirds of fund investors surveyed indicated that they usually or always review their account statement.³

For funds held in brokerage accounts, an investor may have funds from several different fund families. Accordingly, it would be difficult for the brokerage firms to include references to each fund's website on their account statements as required by proposed Rule 30e-3(d). We propose that for shareholders holding their funds in brokerage accounts a general disclosure could be included in the account statement advising shareholders to visit the website of their fund family for a copy of the report and other information. These shareholders would also be sent a summary prospectus that includes the specific website address where the fund's report is available.

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We truly appreciate your consideration of this important issue and urge the SEC not to miss this opportunity to modernize its rules to benefit fund shareholders. We also urge the SEC not to cave to the pressures of those who profit from paper reports at the expense of fund shareholders. It is important that the Commission modernize and adapt its rules to the digital age, particularly when it will facilitate investor preferences with regard to accessing information regarding their funds. Had the U.S. Postal Service as it sought to improve mail delivery ignored technological developments such as the automobile, steamboats, railroads and airplanes, and catered to the interests of stage coach and buggy whip manufacturers, our postal delivery system would not have developed as it has today. If you have any questions, please feel free to contact Paul F. Roye at [REDACTED] or Timothy W. McHale at [REDACTED].

³ Siegel & Gale, LLC, Investor Research Report, Submitted to the Securities and Exchange Commission, July 26, 2012, available at <http://www.sec.gov/news/studies/2012/917-financial-literacy-study-part3.pdf>

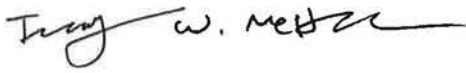
Sincerely,

A handwritten signature in black ink, appearing to read "Paul F. Roye". The signature is fluid and cursive, with the first name "Paul" being the most prominent.

Paul F. Roye

Senior Vice President

Capital Research and Management Company

A handwritten signature in black ink, appearing to read "Timothy W. McHale". The signature is cursive and somewhat stylized.

Timothy W. McHale

Vice President and Senior Counsel

Capital Research and Management Company

cc: The Hon. Robert J. Jackson Jr.
The Hon. Hester M. Peirce
The Hon. Michael S. Piwowar
The Hon. Kara M. Stein
Dalia Blass, Director, Division of Investment Management