CAMBRIDGE ASSOCIATES

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September 11, 2020

Ms. Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Reporting Threshold for Institutional Investment Managers
(SEC Rel. No. 34-89290; File No. S7-08-20)

Dear Ms. Countryman:

Cambridge Associates is a global firm and registered investment adviser that serves endowments, foundations, pension plans, corporations and private clients on both a discretionary and non-discretionary basis. We conduct thorough due diligence on investment managers and build custom portfolios for our clients based on their goals and risk tolerances.

I am writing on behalf of Cambridge Associates to express strong opposition to the Commission's proposed amendment of Form 13F, specifically the raising of the reporting threshold from $100 million to $3.5 billion. We understand the need to adjust regulations, however the proposed increase of the 13F reporting threshold not only fails to take into consideration the many changes to investing that have occurred over the past 40 years but also undermines the Commission's tenant of investor protection.

Investors rely on 13F data. Over the past four decades, the way that investors participate in the capital markets has changed materially. Today, unlike 40 years ago, endowments, pensions, charities and private families regularly and often allocate a meaningful portion of their investible assets to private investment funds in addition to registered funds. While private investment funds have become institutional, they are not required to provide the same reporting as registered funds, and as a result, there are many more stakeholders that rely on 13F data today than when the rule was first adopted.

The proposed $3.5 billion reporting threshold would decrease the usefulness of reported data and subvert the rule's purpose of providing transparency to the public on institutional investment managers. Over the past four decades, the number of institutional investment management firms has significantly increased, and investors often partner with smaller firms who intentionally limit their sizes to align their interests with their investors and maintain prudent liquidity within their funds. In addition, if reporting is limited to institutional investment managers with assets over $3.5 billion, the transparency provided and used by investors to assess manager impact to markets will be distorted given the dramatic increase in the amount of assets managed passively to various indexes by these larger firms. The increased reporting threshold renders the data less useful and affects the ability for investors to manage their portfolios.

Data provided by the current 13F filings is critical to those responsible for investing capital to fulfil their fiduciary duties as it is an important component for investors to manage a properly balanced portfolio, assess fund managers' skills, avoid risks stemming from concentration in holdings among funds, avoid paying extra fees from offsetting holdings, and even detect and avoid fraud. The transparency provided by 13F data allows investors to construct more sophisticated and tailored portfolios. We believe this information is so critical to portfolio construction and manager monitoring that investors and allocators will continue to demand such transparency from managers regardless of the amendment. As such, the efficiencies contemplated would likely only flow to the few, highly successful, sought after managers with enough leverage over their investor base to not have to provide transparency; smaller, less established managers would likely have to continue to provide transparency to attract and retain institutional capital. We believe the efficiency gains cited in the proposal are overestimated.

The proposed amendment would reallocate the cost of transparency to smaller investment managers and market participants. Moreover, we believe many managers do not view the 13F filing as particularly onerous. The information required for 13F is readily accessible. Fund administrators and custodians regularly include 13F support as part of their services, and many have built out automated processes to streamline reporting. Although some investment managers may experience efficiencies and cost savings, the proposed amendment would certainly increase costs for investors. Investors will spend more time, effort and money collecting and maintaining similar data to procure the current level of transparency they have come to rely on to prudently manage their portfolios. The proposed amendment's purported benefits simply do not outweigh its cost.

While we are generally supportive of measures that create more efficient markets and reduce costs to investors, we do not believe the suggested efficiency gains of this proposal outweigh the costs of loss of transparency and access to information for investors. We respectfully ask the Commission to reconsider the adoption of an amendment that would so detrimentally affect investors in the U.S. securities markets.

Sincerely,

David Druley
Chief Executive Officer