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January 4, 2021

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

Subject: Request for Comment on the proposed rule and form amendments that would modernize the disclosure framework for open-end management investment companies, SEC File Number S7-09-20 (the "Release")

Dear Ms. Countryman:

Broadridge Financial Solutions, Inc. ("Broadridge") regularly works with the U.S. Securities and Exchange Commission ("SEC") and market participants to provide data on shareholder communications, and to implement technology solutions that support regulations as effectively and efficiently as possible. Broadridge's business model is founded on using technology to (i) improve the effectiveness and relevance of regulatory communications to individual and institutional investors, and to (ii) provide annually increasing cost savings to mutual fund companies, corporate issuers, custodian banks, and broker-dealers.¹

With these objectives in mind, we appreciate the opportunity to provide investor survey information and economic data on aspects of the proposed rules. We also provide illustrations of how technology can both further improve individual investors' experiences with shareholder reports *and* make them even more cost effective for mutual fund companies.

Executive Summary

Our comments are organized into the following 7 sections. Details and notes are found in the Discussion of Main Points which follows this Executive Summary.

1. Cost Savings from Digital Delivery Under the SEC's Current Rules and Guidance: Under the SEC's current rules and guidance for electronic delivery, fund companies saved an estimated \$605 million (in the 12 months ending June 30, 2020) on the costs of otherwise mailing paper shareholder reports and

¹ Broadridge Financial Solutions, Inc. (NYSE: BR), a \$4 billion global Fintech leader, is a leading provider of investor communications and technology-driven solutions to banks, broker-dealers, asset and wealth managers and corporate issuers. Examples of the solutions we provide include delivery options for summary prospectuses, proxy materials, and mutual fund shareholder report "notices" under SEC rule 30e-3, among others. Broadridge is part of the S&P 500® Index and employs over 12,000 associates in 17 countries. For more information about Broadridge, please visit www.broadridge.com.

summary prospectuses to investors holding mutual funds/ETFs in street name. 73% of the shareholder reports and prospectuses are now digital (inclusive of householding, e-delivery, and account consolidations). We project that digital delivery will grow to between 80% and 85% of all shareholder reports and prospectuses for funds/ETFs held in street name in 2023. The cost savings come with ESG improvements for fund companies and broker-dealers.

2. Added Delivery Cost Savings Under SEC Rule 30e-3: Broadridge's implementation of SEC rule 30e-3 is speeding the transition to greater use of electronic delivery. On January 1, 2021, 95% of the remaining paper shareholder reports began to convert to notices. As a result, fund companies will save an additional \$115 million in 2021. We project that the cost savings will increase to between \$130 million and \$140 million annually in 2023.

3. SEC Proposed Rules for Streamlined Shareholder Reports: Investor Feedback and Estimated Delivery Cost Savings: Based on responses to the SEC's Feedback Flier from 2,000+ Main Street investors, the hypothetical streamlined annual and semi-annual reports would likely prove to be very popular with ordinary investors. Over 91% of respondents said they would be helpful in monitoring their investments. They say that they are about the right length, and that they want to receive them at least twice a year. We estimate that mutual fund companies would save between \$15 million and \$20 million annually over the costs of delivering notices, largely as a result of the elimination of the regulated incremental fee for notice & access.

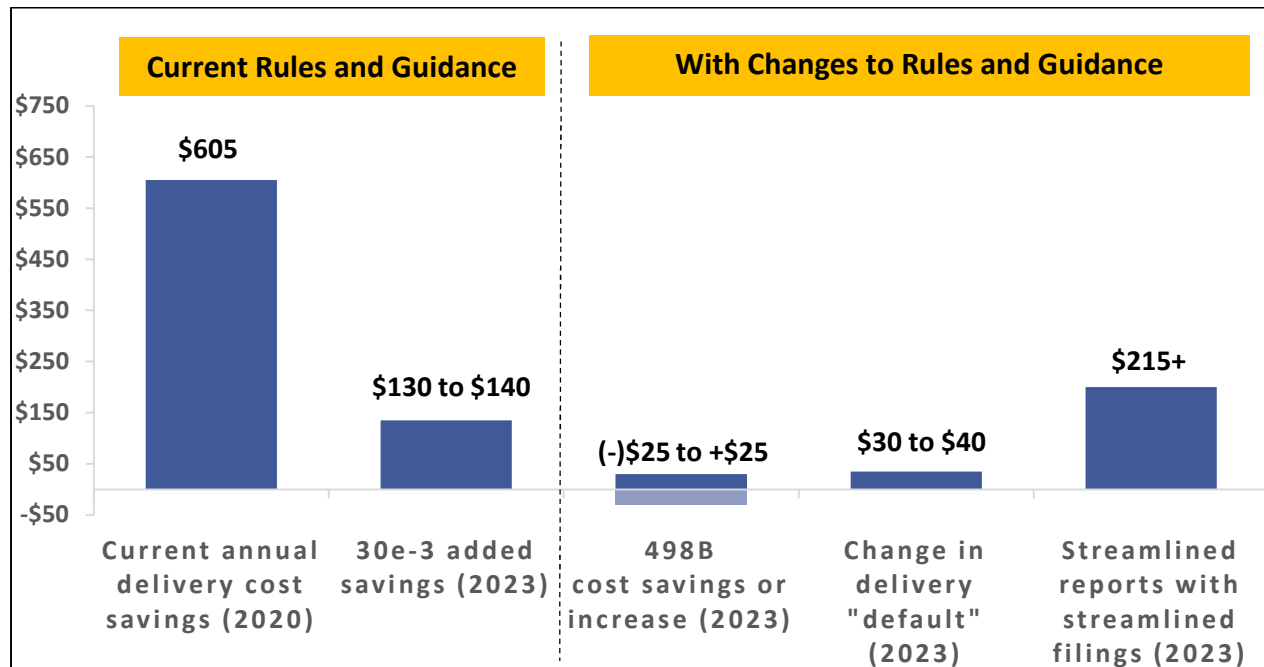
4. Offsetting the Added Labor Costs of Preparing Streamlined Shareholder Reports: Based on an analysis Broadridge commissioned on behalf of several fund companies, eliminating the time and effort involved in preparing the *unaudited financial statements* in semi-annual reports filed on Form N-CSR would save mutual fund companies more than \$300 million in labor costs. If a streamlined semi-annual report *filing* were permitted when sending streamlined semi-annual shareholder reports, the *net* labor cost savings to mutual fund companies would be over \$200 million. These savings are possible without any reduction in the delivery of information investors regard as important to monitoring their investments. Portfolio holdings information would continue to be filed on Form N-PORT, and investors would continue to receive streamlined annual and semi-annual reports as well as annual summary prospectuses by mail or e-mail.

5. SEC Proposed Rule 498B: Investor Feedback and Estimated Delivery Cost Savings/Increase: Based on the responses to the SEC's Feedback Flier, proposed rule 498B would not be popular with Main Street investors. 88% of surveyed investors prefer the status quo of annual prospectus delivery. Only 2% say they do not want to receive prospectuses. Just 3% of investors say they'd search for them online. Broker-dealers are concerned that the proposal's "optionality aspect" would not only confuse customers but also add costs for monitoring each fund company's reliance on it.

Several of the largest fund companies would not rely on the option because they already realize the savings by combining annual prospectuses with their distributions of shareholder reports. As for other fund companies, the cost savings are uncertain because the timing and incidence of material changes can be difficult or impossible to predict. Fund companies that send standalone prospectuses could annually save an estimated \$25 million when they have only one material change to distribute every two years. However, if they have one material change every year, their delivery costs would actually *increase* by an estimated \$25 million due to greater volumes of supplements and stickers.

6. Delivery Cost Savings of Changing the Default from Paper to Electronic Delivery: If the delivery default were switched from paper to electronic, mutual fund companies would save between \$30 million and \$40 million by sending streamlined shareholder reports and annual summary prospectuses *electronically* instead of by mail. Our estimate assumes that digital delivery would increase from a currently projected range of 80% - 85% (in 2023) to 90% of all mutual fund and ETF positions held in street name.

Figure 1. The comparative cost savings of each of the above scenarios are summarized below (\$million).



7. Role of Technology in Protecting Investors and Providing Greater Market Efficiencies: Main Street investors' comfort with e-delivery is related to the *quality of the technology interface*. Overall, they are more comfortable with e-delivery for shareholder reports, proxies, and annual prospectuses than for *account (wealth) statements* and *tax forms*. Currently, most e-deliveries of public documents consist of e-mail messages with links to a lengthy, static pdf., an experience that many investors regard as unengaging. The SEC's proposal improves the disclosure experience by providing a more user-friendly summary document. Also, the proposal encourages greater use of personalized and interactive reports which will lead to greater comfort in receiving mutual fund information electronically.

Data tagging unlocks innovations in how disclosures are presented and utilized. We provide an illustration (Figures 7a and b, below) to show how "traditional" e-delivery can be transformed and enhanced to be both more educational for investors and more cost-efficient for fund companies.

Discussion of Main Points

Each of the 7 sections highlighted above in the Executive Summary is further explained below. Broadridge's analysis excludes mutual funds held directly with fund companies.

1. Cost Savings from Digital Delivery Under the SEC's Current Rules and Guidance

Under the SEC's current rules for mutual fund regulatory communications and guidance for electronic delivery, fund companies saved an estimated \$605 million (in the 12 months ending June 30, 2020) on the costs of otherwise mailing paper shareholder reports and summary prospectuses to investors holding mutual funds/ETFs in street name (net of preference management fees). As a result of the technologies and processing Broadridge provides, with and on behalf of its broker-dealer clients, 73% of the shareholder reports and prospectuses are now digital (inclusive of householding, e-delivery, and account consolidations).² This is more than twice the level of digital delivery found among direct-held accounts.³ Technology platforms continue to evolve under current rules and guidance, and as they evolve there is growing acceptance of e-delivery by Main Street investors. We project that digital delivery will grow to between 80% and 85% of all shareholder reports and prospectuses for funds/ETFs held in street name in 2023.

As a result of private sector initiative and regulated incentive fees for managing investor preferences, the unit cost of mutual fund communications to investors holding mutual funds/ETFs in street name continues to decline -- from \$0.68 in 2011 to \$0.44 in 2020, a decrease of over 35%. Considering an average mutual fund investment of \$40,000, the cost of a shareholder report or a summary prospectus is less than one-tenth of a basis point to the average investor.

The 10-year growth trend in total cost savings is shown in Figure 2, below. We also show the trend in declining unit costs of mutual fund communications. These figures reflect the results of investments in technologies and processing that Broadridge has made with and on behalf of its broker-dealer clients, and the network efficiencies of owning shares in street name.

² Digital delivery grew to 75% over the first 5 months of Broadridge's fiscal year 2021 (July 1, 2020 to November 30, 2020). Based on Broadridge's processing of shareholder reports and prospectuses for mutual funds and ETFs held in street name.

³ Based on a 2020 survey of fund companies, e-delivery of shareholder reports and prospectuses to direct held accounts comprises approximately 34% of all deliveries to those accounts. (ICI Survey "E-Delivery Key Statistics Survey: Final Report to Participants," September 2020, p. 5). As a result of Broadridge's investments in technologies and processing for shares held in street name (with and on behalf of broker-dealer clients), the unit cost of a communication to an account held in street name is lower than the unit cost for a communication to a direct held account. Communications to street name investors provide a more consistent experience for all mutual fund/ETF positions held in a brokerage account.

Figure 2. Growth in digital delivery drives increasing total cost savings to fund companies on communications for mutual funds/ETFs held in street name. Unit costs continue to decline.

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Cost Savings (\$ million)	142	174	228	284	328	362	398	450	551	605
Unit Cost Per Report or Prospectus (\$)	0.68	0.65	0.60	0.56	0.54	0.54	0.49	0.47	0.45	0.44

2. Added Delivery Cost Savings Under SEC Rule 30e-3

Over the past two years, Broadridge has worked with mutual fund companies and broker-dealers to enable virtually all fund companies to rely on SEC rule 30e-3 on the earliest effective date. On January 1, 2021, notices began to become the norm -- we estimate they will quickly replace 95% of full report mailings. Broadridge's implementation of SEC rule 30e-3 will save fund companies an estimated \$115 million in 2021, and between \$130 million and \$140 million in calendar year 2023, at about the time a rule for streamlined shareholder reports could come into effect.

Mutual fund companies have acknowledged the added costs that both they and Broadridge incurred during the two-year notification phase for rule 30e-3. Broadridge expended over 50,000 labor hours for development, testing, rollout, and education. Broadridge also underwrote significant capital investments, including in new, single-purpose equipment, and geographically dispersed production capacity across several of its production locations.

During the two-year notification period, Broadridge processed and distributed 585 million shareholder reports and prospectuses providing the required notification language. Using the special purpose, central website that Broadridge developed (www.fundreports.com), investors provided consents, during those two years, to receive 2.72 million notices and 571,000 full reports by mail in the future. In addition, over 910,000 clicks were made on the "Go Paperless" link – resulting in added savings to fund companies because with e-delivery, the paper, postage, and regulated incremental notice & access fees go away.

Mutual fund companies have indicated that an extended compliance date would help them recoup their costs to implement rule 30e-3. It would also enable more investors to transition to electronic delivery and provide additional cost savings. Broadridge's implementation of the new notice form includes QR codes that enable investors to easily view reports and provide consent to electronic delivery. This averts the disengagement that arises when multiple steps are required to access and view regulatory disclosures.

If the SEC determines that it is appropriate to provide fund companies and broker-dealers with an ongoing option to rely on rule 30e-3, Broadridge and its broker-dealer clients will continue to make the investments to support their use of it. Mutual fund companies were not billed for the development

costs or investments that Broadridge incurred, or the incremental regulated fee for rule 30e-3 during the pre-notification phase.

3. SEC Proposed Rules for Streamlined Shareholder Reports: Investor Feedback and Estimated Delivery Cost Savings

Investor Feedback on Streamlined Shareholder Reports: The SEC seeks comment directly from individual investors through a “Feedback Flier.” To obtain responses that are representative of U.S. mutual fund investors overall, Broadridge asked True North Market Insights (“True North”) to launch the Feedback Flier to 2,000+ mutual fund and/or ETF investors, and to collate the responses.⁴ Survey participants were shown the SEC’s hypothetical streamlined shareholder reports (both an annual and a semi-annual report), and asked questions about them.⁵

In fielding the Feedback Flier to a commonly used, commercially-sourced panel of individual investors, the researchers included several questions that were posed in the Release but not included in the version of the Feedback Flier found on the SEC’s website.⁶ For example, investors were asked how frequently they prefer to receive streamlined shareholder reports, and whether they would prefer to continue to receive updated prospectuses annually.⁷

The researchers also added questions by which survey participants could provide demographic information that might be of interest to the SEC (i.e., race, age, gender, income, level of educational attainment, and household assets).⁸

Responses from over 2,000 individual investors are summarized below.⁹ Details are provided in the Attachments, which include True North’s report on findings, the SEC survey questionnaire as fielded, and the full dataset of responses (in tabular format).

The SEC’s proposed streamlined shareholder reports would likely prove to be very popular with Main Street investors. The design is clear and helpful.

- **Streamlined reports are useful for monitoring investments:** At least 91% of investors said both the streamlined annual report and the streamlined semi-annual report are useful for monitoring

⁴ True North Market Insights is an independent, market research boutique comprised of individuals with decades of experience in fielding surveys of consumers and individual investors.

⁵ Half of the participants were randomly assigned to view the SEC’s hypothetical streamlined annual shareholder report, and the other half viewed a streamlined semi-annual report.

⁶ Dynata National Online Panel is the world’s largest first-party data and insights platform.

⁷ Release at pps. 178 and 233.

⁸ Release at pps. 83, 466 and 468.

⁹ Question 284. “We seek information that would help us quantify or otherwise qualitatively assess the benefits of the proposed rule, particularly the benefits for retail investors. Please provide any data, studies, or other evidence that would allow us to quantify some or all of the benefits.” Release at p. 441.

their fund investments. True North noted that 86% of investors without a college education, and 93% of investors over the age of 65, say they are useful.

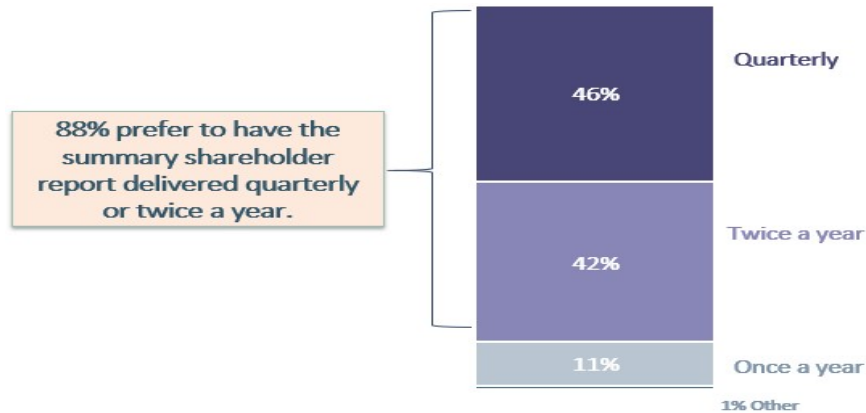
- **The SEC’s hypothetical streamlined reports contain the right content:** Each of the sections of the streamlined reports was regarded as useful by at least 77% of respondents.
- **Investors say the streamlined reports are clear and helpful:** The components of the streamlined reports under the section titled “*What was your cost for the period*” are clear and helpful to a large majority of investors. For example, 95% of investors said the new table is clear.
 - 89% say the *narrative descriptions* help them understand the fund’s performance.
 - On average, 80% of investors say the *key Fund statistics* section provides meaningful information to help put the fund’s performance into context. 83% of investors under the age of 65 say they are helpful.
 - 94% of investors say that charts in the section titled “*What did the Fund invest in*” help them understand how a fund is investing their money.
 - Overall, investors say the information is clearly presented. Some investors indicated it could be made even simpler (refer to the verbatim responses included in the detailed survey data).
- **The streamlined reports are the right length:** 78% of respondents say the length is “about right.” 16% say they are “too long,” and 6% say they are “too short.”
- **Investors want streamlined reports at least as frequently as they receive reports today.**¹⁰ 88% of investors stated that they would like to receive streamlined shareholder reports at least as frequently as they receive full reports today (that is, 46% say they want them quarterly, and 42% say they want them twice a year). 11% say they want them once a year, and 1% said “Other.” These findings are consistent with other surveys on investor preferences for delivery frequency.¹¹

Investors’ delivery frequency preferences are indicated in Figure 3, below.

¹⁰ Question 129. “Should the Commission make any changes to the frequency of fund shareholder reports? For example, should the Commission require the transmittal of fund shareholder reports more or less frequently than on a semi-annual basis? To what extent would changes in the frequency of shareholder reports impact investors and their investment decision-making?” Release at p. 178; Question 134. “As a further alternative, would it be appropriate for the Commission to permit funds to satisfy their obligations to transmit semi-annual reports by updating certain information that appears on their websites (for example, updating a fund fact sheet), either semi-annually or on some more frequent basis? If so, what frequency and which information would be appropriate? ...” Release at p. 185.

¹¹ See Forrester Consulting Survey commissioned by Broadridge, “Quantifying Investor Preferences For Shareholder Reports” (Feb. 2020), p.28, and True North Market Insights Survey commissioned by Broadridge, “Investor Preferences for Shareholder Reports” (Feb. 2020), p. 15, available at <https://www.sec.gov/comments/s7-12-18/s71218-7124539-216090.pdf>

Figure 3. 88% of Main Street investors prefer to receive summary shareholder reports at least as frequently as they receive full reports currently. (SEC Feedback Flier, True North Survey, Q.B1)



- **Investors would not be overwhelmed by the number of communications they receive.**¹² 83% of investors with 10 or more mutual funds and/or ETFs say they want the streamlined reports either quarterly or twice a year. This suggests that investors with large numbers of mutual funds and/or ETFs would not be overwhelmed by the frequency or number of streamlined annual and semi-annual reports they receive.
- **Delivery preferences vary by age:** 40% of investors say they prefer to receive or read streamlined reports sent by e-mail, 29% prefer them in paper by mail, 20% prefer an e-mail or other form of notification to the availability of the streamlined reports on a website, and 11% prefer a combination of e-mail and mail. Investors ages 65+ express a relatively greater preference for paper delivery than do other segments of investors, and investors ages 18 to 34 express a relatively greater preference for e-mail delivery.

Delivery Cost Savings of Streamlined Shareholder Reports: Most of the cost savings of moving to a smaller, lighter fund disclosure are being realized by fund companies that send notices instead of full reports (under SEC rule 30e-3). Mailing streamlined shareholder reports instead of notices would provide modest additional savings to fund companies. We estimate the extra savings would be between \$15 million and \$20 million in calendar year 2023.¹³ Much of the added savings is from reduced processing fees.¹⁴

¹² Refer to Release at p. 9, “In June 2018, the Commission issued a request for comment seeking feedback on retail investors’ experience with fund disclosure and on ways to improve fund disclosure. We have considered feedback the Commission received in response to this request for comment, which generally showed that retail investors prefer concise, layered disclosure and feel overwhelmed by the volume of fund information they currently receive.”; and refer to Release at p. 28, “For example, several investors expressed the view that they receive too many fund disclosure materials and that they feel overwhelmed by the amount of information they receive.”

¹³ We estimate savings will increase primarily from the elimination of the regulated incremental notice & access fee with a slight offset in higher print costs for streamlined reports. This assumes 80% of streamlined reports will be distributed digitally.

¹⁴ Streamlined reports would not entail regulated incremental notice & access fees for fund report notice & access mailings. Overall, notice & access fees decline, regardless, as greater numbers of investors consent to electronic delivery.

4. Offsetting the Added Labor Costs of Preparing Streamlined Shareholder Reports

The Release estimates that mutual fund companies would incur approximately \$94 million in ongoing labor costs to prepare streamlined shareholder reports. Based on an analysis Broadridge commissioned on behalf of several fund companies, Patpatia & Associates estimated that streamlining the effort to prepare and file semi-annual shareholder reports – by eliminating the *unaudited financial statements* -- would save mutual fund companies well over \$300 million in labor costs.¹⁵

If *streamlined filings* were permitted when sending streamlined semi-annual reports, the net labor cost savings to mutual fund companies would be over \$200 million. The labor efficiency savings would occur without a reduction in the delivery of information investors regard as important to monitoring their investments. Portfolio holdings information would continue to be filed on Form N-PORT. Under this scenario, investors would continue to receive streamlined reports and annual summary prospectuses by mail or e-mail.

Based on prior survey data from Main Street investors, the unaudited financial statements currently included in semi-annual reports are regarded as *less important* for purposes of monitoring investments.¹⁶ In addition, we asked several mutual fund companies whether professional investment managers consider them to be important when monitoring portfolios. They told us that as far as they know, professional investment managers do not use unaudited financial statements when monitoring portfolios.

While such information appears to be of limited value to investors, the preparation of full, unaudited financial statements is costly and time consuming for fund companies. Patpatia & Associates looked at the details with 9 mutual fund companies and 6 fund administrators in order to derive their estimate of the potential labor cost savings.

5. SEC Proposed Rule 498B: Investor Feedback and Estimated Delivery Cost Savings

Based on the responses to the SEC’s Feedback Flier, proposed rule 498B would not be popular with Main Street investors.

Investor Feedback on Proposed Rule 498B: The Release includes questions requesting comment on the delivery of annual prospectus updates.¹⁷ True North’s fielding of the SEC Feedback Flier included

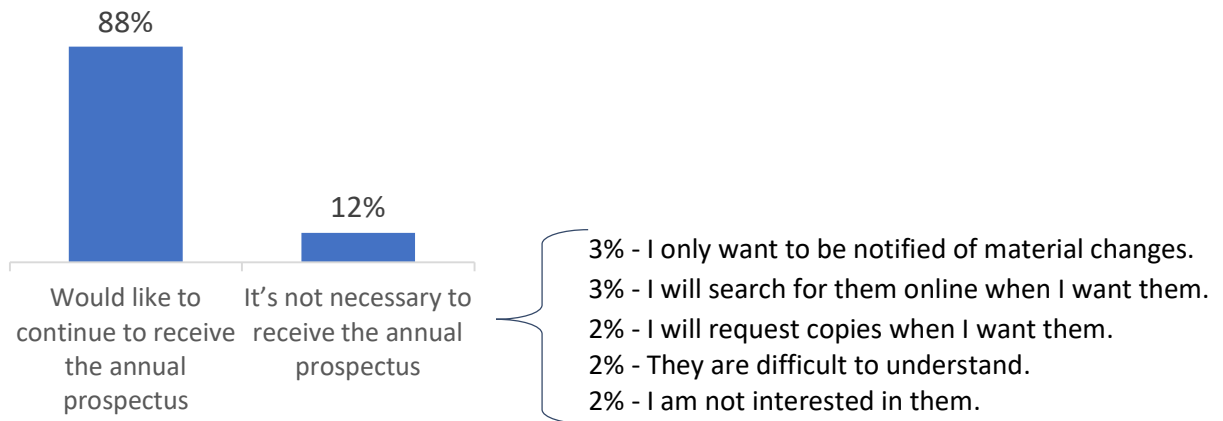
¹⁵ Based on approximately 100 hours to create unaudited financial statements x (times) an hourly labor rate of \$270 x (times) approximately 12,000 funds.

¹⁶ Refer to Forrester Consulting, “Quantifying Investor Preferences for Shareholder Reports, February 19, 2020, a commissioned study conducted by Forrester Consulting on behalf of Broadridge, pps. 23-5.

¹⁷ Question 181. “Is the way that the proposed new rule would address existing fund shareholders’ continued receipt of annual prospectus updates appropriate, in light of the other aspects of the rules and rule amendments we are proposing? Would existing shareholders be receiving the right set of information under the proposal, and would such information be delivered or made available in an appropriate manner?” Release at p. 233; Question 182. “Should we make proposed rule 498B mandatory for all funds (instead of a permissive rule, as proposed)? If so, why? Would a permissive rule result in confusion for fund shareholders (because existing shareholders in funds that

questions related to proposed rule 498B. 88% of the respondents say they prefer the status quo of annual prospectus delivery. Only 2% of investors say they are not interested in receiving them. Just 3% of investors say they would search for them online when they want them. Their responses are provided in the figure below.

Figure 4: 88% of investors prefer to receive an annual prospectus update. 2% of investors are not interested in them. (SEC Feedback Flier, True North Survey, Q.B4)



The proposed rule would likely prove to cause confusion among Main Street investors. For example, confusion could result when existing investors receive a mixture of annual prospectuses for some of the mutual funds/ETFs in their brokerage account -- and communications about material changes *only* for others. Moreover, in order to put communications about material changes into context, investors would need to monitor websites and search them for the latest version of the prospectus. Under the proposal, they are not made aware when the updated prospectus is posted online, nor are they sent a link to it.

The proposed rule has a “disclosure gap” that could prove to be problematic for investors, broker-dealers, and mutual fund companies. A gap in the most up-to-date information exists between the time planned material changes are included in streamlined annual reports -- and the time prospectuses are updated to reflect the changes. Investors that make initial purchases during the gap period would not receive current information. This gap has the potential to raise concerns about investor protection as well as confusion.

Delivery Cost Savings/Increase of Proposed Rule 498B: Several of the largest fund companies would not rely on the option because they already realize the savings by combining annual prospectuses with their distributions of shareholder reports. As a group, these combined distributions cover nearly 40% of all mutual fund/ETF positions held in street name.

choose not to rely on the rule would continue to receive annual prospectus updates year over year), or produce any other detrimental effects? What would be funds’ primary considerations in determining whether to rely on proposed rule 498B?” Release at pps. 233-4.

For other fund companies, the cost savings are uncertain because the timing and incidence of material changes can be difficult or impossible to predict. Fund companies that send standalone prospectuses could annually save an estimated \$25 million when they have only one material change to distribute every two years. However, if they have one material change every year, their delivery costs would actually *increase* by \$25 million due to the greater volume of supplements and stickers.

Given the added administrative burden to fund companies of having two delivery options, we understand that they are unlikely to “toggle” back and forth between the options from one year to the next based on the economics of distributing communications on material changes.

We do not include in these savings estimates any offset for the added costs broker-dealers would incur from the “optionality aspect” of proposed rule 498B. Broker-dealers would require mutual fund companies to notify them of their reliance on the rule, and they would need also to develop systems and processes to identify, track, and supervise the choices mutual fund companies make for each mutual fund and ETF, on an ongoing basis. This adds complexity and risk to an already complex process.¹⁸

6. Delivery Cost Savings of Changing the Default from Paper to Electronic Delivery

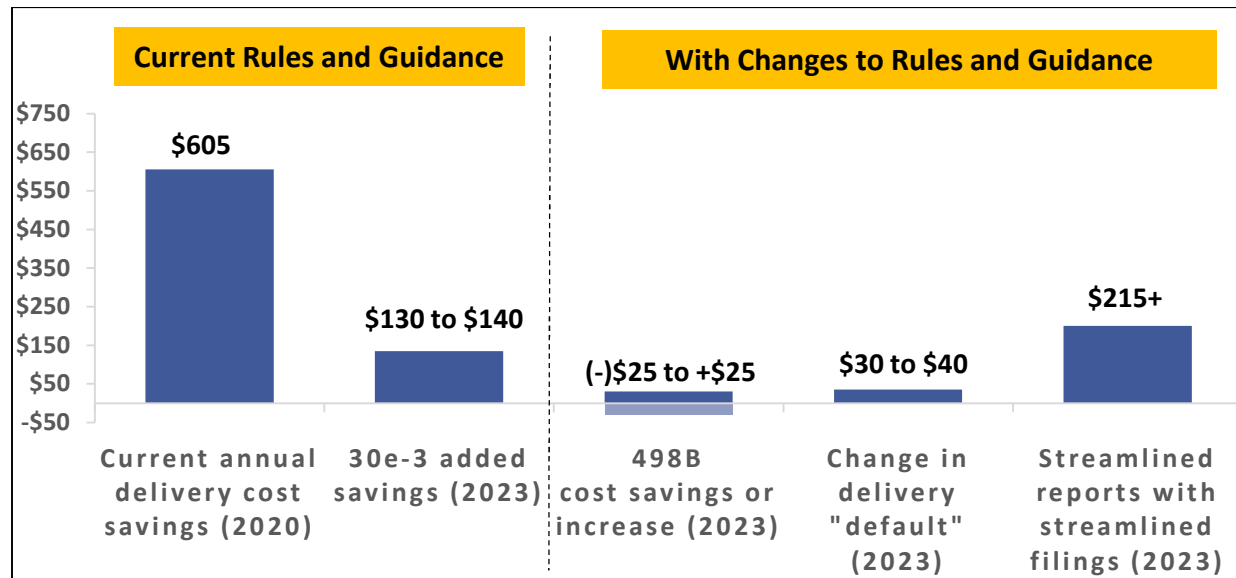
Under the SEC’s current rules for shareholder reports and prospectuses, and SEC guidance for electronic delivery, 73% of the shareholder reports and prospectuses are now digital (inclusive of householding, e-delivery, and account consolidations) for funds/ETFs held in street name. Given the growing acceptance by investors of e-delivery of shareholder reports and prospectuses, and the lift provided by Broadridge’s implementation of SEC rule 30e-3, we project that this proportion will grow to between 80% and 85% in 2023.

If the delivery default were switched from paper to electronic, we estimate that mutual fund companies would save between \$30 million and \$40 million by sending streamlined shareholder reports and annual summary prospectuses electronically, instead of by mail. This estimate assumes that a change in the default would raise the level of digital delivery from between 80% and 85% in 2023 to 90% instead (for all mutual fund and ETF positions held in street name).¹⁹

The comparative cost savings of the above scenarios are summarized in Figure 5, below.

¹⁸ See Letter from Timothy W. Cameron, Esq., SIFMA Asset Management Group, Head, and Lindsey Weber Keljo, Esq., SIFMA Asset Management Group, Managing Director and Associate General Counsel, to Vanessa Countryman, Secretary, SEC, dated December 22, 2020, (“We are concerned about the operational risks this might present, and the additional costs required to systematize the Rule into current processes.”), p. 4, available at <https://www.sec.gov/comments/s7-09-20/s70920-8177978-227043.pdf>

¹⁹ Broadridge’s estimate of 80% - 85% in 2023, is based on ongoing growth and the acceleration in the capture of consents to electronic delivery that SEC rule 30e-3 enables. Broadridge’s estimate of 90% assumes that broker-dealers have e-mail addresses for most but not all of their customers, and that some account holders will continue to receive paper, while others opt-in to receive copies by mail.

Figure 5: Summary of the comparative cost savings of each of the scenarios above (\$million).**Notes and assumptions (Figure 5):**

Current annual delivery cost savings (2020): Based on actual volumes of shareholder reports and annual prospectus updates processed by Broadridge for mutual funds/ETFs held in street name in 2020. Postage based on 2020 actual rates, held constant for each year. Blended unit cost for printing based on 2020 estimates, held constant for each year. Savings are net of regulated preference management fees.

30e-3 added savings (2023): Based on print and postage savings, net of fees, assuming 95% adoption and projected e-delivery of between 80% and 85% in 2023.

498B cost savings/increase (2023): Estimates are derived from Broadridge data and SEC assumptions contained in the Release including: 1) 90% adoption; 2) mutual funds will have one material change every two years on average; 3) annual costs of preparing notices of material changes; and 4) annual printing costs to deliver prospectuses and related materials upon request. Assumes e-delivery at 80% - 85% in 2023. Costs *increase* based on mutual funds having one material change on average per year.

Change in delivery "default" (2023): Based on 2020 postage rates and estimates for printing costs, net of fees. Streamlined shareholder reports and annual summary prospectus updates sent electronically, instead of by mail. Assumes e-delivery increases from between 80% and 85% in 2023 to 90%. Our estimate of 90% assumes that broker-dealers have e-mail addresses for most but not all of their customers, and that some account holders will continue to receive paper, while others opt-in to receive copies by mail.

Streamlined reports with streamlined filings (2023): Based on \$300+ million in labor savings from the elimination of unaudited financial statements in semi-annual reports, offset by the SEC's estimated \$94 million of annual costs for preparing streamlined reports. Assumes incremental delivery cost savings of \$15-20 million from use of summary reports instead of notices.

7. Role of Technology in Protecting Investors and Providing Greater Market Efficiencies

Virtually all investors are aware that e-delivery is an option for receiving regulatory and financial communications because they are notified repeatedly. Individual investors are more comfortable with e-delivery for *regulatory transactional communications* (shareholder reports, proxies, and annual prospectuses) than for *investment account statements and tax forms*.²⁰ Their delivery preferences vary by age and other demographic variables, as well as by document type.

The SEC’s current rules and guidance have been effective in eliminating vast quantities of paper. Mailed regulatory communications are becoming a smaller proportion of the total and, at the same time, large mailed documents have been replaced by notices and summaries. This is illustrated in the chart below.

Figure 6. Paper deliveries continue to decline as a percentage of all mutual fund and ETF positions held in street name.

<i>Paper Deliveries as a Percentage of All Positions (or Trades)</i>				
	FY18	FY19	FY20	FY23e
Fund Reports & Annual Prospectuses	32%	29%	27%	15%-20%
Proxies	24%	21%	19%	~13%
Post-Sale Prospectuses	22%	19%	14%	~10%

Source: Broadridge’s processing of communications for shares held in street name. Figures for Fund Reports, Annual Prospectuses, and Proxies are based on total positions processed. Figures for Post-Sale Prospectuses are based on trades processed. The need to mail paper is reduced by Broadridge technologies and processing for e-delivery, householding, combined mailings, and managed account consolidation – with and on behalf of brokers, issuers, and funds. Fiscal years are from July 1 to the following June 30.

Investors’ comfort with e-delivery is also a function of the *quality of the technology interface for receiving and reviewing disclosure information*. Many e-deliveries consist of e-mail messages with a link to a static and often lengthy pdf., an experience that fails to engage many investors. In other cases, e-mail links simply provide login pages where extra steps are necessary to find and view private documents (such as wealth statements). Extra steps often result in disengagement.

²⁰ Electronic delivery for account statements varies widely across *self-directed* and *full-service* brokerage firms. Based on representative samples, 85%+ of statements are e-delivered at self-directed firms, while full-service firms deliver 25% - 30% of their statements electronically. The difference is due to several factors including, among others, the characteristics of their client segments and differences in the technology user interfaces that are provided. “E-delivery” of private documents is somewhat of a misnomer – typically, there is an e-mail notification with a link by which the investor can login to a firm’s website, where documents can be searched for and viewed.

The SEC's proposed streamlined shareholder reports would improve the disclosure experience for many investors because e-mail links will provide a more investor-friendly, summary document.²¹ Moreover, HTML versions of streamlined reports and summary prospectuses are easily scaled for viewing on mobile phones.

The Release also seeks comment on ways to personalize reports and make them more interactive. In this regard, *data tagging* unlocks innovations in how regulatory information is presented and consumed.²² To the extent that information in streamlined reports is tagged using Inline-XBRL ("iXBRL"), for example, fund companies, broker-dealers, and technology services providers can create personalized and interactive experiences, at scale.²³ Tagging the data facilitates population of templates of e-mail messages (or other digital notifications) with information that is ingested from EDGAR filings. We are aware that some fund companies file templates *once* as advertisements with the Financial Industry Regulatory Authority ("FINRA") -- this practice would enable fund companies to avoid the cost of separately filing each specific interactive or personalized experience each time.

Tagged data provides benefits to Main Street investors, mutual fund companies, and broker-dealers. Examples of the benefits include the following, among others:

- Reduced effort and cost to compose different documents using the same data (e.g., streamlined reports, prospectuses, fact sheets, website information updates, and marketing materials).
- Ability to combine multiple streamlined reports into a single e-mail message or envelope. (Digital print-on-demand eliminates waste, storage, and postage.)²⁴
- Ability to personalize a summary to reflect the investor's share class.²⁵ This provides a more tailored, less cluttered user experience.

²¹ Question 12 (p. 66) in the Release asks whether additional information should be included in shareholder reports. As permitted in rule 30e-3, the proposed shareholder reports should be permitted to include information that explains the benefits of electronic delivery and how to sign up for electronic delivery. This could help increase electronic delivery elections and help reduce costs.

²² Question 34. "Should we require funds to submit interactive data files (for example, formatted using eXtensible Business Reporting Language ("XBRL") containing their expense example information? Why or why not? Would it be useful for shareholders to have access to the expense example in a structured data format? Would this meaningfully complement the current requirement that funds submit their prospectus risk/return summary information in Inline XBRL format, or would it be duplicative with this current requirement? Is there any other information from funds' shareholder reports that we should require funds to submit in a structured data format?" Release at pps. 85-6; Question 291. "We are not proposing to require Form N-CSR to be submitted in a structured machine-readable format. Should we require funds to submit some or all of Form N-CSR in a structured machine-readable format such as the Inline XBRL format? What would be the benefits and costs of such a requirement? Would any resulting benefits accrue to all types of investors (e.g., retail investors and institutional investors)? Are there any particular disclosures which investors would benefit most from having access to in structured machine-readable format? Should a structured machine-readable format other than Inline XBRL, such as a custom XML format, be required for Form N-CSR?" Release at pps. 443-4.

²³ Regarding the type of tagged data, combining the HTML and XBRL into iXBRL provides control of the presentation and formatting of the data to the filer, while still allowing the data to be machine-readable. This reduces the time and cost to review the filings because XBRL and HTML can be reviewed together.

²⁴ Broadridge can operationally support combining and delivering multiple streamlined reports (digitally or print).

²⁵ Question 33. "In what ways can technology make personalized expense information possible? For example, should funds or intermediaries provide calculators or other tools to help investors understand their individual

- Digital notifications can include key summary data within them or within the body of e-mail messages, as well as microsites that provide summary disclosures and detailed filing information behind the first layer. This makes them more engaging and educational.

We note that the SEC permits the inclusion of summary information from shareholder reports in notices, and rule 30e-3 provides examples of acceptable content.²⁶ Similarly, providing minimal standards for content (e.g., performance, holdings, expenses, etc.) and usage of tailored shareholder reports (e.g., requiring consistency of content across reporting periods) would give fund companies and broker-dealers a roadmap to evolve their technology interfaces and encourage more investors to engage with information electronically.

In Figures 7a. and 7b. below, we provide illustrations of how technology can evolve to improve individual investors' experiences with shareholder reports *and* make them even more cost effective for mutual fund companies. The first illustration shows a typical e-delivery experience which consists of an e-mail message with a link to a static pdf. The second illustration shows how the typical e-delivery experience can be transformed and enhanced through tagged data and a better user interface. Digital communications such as the one found in Figure 7b. can be made interactive and easily viewable on mobile devices. Using technology in this way would improve investor education and engagement and raise investors' comfort with electronic delivery, thereby providing additional cost savings to fund companies.

investment costs? Have improvements in technology since 2004, when the Commission considered requiring personalized expense information in quarterly account statements, made it easier for funds or intermediaries to provide personalized expense information in quarterly account statements or through other mechanisms? If funds were to provide personalized expense information, how can we design the disclosure to reduce potential investor concerns about sharing their personal information or about data security? Are there any other concerns associated with such disclosure?" Release at p. 85.

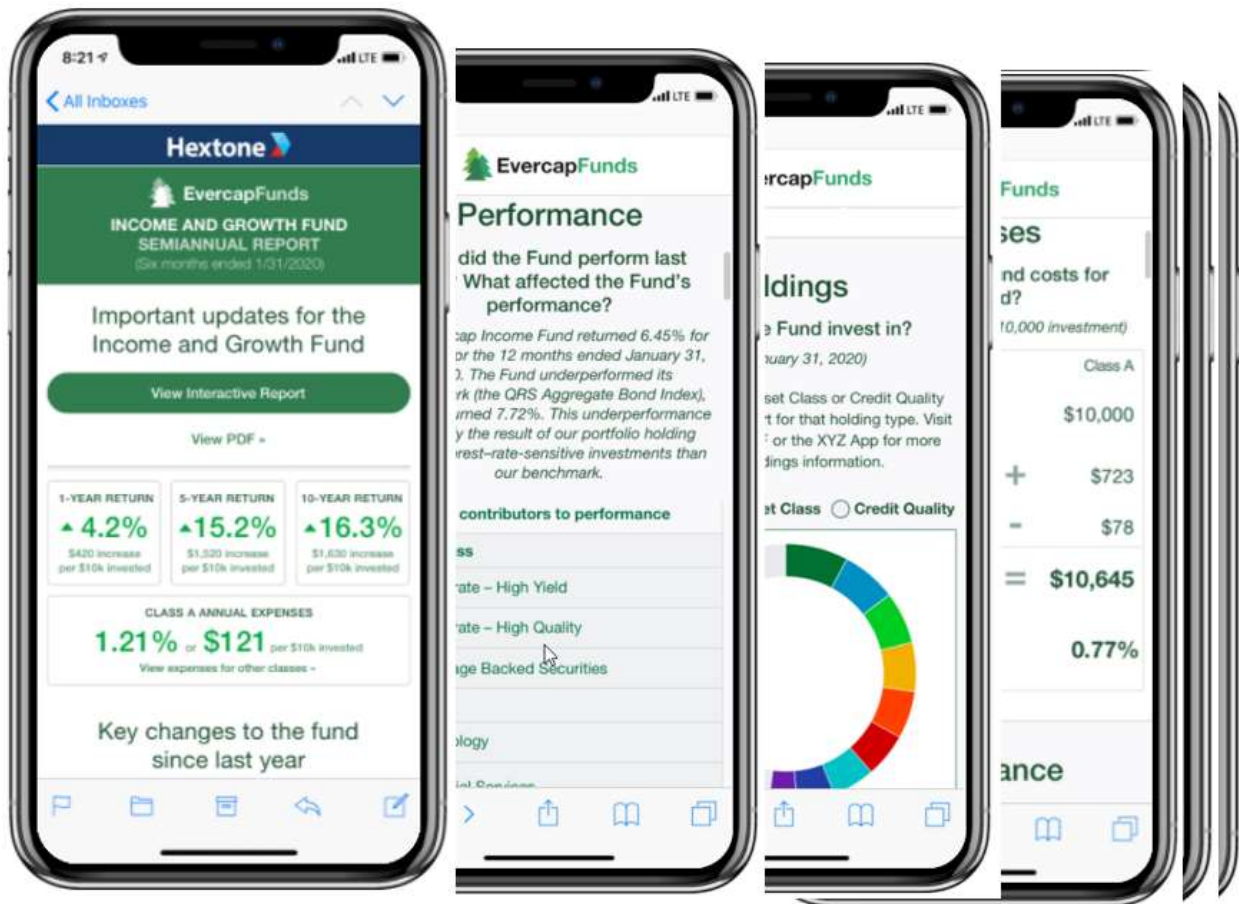
²⁶ See Optional Internet Availability of Investment Company Shareholder Reports, Release No. 33-10506 (June 5, 2018) (Rule 30e-3 Release) ["Information contained in shareholder reports that we believe may be communicative and appropriate—albeit not required—for inclusion in the Notice could be, for example: one or more graphical representations of holdings; a list of the fund's top holdings (e.g., top five or ten holdings); performance information; the type of fund; a brief statement of the fund's investment objectives and strategies; the expense ratio or an expense example; and the name and title of the fund's portfolio manager(s)"], at p. 59.

Figure 7a. Illustration of a “Typical” E-delivery Communication



- E-deliveries typically consist of an e-mail message (shown) with an embedded link to the compliance document.
- The e-mail message contains little or no content from the report itself.
- Compliance documents are typically provided in a static pdf. format.
- The proposed rule for streamlined reports improves the user experience because e-mail links will be to shorter, more user-friendly reports.
- When streamlined reports are filed in HTML, they can be “scaled” for viewing (scrolling) on a mobile device, which is impractical with full reports.

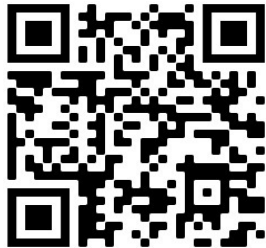
Figure 7b. Example of a Transformed and Enhanced Digital Experience (Illustrative)



- Digital “push” notifications (e-mail, text, etc.) provide links to streamlined annual and semi-annual reports, and to more detailed disclosure information found on mutual fund and broker-dealer websites.
- Technology innovations provide a more engaging and educational e-delivery experience by making filed information more accessible, simpler to view, personalized, and interactive.
- Tagged data enables content from reports to be placed into the body of e-mail messages or into other forms of digital notification. The process is more automated.
- The “first layer” is viewable without extra steps. It invites investors to look further.
- Microsites can provide additional functionality, including calculators, tools and widgets.

QR codes on mailed notices and streamlined reports provide another option to improve the e-delivery experience under the proposed rules. They enable investors to easily view reports and provide consent to electronic delivery, without having to take multiple steps that can result in disengagement. QR codes facilitate the transition to more electronic viewing and delivery of regulatory disclosures. An illustration is provided in the QR code found below.

Figure 8. Illustration of how QR codes can facilitate engagement and viewing



Focusing a smart phone camera on the QR code opens an illustrative, personalized fund report disclosure that is readable on a mobile device. The information is for a hypothetical mutual fund, “EvercapFunds Income Fund Class A Shares.” Personalized reports could also include interactive features.

Conclusion

Survey responses to the SEC’s Feedback Flier from a large representative sample of Main Street investors indicate that streamlined annual and semi-annual shareholder reports would prove to be popular. Over 91% say the streamlined shareholder reports would help them monitor their investments, and 95% say the new fee table is clear. 88% of investors want to receive streamlined reports at least as frequently as they receive full shareholder reports today.

By contrast, when it comes to the proposed changes to the delivery of prospectuses (rule 498B), 88% of investors say they prefer the status quo of annual delivery. Only 2% say they do not want to receive an annual prospectus. Existing investors would need to monitor websites to search for updated prospectuses, without notification of their availability or a direct link, and then put changes in context. Just 3% of investors say they would search for prospectuses online. Moreover, a disclosure “timing” gap could diminish protection and add risk.

Industry participants have “mixed” views on proposed rule 498B. Broker-dealers are concerned that the “optionality aspect” of the proposed rule 498B would not only create confusion for their customers but also add costs for monitoring the delivery choices fund companies make. Some of the largest fund complexes would not rely on the rule because they already realize savings by combining distributions of prospectuses with their shareholder reports. Fund companies that send prospectuses on a standalone basis could see cost savings in some cases or, by contrast, an increase in delivery costs -- depending on unpredictable numbers of material changes and corresponding volumes of supplements and stickers.

Under the SEC’s current rules and guidance, fund companies realize growing delivery cost savings each year in their communications to investors holding mutual funds and ETFs in street name. In 2020, the savings topped \$605 million, net of regulated preference management fees. Implementation of SEC rule 30e-3 is fully underway, and we estimate that fund companies will save an additional \$115 million in

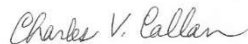
2021 and a projected \$130 million to \$140 million annually in 2023. SEC rules and guidance are resulting in significant ESG improvements for fund companies and broker-dealers.

If *streamlined semi-annual report filings* were permitted when sending streamlined semi-annual reports, the net labor cost savings to mutual fund companies would be well over \$200 million annually, based on a detailed analysis of the time and effort it takes to create *unaudited* financial statements. The labor efficiency savings would occur without a reduction in the delivery of information investors regard as important to monitoring their investments. Portfolio holdings information would continue to be filed on Form N-PORT. Under this scenario, investors would continue to receive streamlined reports and annual summary prospectuses by mail or e-mail.

Broadridge is committed to investing in innovations to improve investors' experiences with mutual fund/ETF shareholder reports and to increase efficiencies for fund companies and broker-dealers. We look forward to working with fund companies, broker-dealers, investor advocates, and the SEC to implement SEC rules in ways that are as efficient and effective as possible.

We welcome any questions you may have.

Sincerely,



Charles V. Callan

cc: The Honorable Elad L. Roisman, Acting Chairman
The Honorable Caroline A. Crenshaw, Commissioner
The Honorable Allison Herren Lee, Commissioner
The Honorable Hester M. Peirce, Commissioner
Dalia Blass, Director, Division of Investment Management
Paul Cellupica, Deputy Director – Chief Counsel, Division of Investment Management
Sarah ten Siethoff, Associate Director, Division of Investment Management
Amanda Hollander Wagner, Branch Chief, Division of Investment Management
Brian McLaughlin Johnson, Assistant Director, Division of Investment Management
Keith Carpenter, Senior Special Counsel, Division of Investment Management
Michael Kosoff, Senior Special Counsel, Division of Investment Management
Zeena Abdul-Rahman, Senior Counsel, Division of Investment Management
Daniel K. Chang, Senior Counsel, Division of Investment Management
Mykaila DeLesDernier, Senior Counsel, Division of Investment Management
Pamela K. Ellis, Senior Counsel, Division of Investment Management
Angela Mokodean, Senior Counsel, Division of Investment Management
Daniel Rooney, Assistant Chief Accountant, Division of Investment Management

Attachments: SEC Feedback Flier on Annual and Semi-Annual Reports Quantitative Survey

- A. Report by True North Market Insights, October 2020
- B. SEC Feedback Flier Questionnaire (with added questions from the Release)
- C. Data tables (2,000+ survey responses)

Attachment A

Report by True North Market Insights, October 2020

SEC Feedback Flier on Fund Annual & Semiannual Reports Quantitative Report



Broadridge[®]

Research Findings

October 2020

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01

Background

Objectives

Methodology

Background

Currently, the SEC requires that Mutual Fund and ETFs companies send a prospectus each time an investor purchases a new fund. Thereafter, those companies are required to send both an annual and a semiannual report to all existing shareholders. Finally, if a change is made to the fund, the SEC requires that the fund file a supplement with the SEC or update its prospectus. Mutual fund and ETF companies decide whether to send out such changes to their existing shareholders.

In FY20, Broadridge commissioned two independent market research companies to conduct communication studies among MF and ETF investors. The key findings, consistent from both studies, was that almost 90% of investors who held Mutual Funds and/ or ETFs wanted to receive summary reports two times a year or more. They did not want to go to a website to obtain the information.

The SEC has now proposed a new disclosure framework. They are proposing that annual and semiannual reports would be replaced with 3-4 page annual and semiannual summary shareholder reports and that under a permissive rule, existing investors would be notified of material changes to the fund within 3 days.

The SEC created a sample “hypothetical” annual shareholder report based on the proposed rule, which was designed to be investor-friendly. The SEC published a survey questionnaire (the “SEC Feedback Flier”) on its website for purposes of obtaining investor feedback. For purposes of testing the semiannual shareholder report, we created an identical version, with minor changes to account for the different reporting period.



Objective

The following table illustrates which sections are required in the proposed Annual and Semiannual reports.

	Annual Report	Semiannual Report
Fee Table	✓	✓
Key Statistics	✓	✓
Holdings	✓	✓
Fund Liquidity	✓	✓
Additional Information	✓	✓
Performance	✓	
Fund Detail Changes	✓	

The objective of this study is to determine, from the Mutual Fund and ETF Owners' perspective, the level of usefulness, the preferred frequency (annually, semiannually, or more often) and the preferred delivery method (mail, email, URL) for a summary annual and semiannual report.

This study includes the SEC's Feedback Flier questions, verbatim. In addition, a few additional questions were added to the survey.



Methodology

A total of 2,005 seven-minute online surveys were completed among Mutual Fund and ETF investors from September 10 – 19, 2020. The margin of error for this sample is +/- 3%.

Respondent Qualifications:

All respondents currently hold Mutual Funds or ETFs outside of employer-sponsored retirement plans and 529a College Savings Plans. Also, respondent screening included:

- At least 18 years of age.
- Primary or shared investment decision making in the household.
- Excluded those who had only employer retirement plans or 529a College Saving Plans.

Sampling Methodology:

In order to provide a representative sample, this study was balanced as follows:

- Initial outbound invitations were deployed to be balanced-to-the-census on gender, age and income.
- The survey “starts” were balanced to the census on gender, age and income.
- Those qualifying to complete the survey were representative of investors with mutual funds and ETFs outside of employer-sponsored retirement and 529a plans.
- Respondents were randomly assigned to view either the sample Annual Shareholder Report or the sample Semiannual Shareholder Report.

**Initial Outbound Sample and Survey
Starts Balanced to Census**

Gender		Age		Income	
Males	49%	18-34	30%	Less than \$25K	20%
Females	51%	35-44	16%	\$25K - <\$50K	21%
		45-54	16%	\$50K - <\$75K	17%
		55-64	17%	\$75K - <\$99K	13%
		65+	21%	\$100K - <\$150K	15%
				\$150K - <\$200K	7%
				\$200K+	8%

Completed Surveys

Gender		Age		Income	
Males	67%	18-34	24%	Less than \$25K	5%
Females	33%	35-44	19%	\$25K - <\$50K	11%
		45-54	15%	\$50K - <\$75K	13%
		55-64	18%	\$75K - <\$99K	18%
		65+	24%	\$100K - <\$150K	24%
				\$150K - <\$200K	12%
				\$200K+	16%

Key Findings

02

Key Findings

Responses to the SEC's Investor Feedback Flier

Q.A1: "Overall, would the sample shareholder report be useful in monitoring your fund investments?"

- 92% of all investors say it would be useful.

Q.A2: "Rate the sections of the sample shareholder report. Please indicate whether you find each section useful or not useful. Please consider explaining your responses in the comments."

- More than three-quarters of investors find every section useful.

Q.A3: "The section titled "What was your cost for the period?" includes an example of what it costs to hold fund shares this year."

- a) 95% of investors say the table is clear.
- b) 88% say it is helpful to see costs paid in dollars and as a percentage of their investment.
- c) 91% say the calculation of ending account value is clear.

Q. A4: "The section titled "How did the Fund perform last year? What affected the Fund's performance?" includes narrative and graphic presentations."

- Over 80% of investors say the narrative and graphical presentations help them understand the fund's performance. Older investors (65+) found the section even more helpful.

Q. A4a: "Is there any information that could be presented more clearly in the "How did the Fund perform last year?" section?"

- Overall, investors say the information is clearly presented. Some felt it could be made even simpler.

There are no material differences in any of the study metrics or responses between the 1,002 investors who reviewed the streamlined Annual report and the 1,003 investors who viewed the streamlined Semi-annual report. (Total base of 2,005 was split into two groups. Each group evaluated just one of the streamlined reports.)

Key Findings - continued

Responses to the SEC's Investor Feedback Flier

Q. A5: "The sample shareholder report includes key statistics about the fund's size, number of investments, and annual portfolio turnover. Do these statistics provide meaningful information regarding the fund, for example, to help put the fund's performance and investments into context?"

- On average, 80% of investors say the key statistics section provides meaningful information to help put the fund's performance into context.

Q. A6: "The section titled "What did the Fund invest in?" includes charts describing the types of investments made by the fund. Do these charts help you understand how the fund is investing your money?"

- 94% of investors say the charts within the "What did the Fund invest in" section are helpful in understanding how the fund is investing their money.

Q. A7: "The section titled "How has the Fund changed?" describes important changes to the fund within the [SEMIANNUAL: period covered by the report.; ANNUAL: last fiscal year.] What types of changes are most important to you?"

- Investors say important changes include changes to objectives, risks, strategies, fund management and impact on performance.

Q. A8: "Is there any information in the sample shareholder report that is difficult to understand, confusing, too technical, or that could be presented more clearly?"

- Many investors found the summary shareholder reports easy to understand and clearly presented, not confusing or too technical (e.g., "Great summaries, much better than 150-page annual reports.") More than half said that nothing can be presented more clearly.

Q. A9: "Is there additional information that we should require in the shareholder report? This could include the fund's full financial statements, the results of any shareholder votes and/or how much the fund paid to directors, officers, and others"

- Most investors say the summary information is sufficient (e.g., "I love everything about it and it's a great idea"). Some said summaries should include information on payments to directors and officers, results of shareholder votes, more holdings and performance information, and full financial statements.

Key Findings - continued

Responses to the SEC's Investor Feedback Flier

Q. A10: "Under the proposal, in addition to the shareholder report, you also would have access to more information about the fund online (and delivered in paper on request). How likely would you be to seek more information on the following?"

- At least 70% of investors say they are likely to seek more information online.

Q. A11: "Is the length of the document: [Too short/Too short/About right]"

- 78% of investors say the length of the summary shareholder report is "About right." 16% of investors say it is "Too long" and 6% say it is "Too short."

Q. A12: "How would you prefer to receive or read a document like the sample shareholder report?"

- 40% say they prefer to receive summaries by email; 29% prefer paper; and 11% prefer a combination.

Added Questions to Clarify Responses in Q A12 (refer to questions 181-2 and 196-9 in the Proposing Release):

Q. B2: "You indicated you would prefer to receive or read a document like the sample shareholder report on a website. How would you prefer to be notified of its availability?"

- 20% of investors say they prefer website delivery. Of this group, 74% say they want to receive email notification with a link to the summary report.

Q. B3: "You indicated you prefer to receive or read summary shareholder reports online. Should online summary shareholder reports include direct links to more detailed information on fees, portfolio holdings, financial statements and financial highlights?"

- 93% of investors who prefer to receive or read summary shareholder reports online ("In an e-mail," "On a website," and "A combination of paper and digital"), say online reports should include direct links to more detailed information.

Key Findings - continued

Added Questions to Feedback Flier*

Q. B1: “Funds provide two shareholder reports per year (an annual report at year-end, and a semiannual report at mid-year). How frequently should summary shareholder reports, like the sample report, be provided?”

- 88% of investors want to receive summary shareholder reports either quarterly (46%) or twice a year (42%).

Q. B4: “A summary prospectus provides information on investment strategies and objectives, fees, principal risks, and portfolio management – information that is not provided in annual or semiannual shareholder reports. Fund companies provide investors with an annual updated summary prospectus by mail or email. If a material change occurs during the year, funds typically notify investors.

Please indicate whether you agree or disagree with the following statement: “I would like to continue to receive an annual updated summary prospectus directly by mail or email.”

- 88% of investors want to continue to receive an annual updated summary prospectus directly by mail or email. 12% prefer to not receive updated summary prospectuses.

Q. B5: “You indicated you prefer to not receive an annual updated summary prospectus. Which choice (below) best describes your reason why?”

- 2% of investors are not interested in receiving an annual updated summary prospectus.

*Additional questions posed in the Release were included in fielding the SEC Feedback Flier. Refer to Proposing Release questions: 129, 181-2, 196-9, and 202.

Key Findings - continued

Added Questions to Feedback Flier*

Q. B6: "Please indicate whether you agree or disagree with the following statement: "I would like to continue to be notified of material changes when they occur (e.g., material changes in investment strategies and objectives, fees, principal risks, and fund management)."

- 93% of investors want to continue to be notified of material changes when they occur.

Q:B7 "You indicated you prefer to not be notified of material changes when they occur. Which choice (below) best describes your reason why?"

- 1% of investors say they will search online for material changes.

*Additional questions posed in the Release were included in fielding the SEC Feedback Flier. Refer to Proposing Release questions: 129, 181-2, 196-9, and 202.

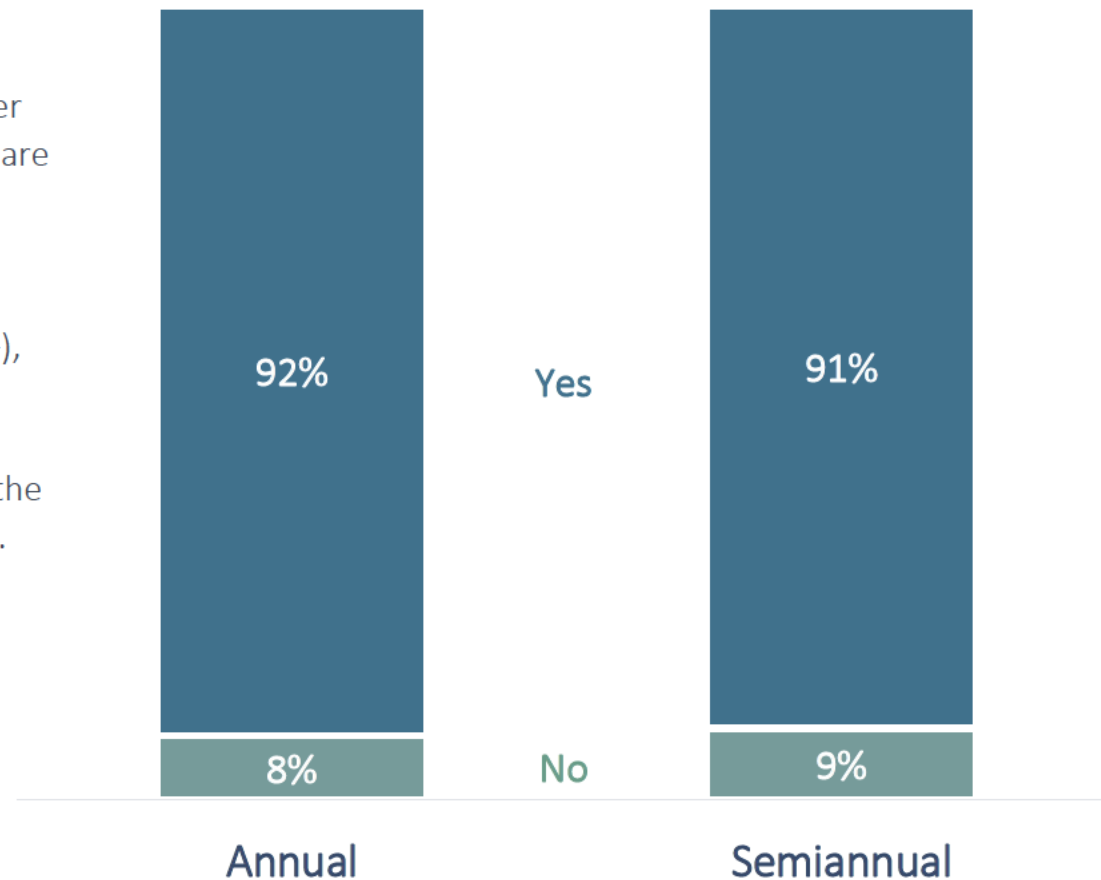
SEC Survey Findings

03

Overall, at least 91% of Mutual Fund/ ETF investors say the sample Annual and Semiannual reports are useful in monitoring their investments.

Question (A1): "Overall, would the sample shareholder report be useful in monitoring your fund investments?"

- At least 90% of higher income and wealthier investors say the sample summary reports are useful.
- At least 86% of investors without a college education, and 88% of older investors (50+), say they are useful.
- The more funds or ETFs an investor owns, the more useful they find the summaries to be.

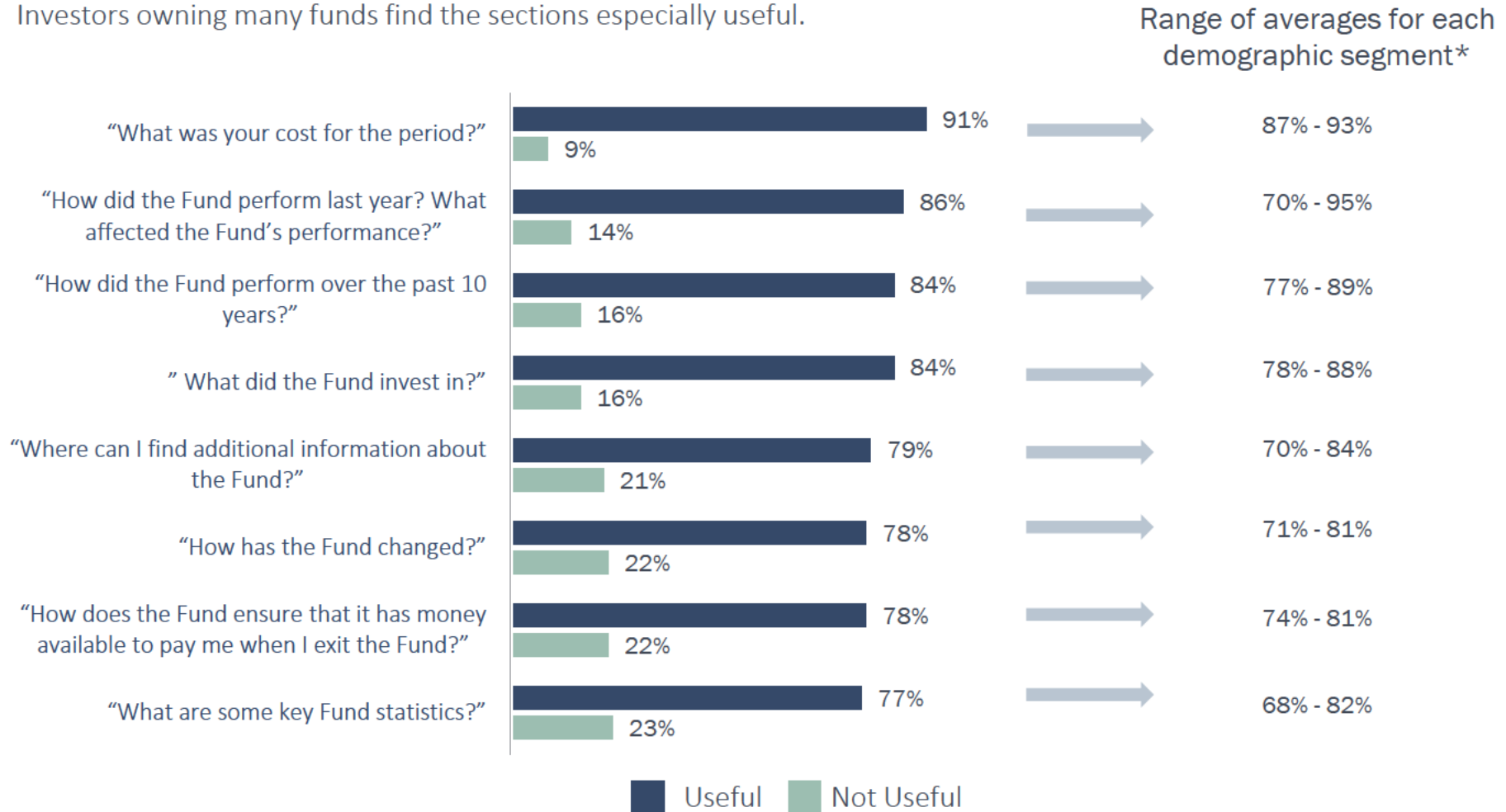


Base: All Mutual Fund and ETF Owners (Those seeing Annual report n=1,002; Those seeing Semiannual report n=1,003). See Appendix for demographic segment differences.

More than three-quarters of investors find every section useful. They find most useful the sections on Costs, Performance, and Fund Investments.

Question (A2): "Please indicate whether you find each section useful or not useful."

- Perceptions of the usefulness of each section increase with education, income, age, and wealth.
- Investors owning many funds find the sections especially useful.



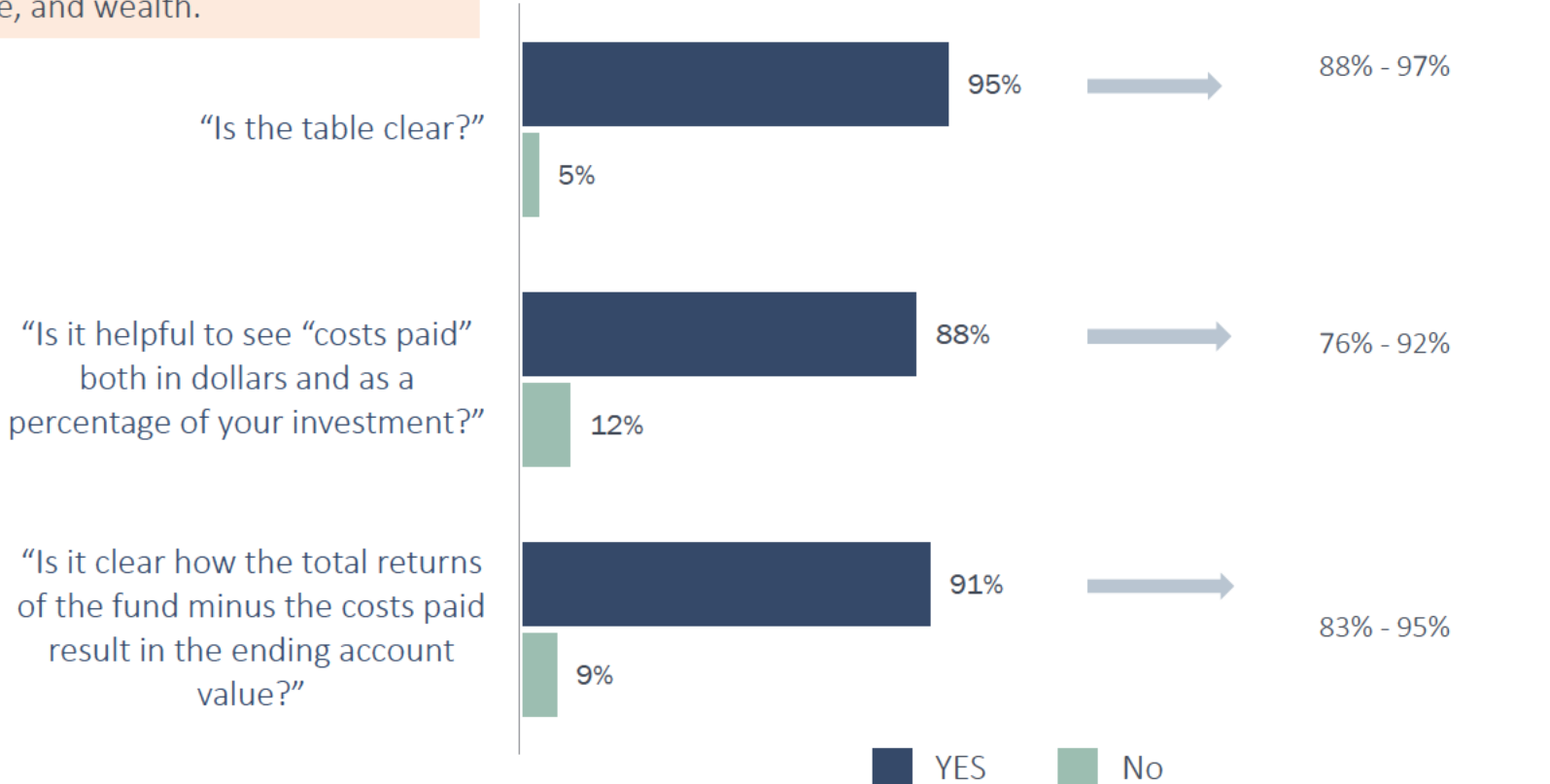
Base: All Mutual Fund and ETF Owners (n=2,005). * Segments include Age, Income, Wealth, Gender, and Education. Refer to Appendix.

95% of investors say the table is clear. 88% say it is helpful to see costs paid in dollars and as a percentage of their investment. 91% say the calculation of ending account value is clear.

Question (A3): "The section titled 'What was your cost for the period?' includes an example of what it costs to hold fund shares this year."

Views on clarity and helpfulness increase with education, income, age, and wealth.

Range of averages for each demographic segment*

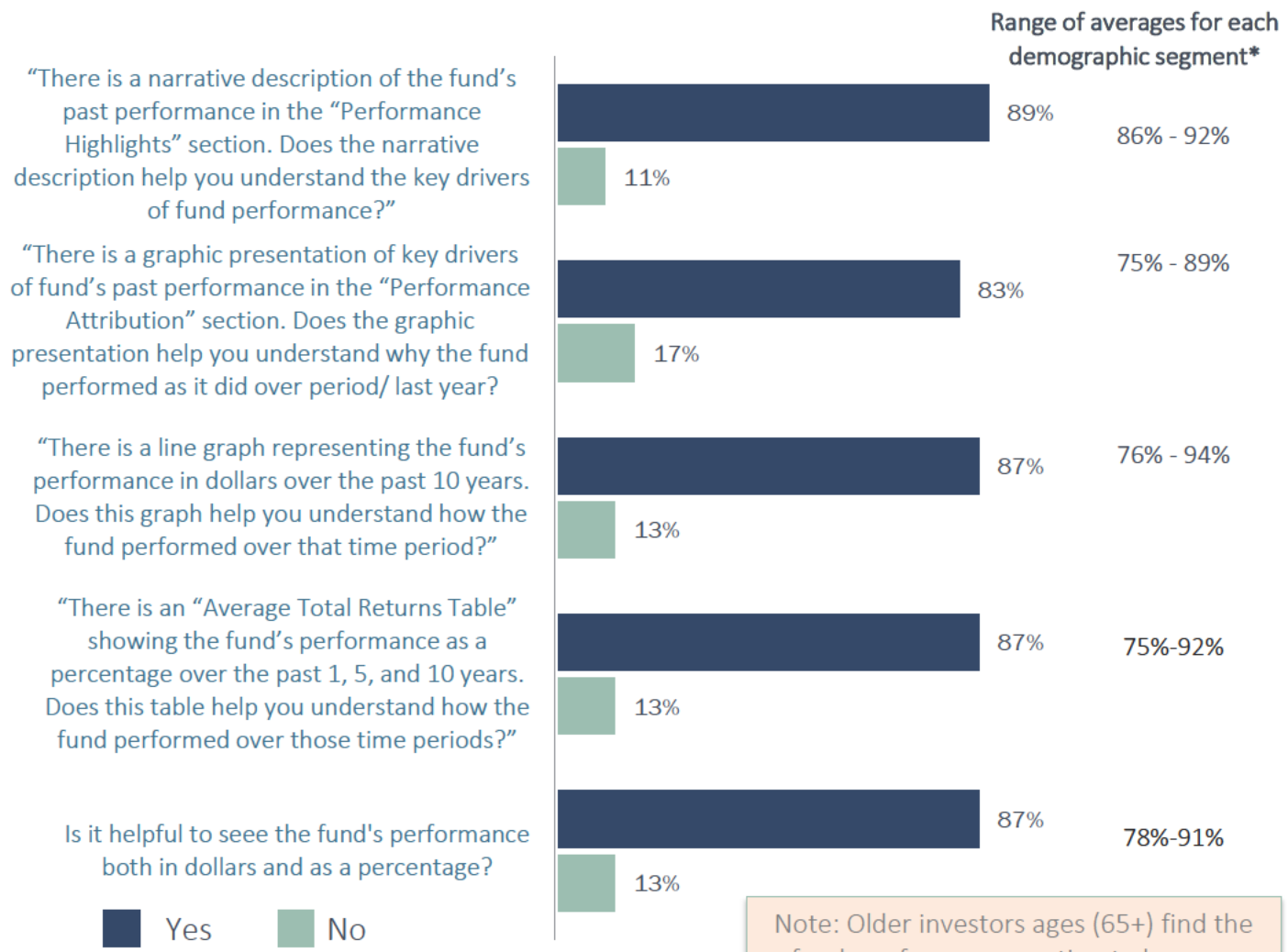


Base: All Mutual Fund and ETF Owners (n=2,005). * Segments include Age, Income, Wealth, Gender, and Education.

Over 80% of investors say the narrative and graphical presentations help them understand the fund's performance.

Question (A4): "The section titled 'How did the Fund perform [IF SEMIANNUAL: during the period? IF ANNUAL: last year?]' What affected the Fund's performance?' includes narrative and graphic presentations."

- 89% of investors say the narrative description helps them understand performance drivers.
- 83% say the graphic presentation helps them understand performance over the reporting period.
- 87% say the line graph helps them understand performance over the past 1, 5 and 10 years.
- 87% say the "Average Total Returns Table" helps them understand how the fund performed.
- 87% say it helps to see the fund's performance in both dollars and as a percentage.



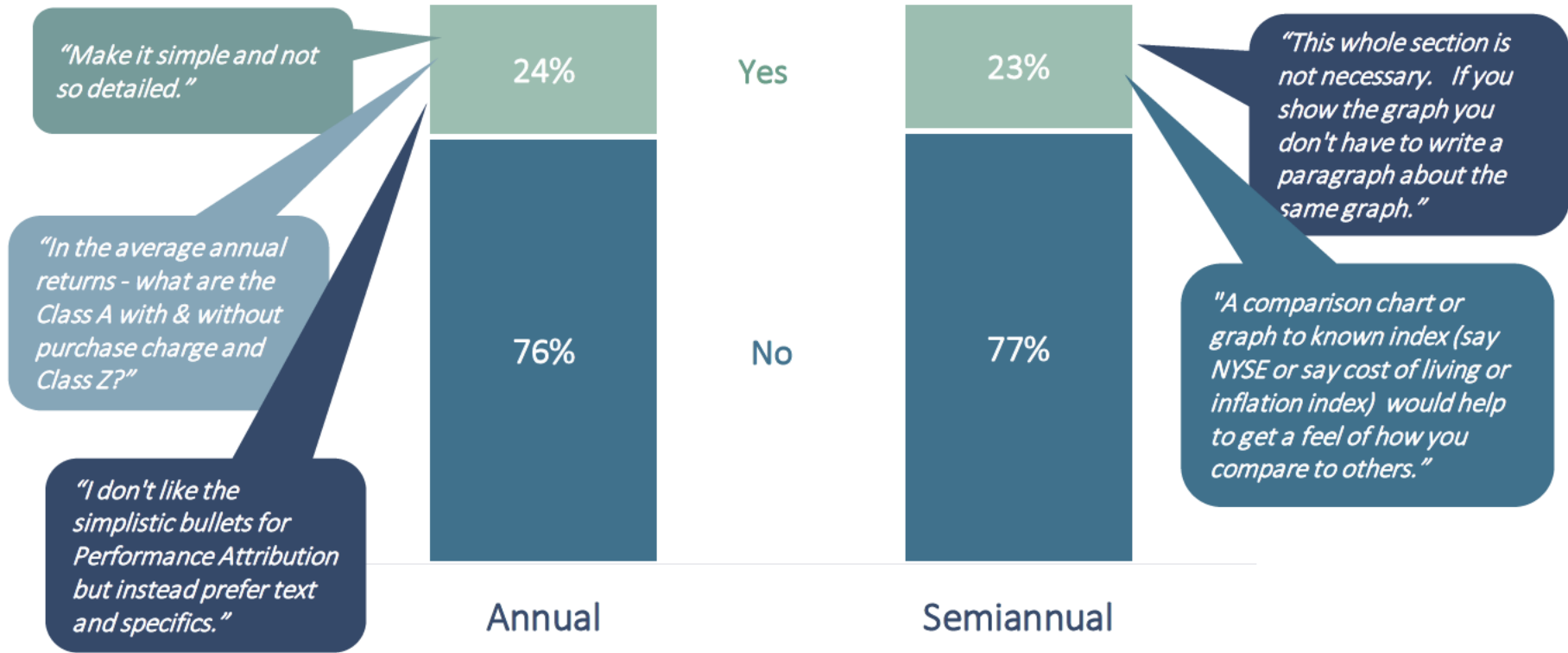
Note: Older investors ages (65+) find the fund performance section to be even more helpful than do younger investors.

Base: All Mutual Fund and ETF Owners (n=2,005). * Segments include Age, Income, Wealth, Gender, and Education.

Overall, investors say the information is clearly presented. Some felt it could be made even simpler.

Question (A4a): "Is there any information that could be presented more clearly in the 'How did the Fund perform [SEMIANNUAL: during the period?; ANNUAL: last year?]' section?"

Question (A4b): "Please explain what could be presented more clearly."



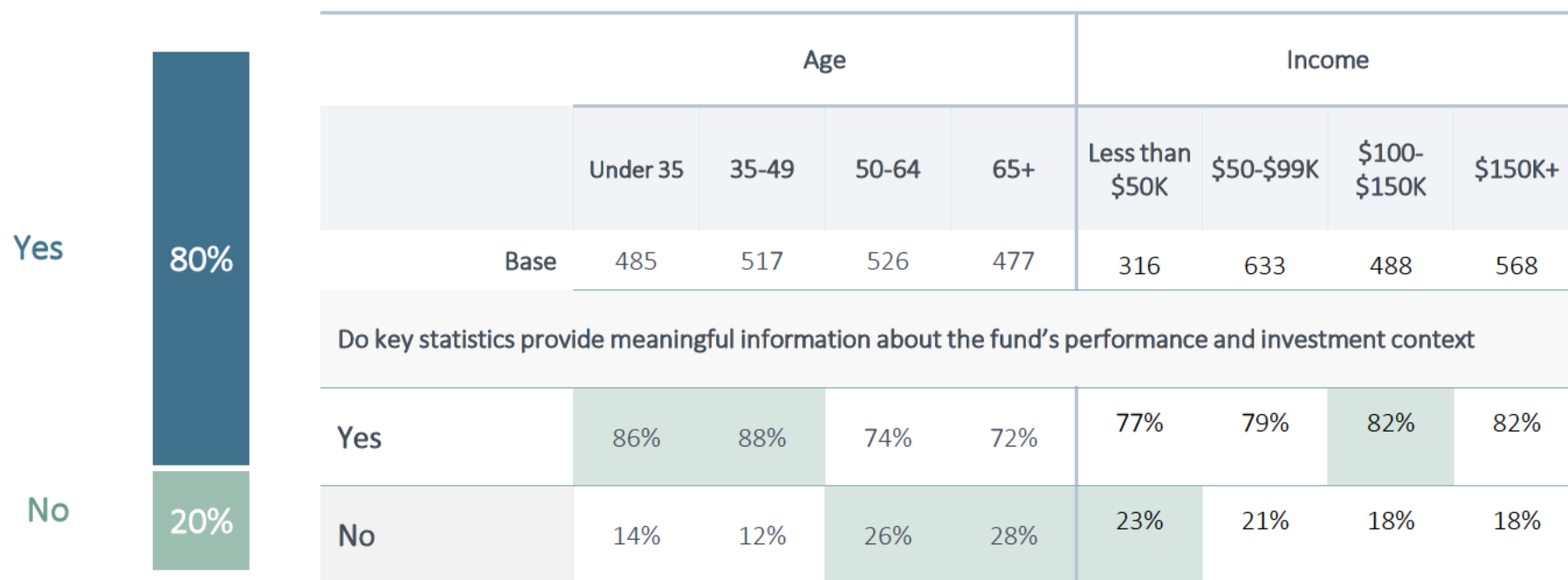
Note: Over half of those who said "Yes" (i.e., thought it was unclear) indicated that the initial question was confusing, and they did not, in fact, think it was unclear.

Base: All Mutual Fund and ETF Owners (Those seeing Annual report n=1,002; Those seeing Semiannual report n=1,003)
 Base: All Those thinking something could be clearer (Those seeing Annual report n=762; Those seeing Semiannual report n=776)

On average, 80% of investors say the key statistics section provides meaningful information to help put the fund's performance into context.

Question (A5): "The sample shareholder report includes key statistics about the fund's size, number of investments, and annual portfolio turnover. Do these statistics provide meaningful information regarding the fund, for example, to help put the fund's performance and investments into context?"

Between 72% and 88% of investors in each demographic segment say the key statistics section provides meaningful information.



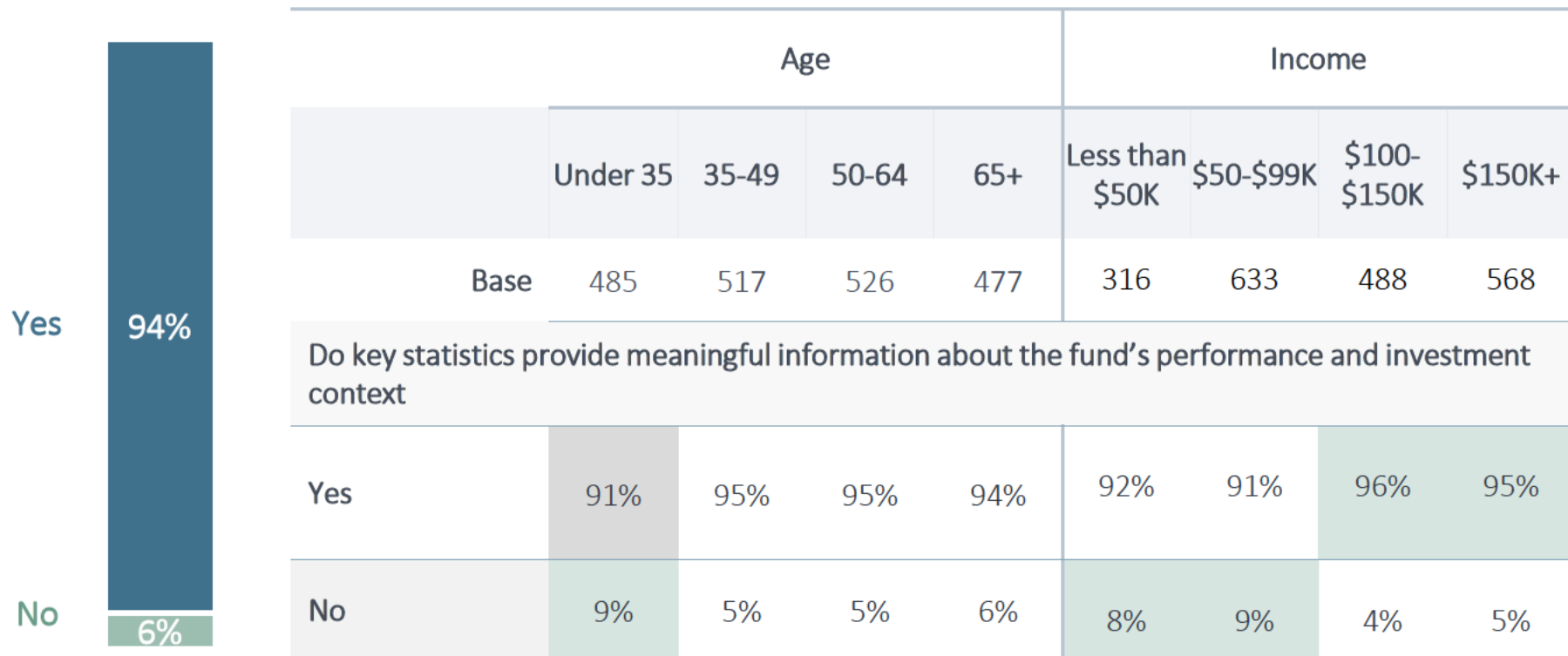
Note: Older investors (65+) found the key statistics less meaningful than did younger investors. See appendix for details.

■ Significantly higher/lower than Other Group(s) at 90% confidence level.

94% of investors say the charts within the “What did the Fund invest in” section clarify how the fund is investing their money

Question (A6): “The section titled ‘What did the Fund invest in?’ includes charts describing the types of investments made by the fund. Do these charts help you understand how the fund is investing your money?”

Between 88% and 96% of investors in each demographic segment say the charts are helpful.



■ Significantly higher/lower than Other Group(s) at 90% confidence level.

Investors say important changes include changes to objectives, risks, strategies, fund management and impact on performance.

Question (A7): “The section titled ‘How has the Fund changed?’ describes important changes to the fund within the [SEMIANNUAL: period covered by the report.; ANNUAL: last fiscal year.] What types of changes are most important to you?”

Verbatim feedback (illustrative)

Those seeing Annual Shareholder Report

- “I want to know any changes that will affect my rate of return on investment.”
- “What changed and the reason for the change.”
- “Changes that impact the overall performance of the fund – one way or the other.”
- “Changes in investment strategy.”
- “Changes in the character of the investments.”
- “If the fund is changing its fundamental philosophy or instituting any foundational changes that might affect potential return (e.g. fund will no longer hold foreign securities, etc.)”
- “Changes in management, fund objective, cost structure.”
- “I like the idea that the changes that describe what is at risk - both low and negative, will be of great use for me.”
- “If the fund is losing or gaining.”
- “I like the narrative of potential risk.”

Those seeing Semiannual Shareholder Report

- “All changes that can affect my funds are necessary and they should include why they made the changes and the difference it is making whether positively or negatively.”
- “Explain changes in strategy.”
- “Changes in portfolio investment type or mix, changes in investment objectives.”
- “Anything that can be significant to the performance of the mutual fund.”
- “Changes in equity performance.”
- “Interest rates and fees.”
- “Asset class changes.”
- “The possible negative impact.”
- “Just a general high-level summary of what changed with a link if more information is required.”
- “Cost, change in management. Risk & performance.”
- “How the investment mix has changed.”
- “Cost, selection.”

Most investors found the summary shareholder reports easy to understand and clear and not confusing or too technical. Some said they could be made clearer.

Question (A8): “Is there any information in the sample shareholder report that is difficult to understand, confusing, too technical, or that could be presented more clearly?”

Verbatim feedback (illustrative)

Many investors say the summary shareholder reports are <u>easy to understand and clear</u> .	Some investors said they were <u>hard to understand or could have been presented more clearly</u> .
<ul style="list-style-type: none">▪ <i>“Great summaries, much better than 150-page annual reports.”</i>▪ <i>“All pretty clear, especially the graphics.”</i>▪ <i>“I liked the message and tone, particularly fitting for these trying times.”</i>▪ <i>“Everything looks comprehensive.”</i>▪ <i>“I like the line graphs and pie charts; those are easy to understand.”</i>▪ <i>“Actually it was set up very nicely, easy to read and understand.”</i>▪ <i>“I love how detailed the report is, it brings up a lot of good points”</i>▪ <i>“I really like it. It is short and has charts which are easier to understand then reading a lot of information.”</i>	<ul style="list-style-type: none">▪ <i>“There are still some language that is probably for the financial savvy person but very helpful overall.”</i>▪ <i>“A glossary of terms is always helpful.”</i>▪ <i>“After page 1 it gets confusing and I think most clients do not have a clue what you are trying to tell the customers.”</i>▪ <i>“I think the amount of profit could have been more- clear as well as fees involved and price per share.”</i>▪ <i>“They list the classes of shares in the fund, but there is no clear explanation why they are different or what made them out- perform.”</i>▪ <i>“It is the last section on how the fund invested the money – with the 3 graphs I had to go back over them a 2nd time – I don’t know what could have simplified it more but maybe a little more verbal explanation before the charts – this was the only section that gave me pause to go back over it again – the others were very well done.”</i>▪ <i>“The fund statistics need to be better explained or left off the summary.”</i>

Most investors say the summary information is sufficient. Some said summaries should include information on payments to directors and officers, results of shareholder votes, more holdings and performance information, and full financial statements.

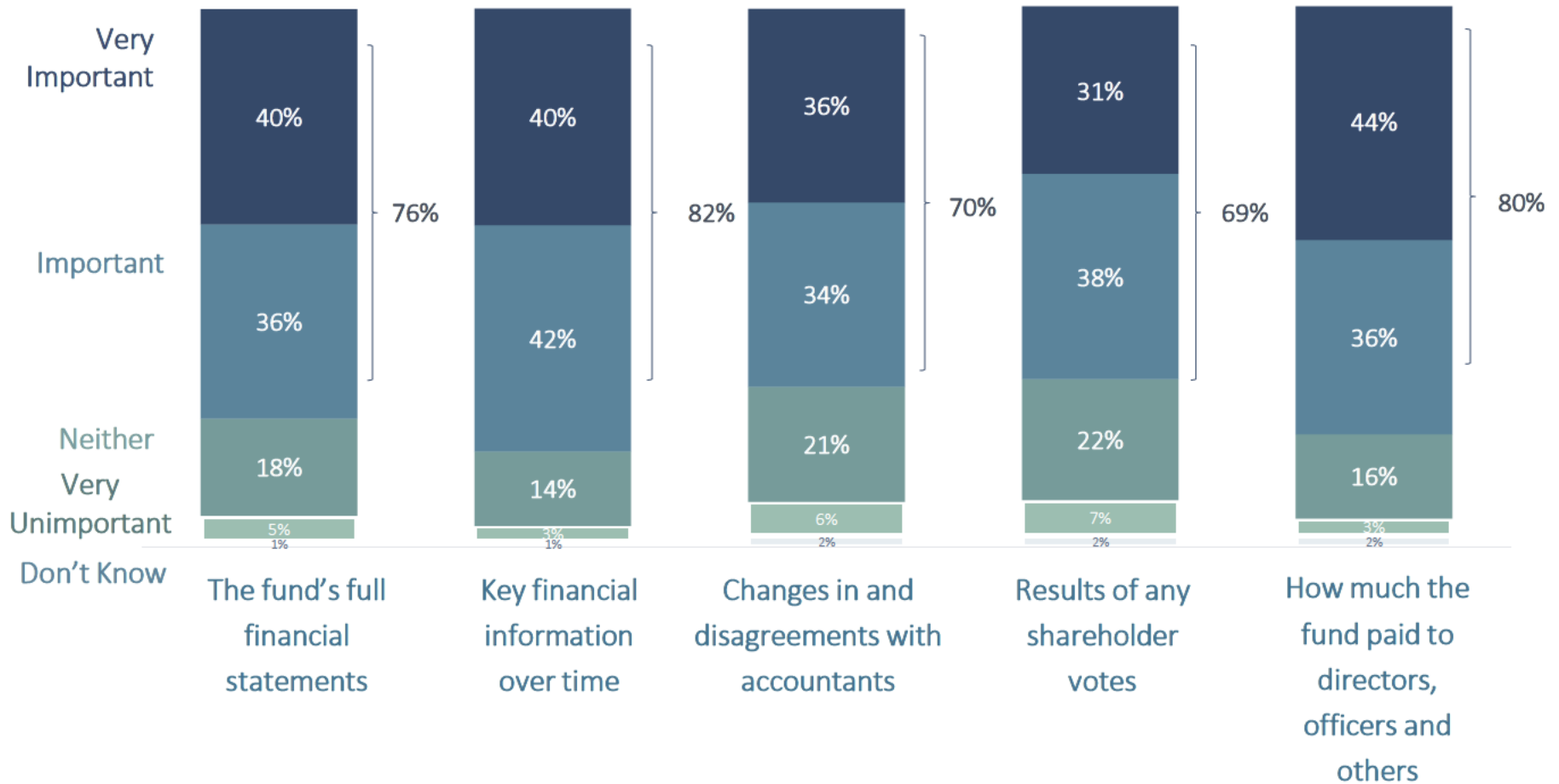
Question (A9): “Is there additional information that we should require in the shareholder report? This could include the fund’s full financial statements, the results of any shareholder votes and/or how much the fund paid to directors, officers, and others”

Verbatim Feedback (Illustrative)

- *“No, it is one of the most detailed reports I have seen in a while.”*
- *“How much the fund paid to the directors is important to me.”*
- *“Information on shareholder motions against fund and or any legal action related to the fund.”*
- *“Yes, I would like to see the actual cost for each position the fund holds as well as it's current value. The same goes for sales. In short, I would really like to see how the fund management actually got the results it displays in the report.”*
- *“A comparison of this fund's performance compared to similar funds or a standard (S&P).”*
- *“A reminder of the index that the fund is trying to replicate and what that index basically consists of.”*
- *“As with any investment, the most important statistic is the ROI, which should be broken down year by year.”*
- *“Detailing the total expenses might be helpful in knowing where the money is going.”*
- *“Again, the alpha and beta of a fund can be helpful. Also, the manager(s) and how long they have been running the fund.”*
- *“Experience level of fund manager; how long the fund manager has been in charge of this fund. If new manager, what is his track record. Any lawsuits or stockholder actions that would impact fund's performance.”*
- *“Full financial statements should be required. Also, an explanation of the fees should be required, along with an explanation of why they are so high. Fees detract from investment returns in a big way and should be better justified. They should also be reduced when the fund under performs.”*
- *“I expect that the full financial statements will still be available. This shareholder report is much easier to understand.”*

At least 70% of investors say they are likely to seek more information online.

Question (A10): “Under the proposal, in addition to the shareholder report, you also would have access to more information about the fund online (and delivered in paper on request). How likely would you be to seek more information on the following?”

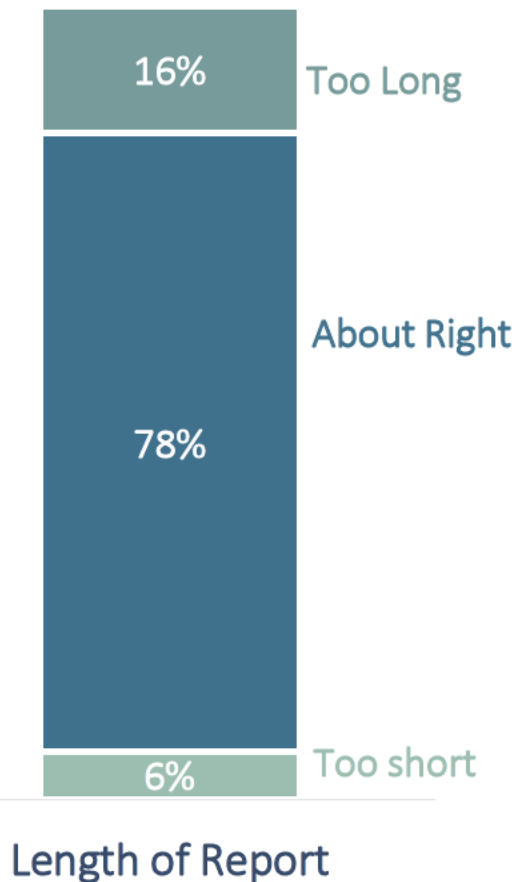


Base: All Mutual Fund and ETF Owners (n=2,005)

78% of investors say the length of the summary shareholder report is “About right.” 16% of investors say it is “Too long” and 6% say it is “Too short.”

Question (A11): “Is the length of the document: . . .”

Investors who hold just a few funds (1-3) and those who hold many funds (10+) say the length is “About right.” Neither group finds the length overwhelming.



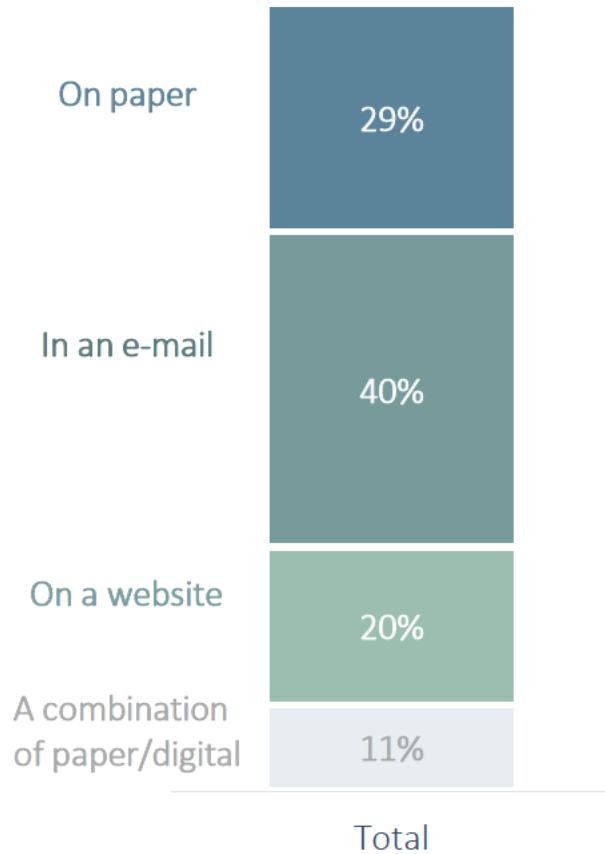
	Number of Mutual Funds/ETFs Owned			
	1 to 3	4 to 6	7 to 10	10+
Base	810	679	283	233
About Right	78%	76%	82%	79%
Too long	18%	15%	13%	14%
Too Short	4%	9%	6%	7%

■ Significantly higher/lower than Total at 90% confidence level.

40% say they prefer to receive summaries by email; 29% prefer paper; and 11% prefer a combination of paper and digital.

Question (A12): “How would you prefer to receive or read a document like the sample shareholder report?”

Overall, older investors (37%) prefer to read or review paper reports, while younger investors (49%) prefer email.



	Age	
	65+	18-34
Base	477	485
On paper	37%	23%
In an email	32%	49%
On a website	16%	20%
A combination of paper & digital	15%	8%

■ Significantly higher/lower than Other Group(s) at 90% confidence level.

Base: All Mutual Fund and ETF Owners (n=2,005)

Most of the Mutual Fund/ETF Owners did not have any additional suggestions for improving; the few that did shared a wide range of ideas.

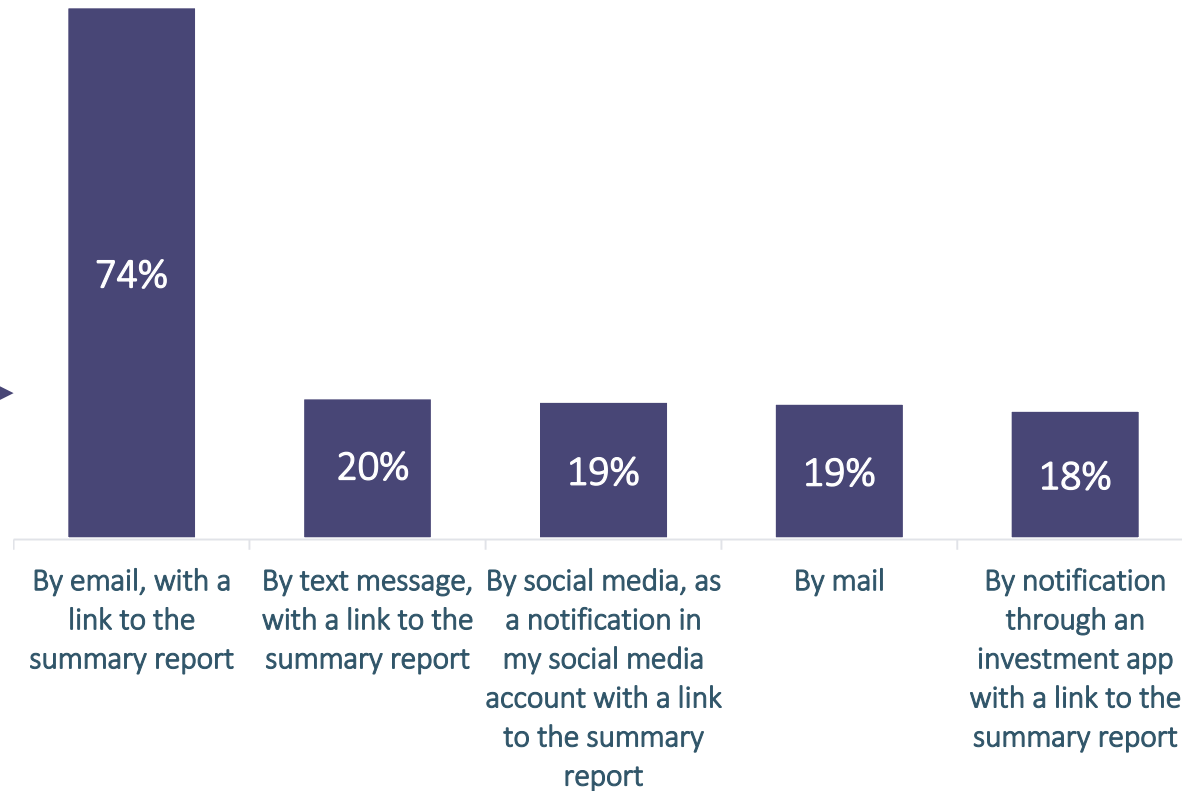
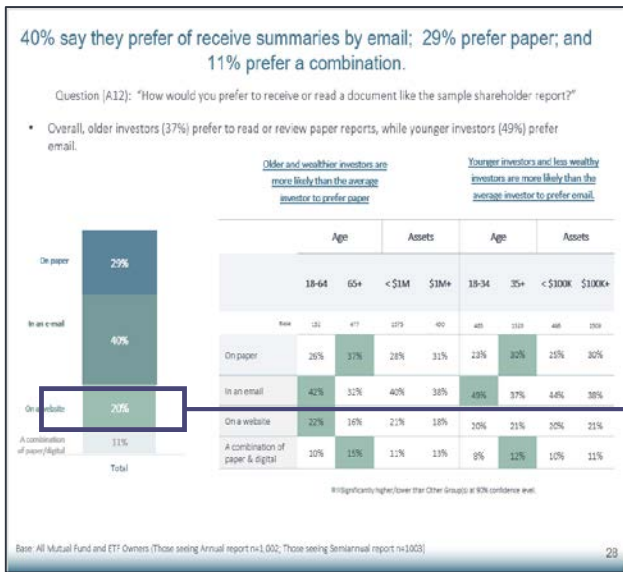
Question A13: “Do you have any additional suggestions for improving the shareholder report?”

Verbatim Feedback (illustrative)

- *“There could be links in the report which tie in with specific portions of a full financial report so the investor would not have to read through the entire report to find more details on certain items.”*
- *“Make it blunt and to the point. If I want more info, give me links to click to get it. This report is too complicated.”*
- *“Just don’t over do it on the stats, just make clear the money it makes and how much profit it makes after and increases over time.”*
- *“No, it was presented in an understandable manner and I did appreciate the charts that fully explained the narrative.”*
- *“No. I think it’s great as is. Just include links to detailed information.”*
- *“The report should say something about the investment strategy. For example, a bond fund should indicate its approach to duration as well as bond grade. Also why the turnover of bonds is so high (or not).”*
- *“Definitions to explain more of the lingo that a normal person may not understand.”*
- *“I understand details are important, but a capsule version would suffice as an initial report. For more info you could then go to the website. Too much paper leads to recycling unread documents.”*
- *“Only to condense some of the information so it is not as long.”*

20% of investors say they prefer website delivery. Of this group, 74% say they want to receive email notification with a link to the summary report.

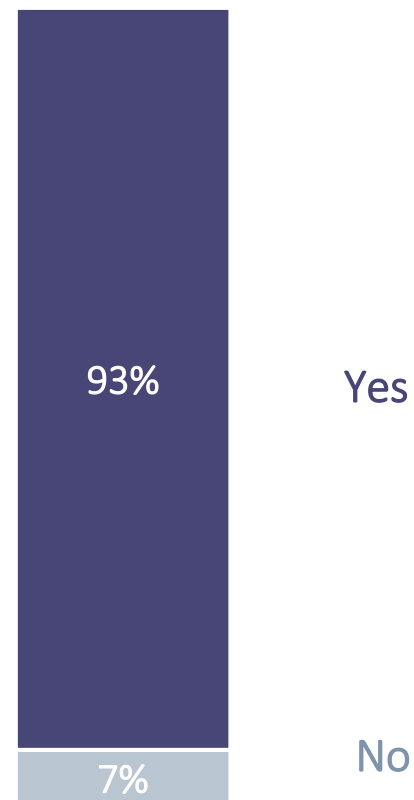
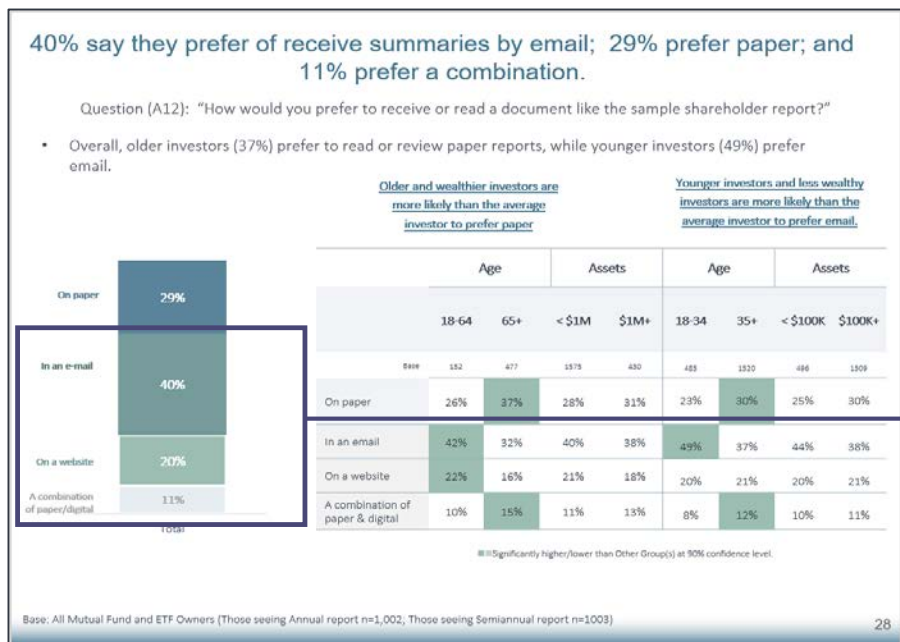
Question (B2): “You indicated you would prefer to receive or read a document like the sample shareholder report on a website. How would you prefer to be notified of its availability? Select all that apply”



Base: Those preferring to read report on a website (n=409)

93% of those who said they prefer to receive or read summary reports online say online reports should include direct links to more detailed information.

Question (B3): “You indicated you prefer to receive or read summary shareholder reports online. Should online summary shareholder reports include direct links to more detailed information on fees, portfolio holdings, financial statements and financial highlights?”



Include direct links for more detailed information

Base: 1,421 (those who prefer to receive or read in an e-mail, on a website, or a combination of paper and digital).

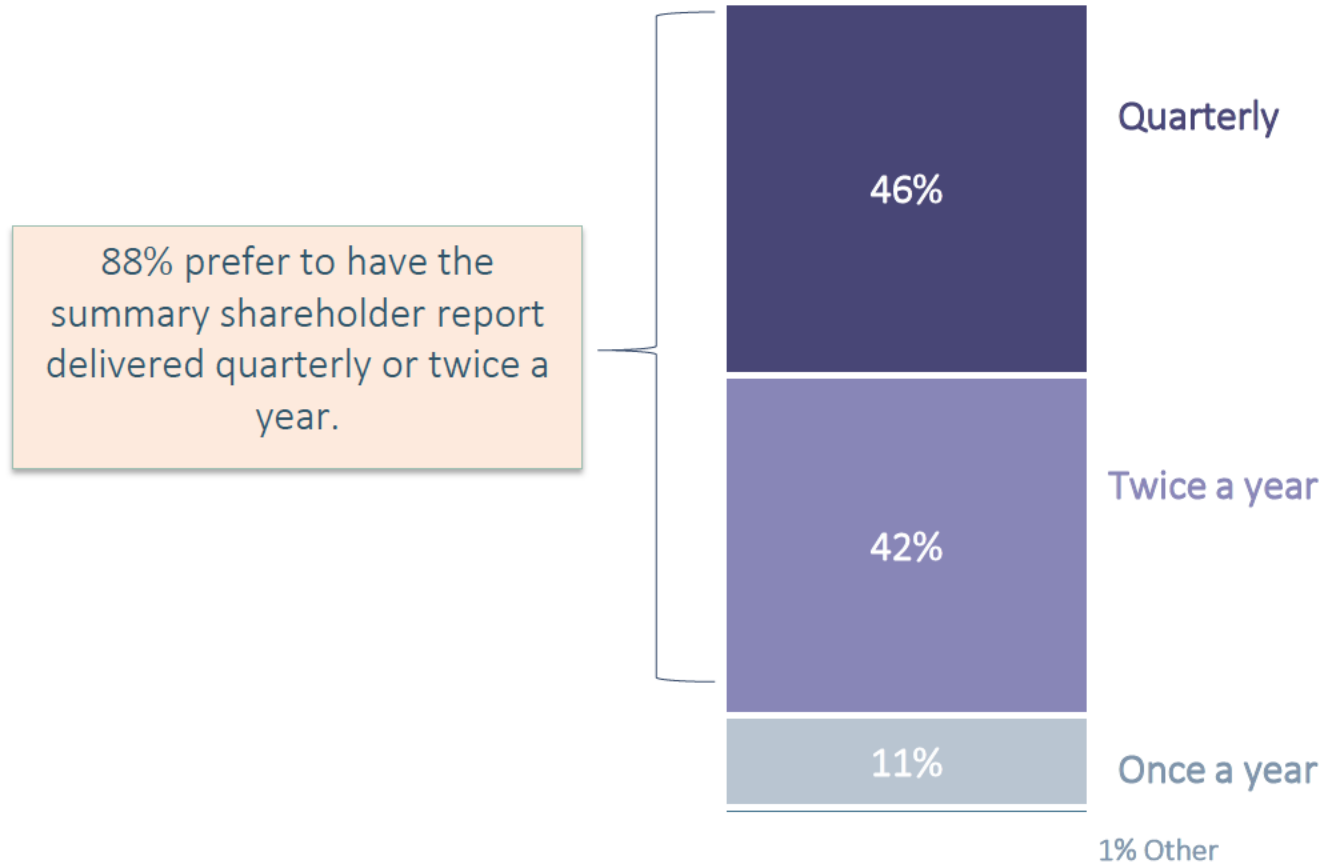


Additional Questions about
Shareholder Reports and
Annually Updated Prospectuses

04

88% of investors want to receive the summary shareholder reports either quarterly (46%) or twice a year (42%). 11% want them once a year. 1% say “other.” (Refer to Proposing Release Q.129)

Question (B1): “Funds provide two shareholder reports per year (an annual report at year-end, and a semiannual report at mid-year). How frequently should summary shareholder reports, like the sample report, be provided?”



Base: All Mutual Fund and ETF Owners (n=2,005). Additional questions posed in the Release were included in fielding the SEC Feedback Flier. Refer to Release questions 129, 181-2, 196-9, and 202.

Frequency preferences by age and number of funds/ETFs owned.

Question (B1): “Funds provide two shareholder reports per year (an annual report at year-end, and a semiannual report at mid-year). How frequently should summary shareholder reports, like the sample report, be provided?”

Investors are not overwhelmed by the volume of summary reports.

- 88% of investors with 1-3 funds say they want them either quarterly or twice a year.
- 83% of investors with 10+ funds say they want them either quarterly or twice a year.
- 93% of younger investors say they want them either quarterly or twice a year.

	Age				Number of Mutual Funds/ETFs Owned			
	18-34	35-49	50-64	65+	1-3	4-6	7-10	10+
Base	485	517	526	477	810	679	283	233
Frequency shareholder reports should be provided								
Quarterly	53%	54%	43%	33%	46%	48%	46%	40%
Twice a year	40%	37%	44%	48%	42%	42%	42%	43%
Once a year	7%	9%	12%	17%	12%	9%	11%	15%

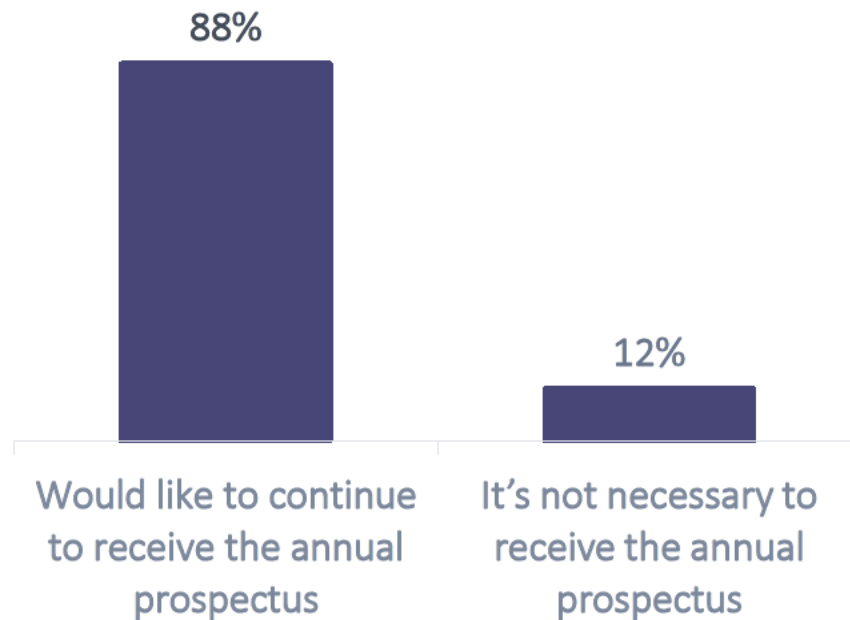
■ Significantly higher/lower than Other Group(s) at 90% confidence level.

Base: All Mutual Fund and ETF Owners (n=2,005). Differences due to Rounding and responses to “Other.”

88% of investors want to continue to receive an annual updated summary prospectus directly by mail or email. (Refer to Proposing Release Q.181-2)

Question (B4): “A summary prospectus provides information on investment strategies and objectives, fees, principal risks, and portfolio management – information that is not provided in annual or semiannual shareholder reports. Fund companies provide investors with an annual updated summary prospectus by mail or email. If a material change occurs during the year, funds typically notify investors.

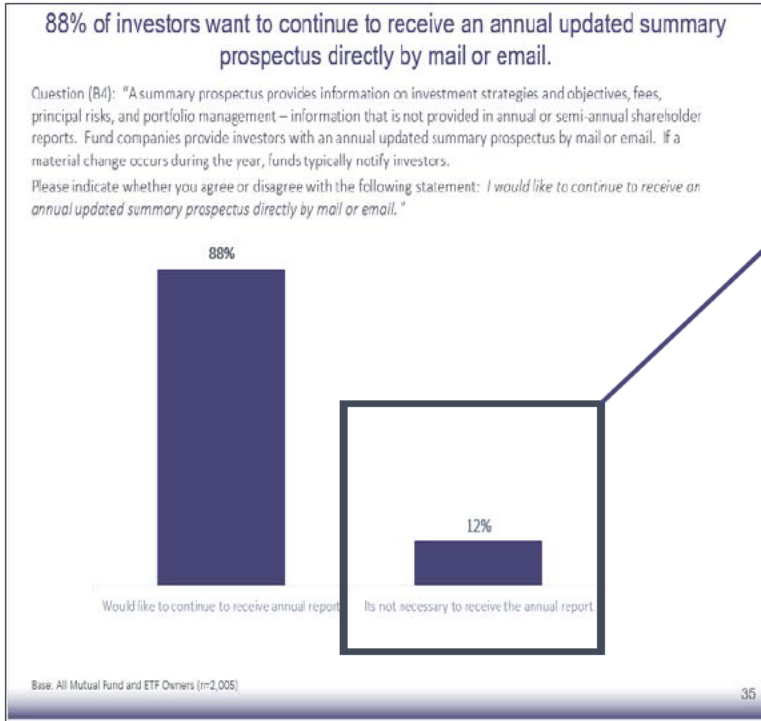
Please indicate whether you agree or disagree with the following statement: *‘I would like to continue to receive an annual updated summary prospectus directly by mail or email.’*”



Base: All Mutual Fund and ETF Owners (n=2,005). Additional questions posed in the Release were included in fielding the SEC Feedback Flier. Refer to Release questions 129, 181-2, 196-9, and 202. Note: 81% of investors with 10+ funds prefer to continue to receive annual prospectuses – refer to Appendix for details.

2% of investors are not interested in annual updated summary prospectuses. (Refer to Proposing Release Q.181-2)

Question (B5): “You indicated you prefer to not receive an annual updated summary prospectus. Which choice (below) best describes your reason why?”



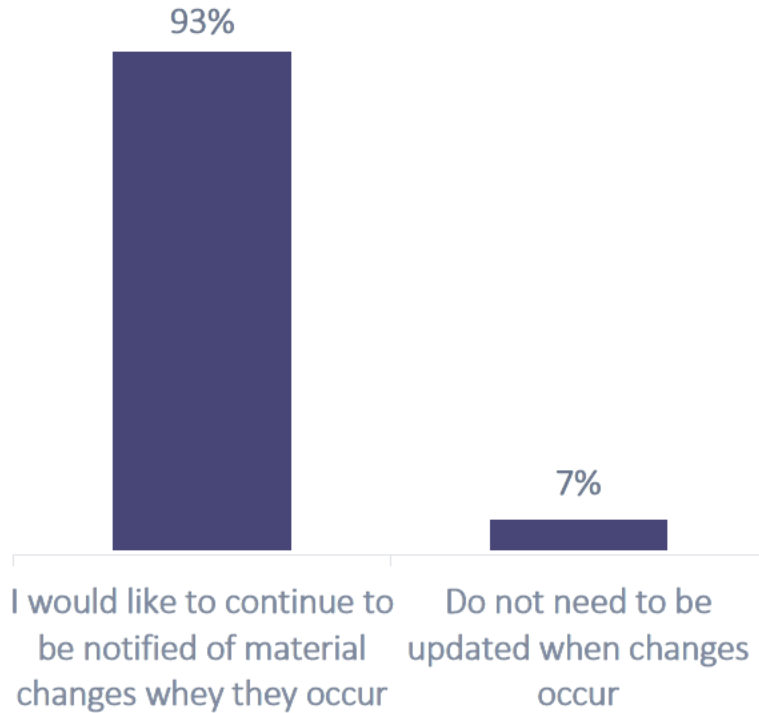
12% say they prefer not to continue to receive an annual updated prospectus.



Base: All Mutual Fund and ETF Owners (n=2,005). Additional questions posed in the Release were included in fielding the SEC Feedback Flier. Refer to Release questions 129, 181-2, 196-9, and 202.

93% of investors want to continue to be notified of material changes when they occur. (Refer to SEC Proposing Release Q. 196-9 and 202)

Question (B6): "Please indicate whether you agree or disagree with the following statement: *"I would like to continue to be notified of material changes when they occur (e.g., material changes in investment strategies and objectives, fees, principal risks, and fund management)."*



95% of investors owning 10 or more funds want to continue to be notified of material changes when they occur.

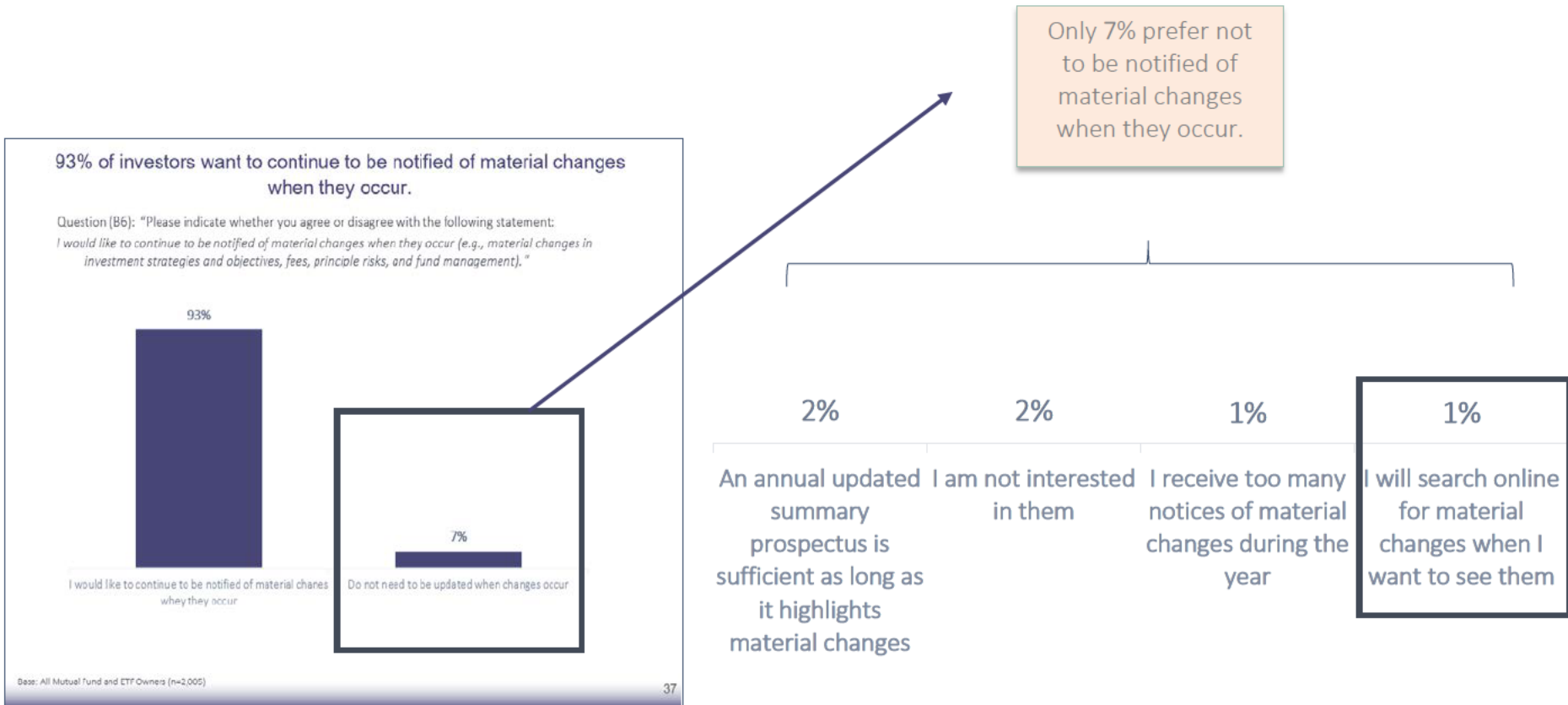
Base	Total	Number of Mutual Funds/ETFs Owned			
		1-3	4-6	7-10	10+
	2,005	810	679	283	233
Prefer to continue to be notified of material changes when they occur.					
		92%	94%	94%	95%
		8%	6%	6%	5%

■ Significantly higher/lower than Other Group(s) at 90% confidence level.

Base: All Mutual Fund and ETF Owners (n=2,005). Additional questions posed in the Release were included in fielding the SEC Feedback Flier. Refer to the Release questions 129, 181-2, 196-9, and 202.

1% of investors say they will search online for material changes. (Refer to SEC Proposing Release Q. 196-9 and 202)

Question (B7): “You indicated you prefer to not be notified of material changes when they occur. Which choice (below) best describes your reason why?”



Base: All Mutual Fund and ETF Owners (n=2,005). Additional questions posed in the Release were included in fielding the SEC Feedback Flier. Refer to the Release questions 129, 181-2, 196-9, and 202.

Appendix

05

Additional Detailed findings

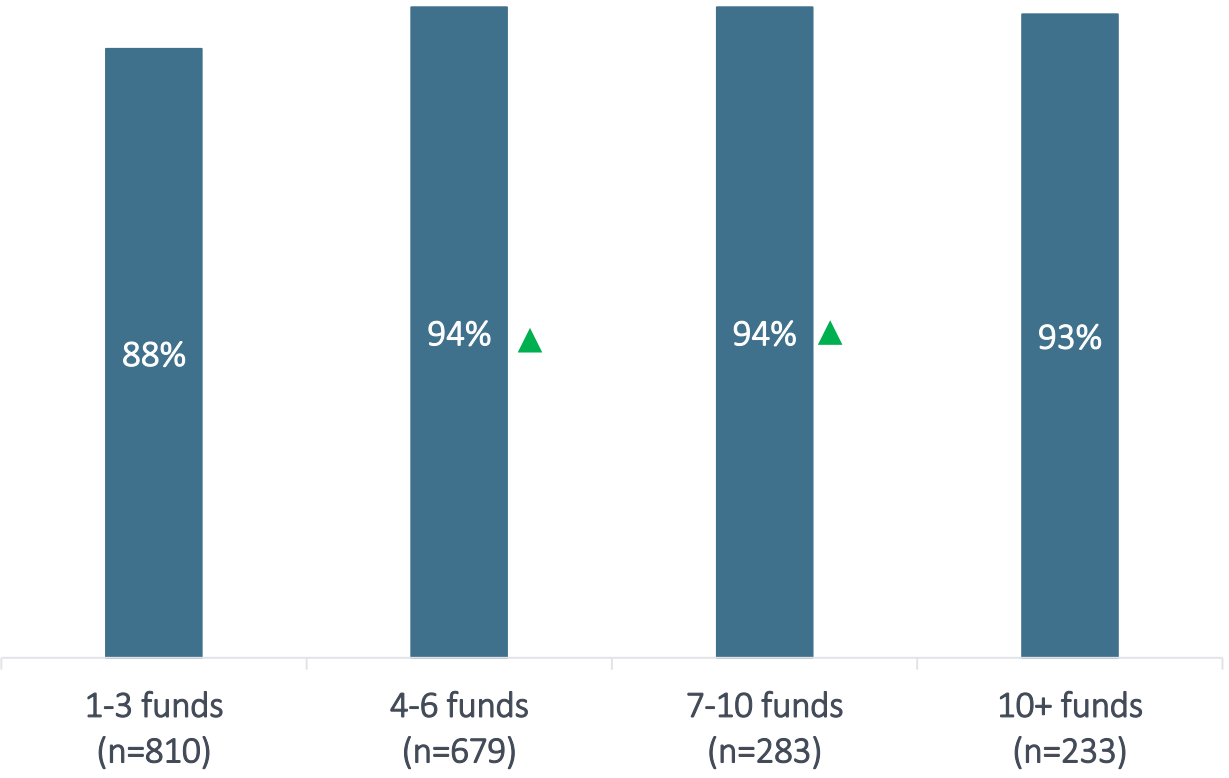
Demographics

Sample Source (Dynata)

Sample Reports

The more funds/ETFs an investor owns, the more useful the summaries are. At least 93% of investors with 4 or more funds say they are useful

Question (A1): "Overall, would the sample shareholder report be useful in monitoring your fund investments?"

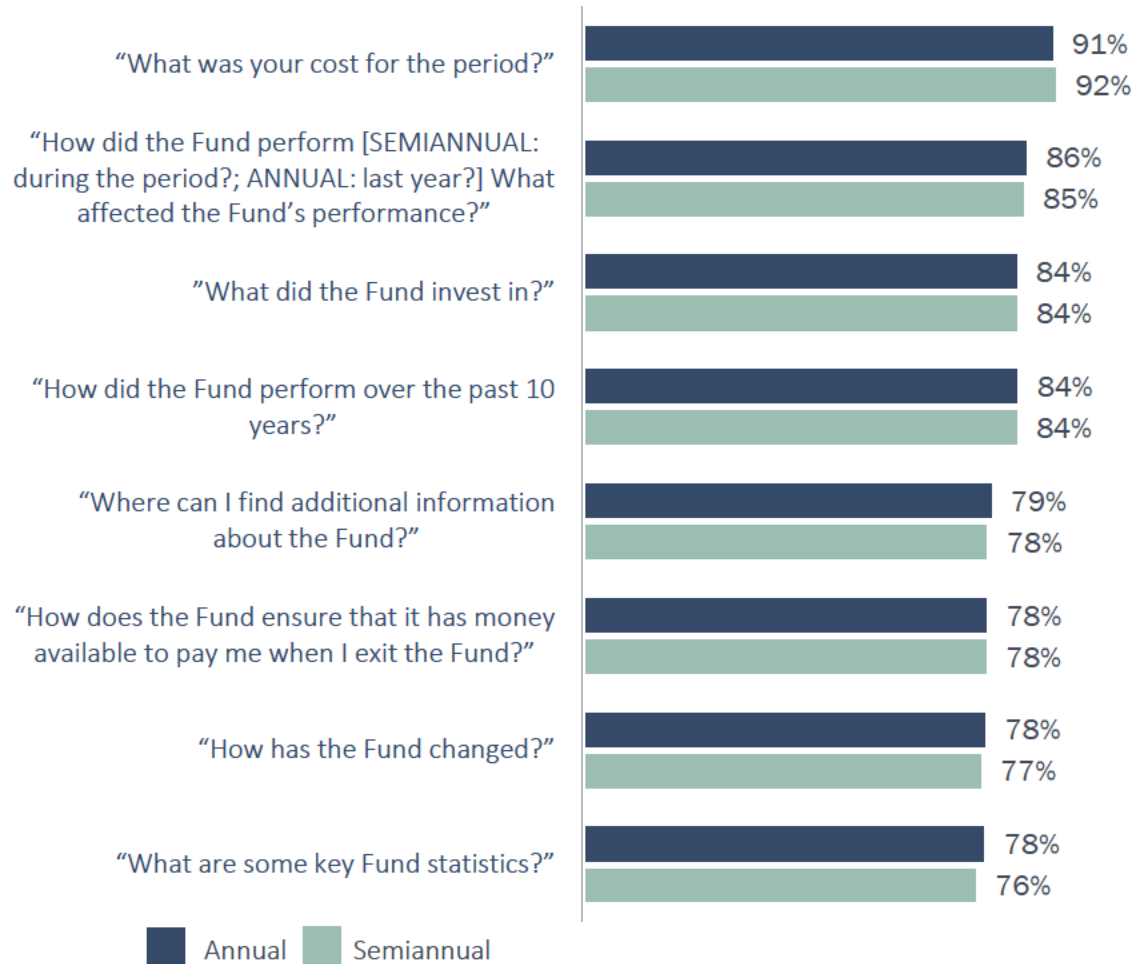


▲ ▼ Significantly higher/lower than Other Group at 90% confidence level.

More than three-quarters of investors find every section useful. They find most useful the sections on Costs, Performance, and Fund Investments

Question (A2): "Please indicate whether you find each section useful or not useful."

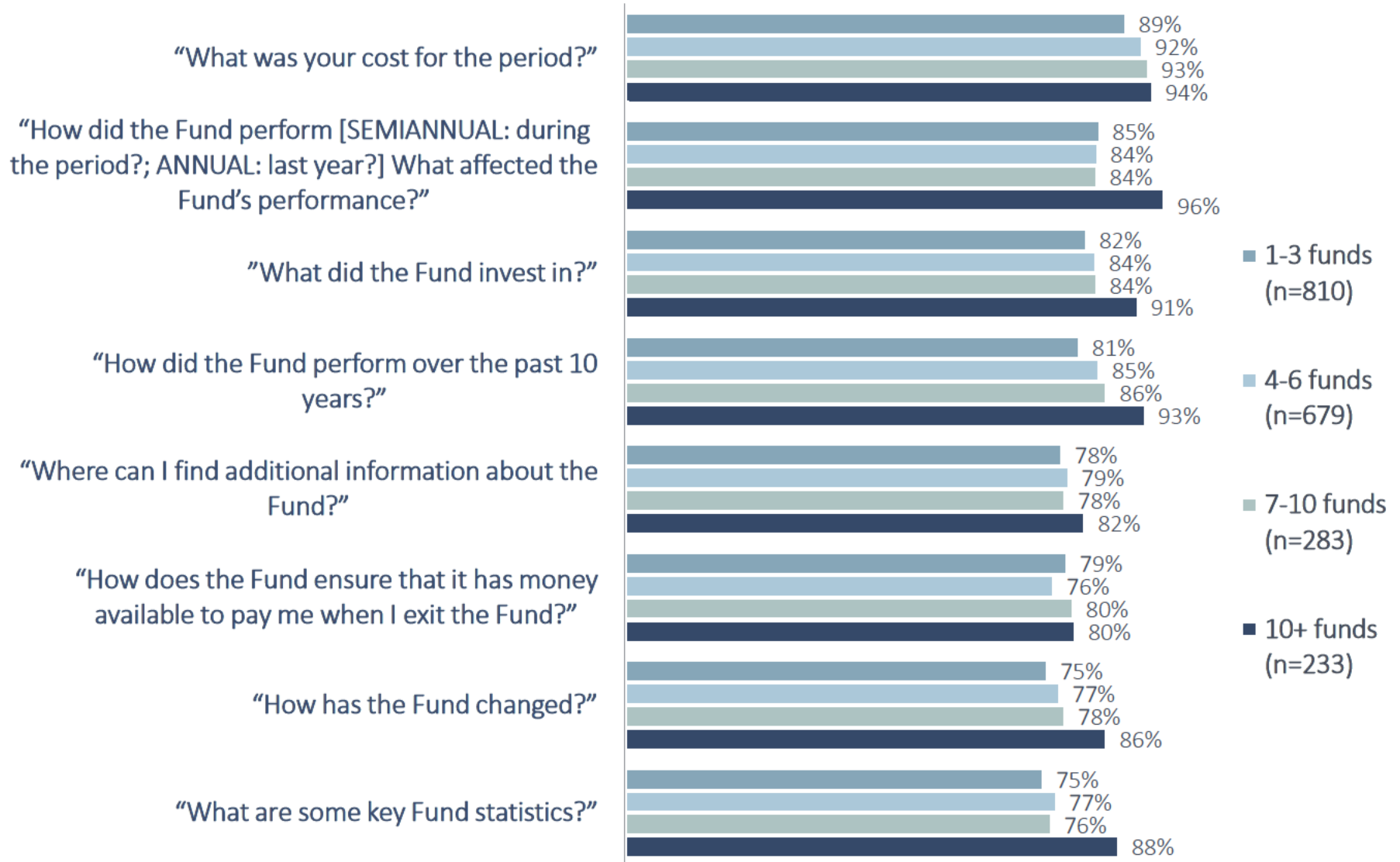
- **Costs:** An average of 91% say it is useful. (range: 87% - 93%)
- **Last Year's Performance:** An average of 86% say it is useful. (range: 70% - 95%)
- **Fund Investments:** An average of 84% say it is useful. (range: 78% - 88%)
- **Performance Over 10 Years:** An average of 84% say it is useful. (range: 77% - 89%)
- **Additional Information:** An average of 79% say it is useful. (range: 70% - 84%)
- **Liquidity:** An average of 78% say it is useful. (range: 74% - 81%)
- **Fund Changes:** An average of 78% say it is useful. (range: 71% - 81%)
- **Key Statistics:** An average of 77% say it is useful. (range: 68% - 82%)



There are no material differences between the responses or metrics on the evaluation of the streamlined Annual shareholder report and the streamlined Semiannual shareholder report.

Mutual Fund/ ETF Owners with more than 10 Funds were more likely to agree that each of the sections was useful.

Question (A2): "Please indicate whether you find each section useful or not useful."



Older investors (65+) found the key statistics less meaningful than did younger investors.

Question (A5) : “The sample shareholder report includes key statistics about the fund’s size, number of investments, and annual portfolio turnover. Do these statistics provide meaningful information regarding the fund, for example, to help put the fund’s performance and investments into context?”

		Age	
		Under 65	65+
Base		1528	477
Do key statistics provide meaningful information about the fund’s performance and investment context?			
Yes		83%	72%
No		17%	28%

■ Significantly higher/lower than Other Group(s) at 90% confidence level.

Young and less affluent investors, overall, own fewer Mutual Funds and/ or ETFs

- Three-fourths of those younger than 35 years have six mutual fund or ETFs or less (78%). This is fairly comparable to those 35-49 years (81%) and 50-64 years (71%). Those 65+ years are more likely to have more mutual funds or ETFs with only 69% having less than six and 31% having seven mutual funds or ETFs or more.
- Less affluent investors own fewer mutual funds and ETFs. About half of those with income less than \$50K (58%) and income \$50K-\$99K (40%) own only 1-3 mutual funds or ETFs.

		Age				Income			
Total		Younger 35	35-49	50-64	65+	Less than \$50K	\$50-\$99K	\$100-\$150K	\$150K+
Base	2005	485	517	526	477	316	633	488	568
Number of Mutual Funds and ETFs Owned									
1 - 3	40%	34%	39%	45%	44%	58%	40%	35%	35%
4 - 6	34%	44%	42%	26%	23%	26%	37%	38%	31%
7 - 10	14%	15%	13%	14%	15%	8%	15%	16%	15%
10+	12%	7%	6%	15%	18%	8%	8%	10%	19%

■ ■ Significantly higher/lower than Other Group(s) at 90% confidence level.

Younger investors (<65) are more likely to want an annual updated prospectus or notifications of material changes.

Question (A1): “Overall, would the sample shareholder report be useful in monitoring your fund investments?”

Question (B4): “Please indicate whether you agree or disagree with the following statement: I would like to continue to receive an annual updated summary prospectus directly by mail or email.”

Question (B6): “Please indicate whether you agree or disagree with the following statement: “I would like to continue to be notified of material changes when they occur (e.g., material changes in investment strategies and objectives, fees, principal risks, and fund management).”

		Age				Income				Number of Mutual Funds/ETFs			
		Under 35	35-49	50-64	65+	Less than \$50K	\$50-\$99K	\$100-\$150K	\$150K+	1 to 3	4 to 6	7 to 10	10+
Base	Total	485	517	526	477	316	633	488	568	810	679	283	233
Useful to monitor investments													
Yes		96%	93%	88%	88%	91%	91%	93%	92%	88%	94%	94%	93%
No		4%	7%	12%	12%	9%	9%	7%	8%	12%	6%	6%	7%
Delivery of annual updated prospectus													
Agree		95%	93%	84%	79%	90%	87%	89%	86%	88%	91%	86%	81%
Disagree		5%	7%	16%	21%	10%	13%	11%	14%	12%	9%	14%	19%
Notification of material changes													
Agree		94%	96%	93%	90%	91%	94%	93%	95%	92%	94%	94%	95%
Disagree		6%	4%	7%	10%	9%	6%	7%	5%	8%	6%	6%	5%

■ Significantly higher/lower than Other Group(s) at 90% confidence level.

Sample Source

Dynata National Online Panel

Dynata is the world's largest first-party data and insights platform.

- Dynata serves nearly 6,000 market research, media and advertising agencies, publishers, consulting and investment firms and corporate customers in North America, South America, Europe, and Asia-Pacific.
- Dynata works to optimally blend our proprietary sample sources by conducting comparability tests and modeling the blend that will achieve the closest match to census and social benchmarks.
- As part of the Total Research Quality system, Dynata monitors the quality of the data through various quality checks such as participation limits, screening questions, digital fingerprinting, random and illogical responding, capturing and removing flatliners and speeders.

The only market research online sample supplier evaluated by MRC to win an award for five consecutive years, with 2019 marking the sixth year as the combined company Dynata.

We also topped its nearest competitor in the "Best Quality Deliverables" category by almost 10% in the 2019 survey.

Dynata achieved the No. 9 ranking in Greenbook's GRIT Top 50 Most Innovative Suppliers in 2019. We have appeared in the top 10 four times and in the top 20 every year since the list debuted in 2011.

This industry recognition acknowledges our efforts to lead the market research industry in innovation based on our ongoing commitment to developing solutions that give our clients a competitive edge.



Annual Shareholder Report Prototype

Pages 1 and 2

The XYZ Income Fund

Class A – XYZIA | Class Z – XYZIZ

Annual Shareholder Report

XYZ Funds, Inc.

Hypothetical Streamlined Shareholder Report
Prepared by SEC Staff – For Illustrative Purposes



January 31, 2020

This annual shareholder report contains important information about the XYZ Income Fund for the period of February 1, 2019, to January 31, 2020, as well as certain changes to the Fund. You can find additional information at XYZfunds.com/XYZIFdocs or on the XYZ App. You can also request this information by contacting us at 1-800-XYZ-FUND or documents@xyzfunds.com.

What were your Fund costs for the period? *(based on a hypothetical \$10,000 investment)*

Class	Beginning account value 2/1/2019	Total return before costs paid*	Costs paid†	Ending account value 1/31/2020	Costs paid as a percentage of your investment†
Class A	\$10,000	+ \$723	-\$78	= \$10,645	0.77%
Class Z	\$10,000	+ \$723	-\$53	= \$10,670	0.52%

* Certain Fund expense, such as those associated with buying and selling fund investments, reduced your total return.

† The costs paid during the period do not reflect certain costs paid outside the Fund (such as purchase charges you might have paid if you bought shares of the Fund during the period).

How did the Fund perform last year? What affected the Fund's performance?

Performance Highlights

- XYZ Income Fund returned 6.45% for Class A and 6.70% for Class Z for the 12 months ended January 31, 2020. The Fund underperformed its benchmark (the QRS Aggregate Bond Index), which returned 7.72%. This underperformance is largely the result of our portfolio holding more interest-rate-sensitive investments than our benchmark.
- Top contributors to performance:
 - » long-term fixed interest rate investments because the Federal Reserve reduced interest rates during the period which increased long-term bond prices; and
 - » investments in technology and financial services companies.
- Top detractors from performance:
 - » short duration investments (such as bank loans) and new purchases of fixed income instruments because of the lower interest rate environment; and
 - » investments in oil and telecommunication companies.

Performance Attribution

ASSET CLASS
Top Contributors
<ul style="list-style-type: none"> ▲ Corporate – High Yield ▲ Corporate – High Quality ▲ Mortgage Backed Securities
Top Detractors
<ul style="list-style-type: none"> ▼ Bank Loans ▼ Asset Backed Securities ▼ Treasury
SECTOR
Top Contributors
<ul style="list-style-type: none"> ▲ Technology ▲ Financial Services ▲ Health Care
Top Detractors
<ul style="list-style-type: none"> ▼ Energy ▼ Telecommunications ▼ Industrials

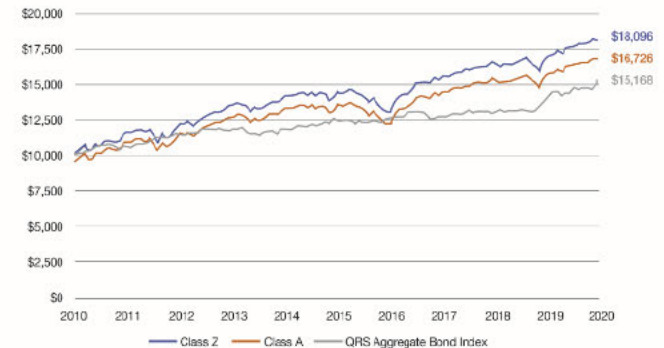
continued >>

U.S. SECURITIES AND EXCHANGE COMMISSION

How did the Fund perform over the past 10 years?

Keep in mind that the Fund's past performance is not a good predictor of how the Fund will perform in the future.

Cumulative Performance: February 1, 2010, through January 31, 2020
Initial Investment of \$10,000



Average Annual Total Returns:

	1 Year	5 Years	10 Years
Class A (with purchase charge)	1.21%	4.32%	5.29%
Class A (without purchase charge)	6.45%	5.36%	5.86%
Class Z	6.70%	5.61%	6.11%
QRS Aggregate Bond Fund	7.72%	5.21%	4.25%

Visit xyzfunds.com/XYZG or the XYZ App for more recent performance information.

What are some key Fund statistics? *(as of January 31, 2020)*

Fund Size:	\$789 ml.
Number of Investments:	722
Annual Portfolio Turnover:	78%
Average Credit Quality:**	BB*
30-Day SEC Yield:**	
<ul style="list-style-type: none"> • Class A • Class Z 	<ul style="list-style-type: none"> 4.28% 4.53%
Effective Duration:	1.4 years
Weighted Average Maturity:	5.4 years

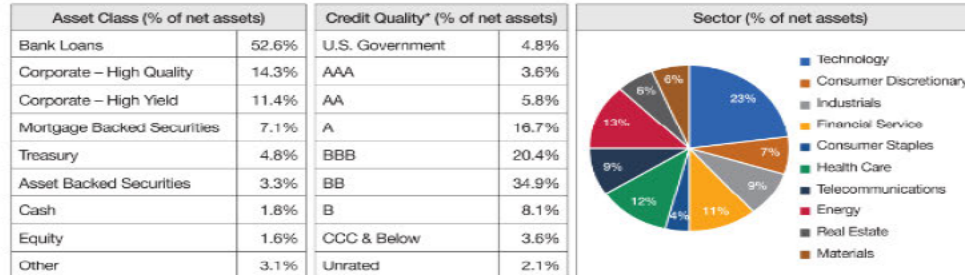
* The Average Credit Quality is based on credit ratings provided by UWW Rating Inc.

** The 30-Day SEC Yield is a standardized calculation so you can compare yields across funds.

continued >>

Annual Shareholder Report Prototype

What did the Fund invest in? (as of January 31, 2020)



* Credit Quality is based on credit ratings provided by UVM Rating Inc., a nationally recognized statistical rating organization, because the XYZ Advisers (the Fund's manager) believes they have the broadest coverage of securities held by the Fund.

Visit xyzfunds.com/XYZG or the XYZ App for more recent holdings information.

How has the Fund changed?

Beginning June 1, 2020, the Fund is revising its Interest Rate Risk to include risks of very low or negative interest rates. Very low or negative interest rates may prevent the Fund from earning positive returns and increases the risk of rising interest rates, which may negatively impact the Fund's performance.

This is a summary of a planned change to the Fund's principal risk disclosure. For more complete information, you may review the Fund's next prospectus, which we expect to be available by June 1, 2020, at XYZfunds.com/XYZIFdocs or upon request at 1-800-XYZ-FUND or documents@xyzfunds.com.

How does the Fund ensure that it has money available to pay me when I exit the Fund?

The XYZ Loan Fund has investments that may not be as liquid as typical stocks and bonds.

Primary source of the Fund's liquidity risk:	How does the Fund manage its liquidity risk?
The Fund invested significantly in bank loans. When a fund sells one of these loans, it may take a significant amount of time before the Fund receives the money from the sale.	<ul style="list-style-type: none"> The Fund has a liquidity risk management program (LRMP) to ensure the Fund can pay you on time when you sell shares. This program includes: (1) maintaining a minimum amount of highly liquid assets and limiting purchases of illiquid assets; (2) borrowing money and entering into expedited settlement agreements when needed; and (3) stress testing to see how the Fund would perform in stressed market conditions and, if necessary, modifying the Fund's investments in response to these tests. At a meeting on December 5, 2019, the Fund's board of directors reviewed a report prepared by XYZ Advisers (the LRMP administrator) that described the operation of the Fund's LRMP over the prior year and affirmed that the program effectively managed the Fund's liquidity risk.

Where can I find additional information about the Fund?

Additional information is available on the Fund's website, including its:

- prospectus
- financial information
- holdings
- proxy voting information
- description of UVM Rating Inc.'s credit ratings



XYZFunds.com/XYZGdocs

Annual Shareholder Report Prototype

Sections – Fund Costs for Period

What were your Fund costs for the period? *(based on a hypothetical \$10,000 investment)*

Class	Beginning account value 2/1/2019	Total return before costs paid*	Costs paid†	Ending account value 1/31/2020	Costs paid as a percentage of your investment†
Class A	\$10,000	+ \$723	-\$78	= \$10,645	0.77%
Class Z	\$10,000	+ \$723	-\$53	= \$10,670	0.52%

* Certain Fund expenses, such as those associated with buying and selling fund investments, reduced your total return.

† The costs paid during the period do not reflect certain costs paid outside the Fund (such as purchase charges you might have paid if you bought shares of the Fund during the period).

Annual Shareholder Report Prototype

Section - Fund Performance

How did the Fund perform last year? What affected the Fund's performance?

Performance Highlights

- XYZ Income Fund returned 6.45% for Class A and 6.70% for Class Z for the 12 months ended January 31, 2020. The Fund underperformed its benchmark (the QRS Aggregate Bond Index), which returned 7.72%. This underperformance is largely the result of our portfolio holding more interest-rate-sensitive investments than our benchmark.
- Top contributors to performance:
 - » long-term fixed interest rate investments because the Federal Reserve reduced interest rates during the period which increased long-term bond prices; and
 - » investments in technology and financial services companies.
- Top detractors from performance:
 - » short duration investments (such as bank loans) and new purchases of fixed income instruments because of the lower interest rate environment; and
 - » investments in oil and telecommunication companies.

Performance Attribution

ASSET CLASS

Top Contributors

- ↑ Corporate – High Yield
- ↑ Corporate – High Quality
- ↑ Mortgage Backed Securities

Top Detractors

- ↓ Bank Loans
- ↓ Asset Backed Securities
- ↓ Treasury

SECTOR

Top Contributors

- ↑ Technology
- ↑ Financial Services
- ↑ Health Care

Top Detractors

- ↓ Energy
- ↓ Telecommunications
- ↓ Industrials

How did the Fund perform over the past 10 years?

Keep in mind that the Fund's past performance is not a good predictor of how the Fund will perform in the future.

Cumulative Performance: February 1, 2010, through January 31, 2020
Initial Investment of \$10,000



Average Annual Total Returns:

	1 Year	5 Years	10 Years
Class A (with purchase charge)	1.21%	4.32%	5.29%
Class A (without purchase charge)	6.45%	5.36%	5.86%
Class Z	6.70%	5.61%	6.11%
QRS Aggregate Bond Fund	7.72%	5.21%	4.25%

Visit xyzfunds.com/XYZG or the XYZ App for more recent performance information.

Annual Shareholder Report Prototype

Section- Key Statistics, Investments

What are some key Fund statistics? *(as of January 31, 2020)*

Fund Size:	\$789 mil.
Number of Investments:	722
Annual Portfolio Turnover:	78%
Average Credit Quality:*	BB*
30-Day SEC Yield:**	
• Class A	4.28%
• Class Z	4.53%
Effective Duration:	1.4 years
Weighted Average Maturity:	5.4 years

* The Average Credit Quality is based on credit ratings provided by UYW Rating Inc.

** The 30-Day SEC Yield is a standardized calculation so you can compare yields across funds.

What did the Fund invest in? *(as of January 31, 2020)*

Asset Class (% of net assets)		Credit Quality* (% of net assets)		Sector (% of net assets)	
Bank Loans	52.6%	U.S. Government	4.8%		
Corporate – High Quality	14.3%	AAA	3.6%		
Corporate – High Yield	11.4%	AA	5.8%		
Mortgage Backed Securities	7.1%	A	16.7%		
Treasury	4.8%	BBB	20.4%		
Asset Backed Securities	3.3%	BB	34.9%		
Cash	1.8%	B	8.1%		
Equity	1.6%	CCC & Below	3.6%		
Other	3.1%	Unrated	2.1%		

* Credit Quality is based on credit ratings provided by UYW Rating Inc., a nationally recognized statistical rating organization, because the XYZ Advisers (the Fund's manager) believes they have the broadest coverage of securities held by the Fund.

Annual Shareholder Report Prototype

Section – Changes in Fund

How has the Fund changed?

Beginning June 1, 2020, the Fund is revising its Interest Rate Risk to include risks of very low or negative interest rates. Very low or negative interest rates may prevent the Fund from earning positive returns and increases the risk of rising interest rates, which may negatively impact the Fund's performance.

This is a summary of a planned change to the Fund's principal risk disclosure. For more complete information, you may review the Fund's next prospectus, which we expect to be available by June 1, 2020, at XYZfunds.com/XYZIFdocs or upon request at 1-800-XYZ-FUND or documents@xyzfunds.com.

Semiannual Shareholder Report Prototype

Pages 1 and 2

The XYZ Income Fund

Class A – XYZIA | Class Z – XYZIZ

Semiannual Shareholder Report

XYZ Funds, Inc.

Hypothetical Streamlined Shareholder Report
Illustrative Purposes Only



July 31, 2020

This semiannual shareholder report contains important information about the XYZ Income Fund for the period of February 1, 2020, to July 31, 2020, as well as certain changes to the Fund. You can find additional information at XYZfunds.com/XYZIFdocs or on the XYZ App. You can also request this information by contacting us at 1-800-XYZ-FUND or documents@xyzfunds.com.

What were your Fund costs for the period? (based on a hypothetical \$10,000 investment)

Class	Beginning account value 2/1/2020	Total return before costs paid ¹	Costs paid ¹	=	Ending account value 7/31/2020	Costs paid as a percentage of your investment ¹
Class A	\$10,000	+ \$362	-\$39	=	\$10,323	0.77%
Class Z	\$10,000	+ \$362	-\$26	=	\$10,336	0.52%

¹ Certain Fund expenses, such as those associated with buying and selling fund investments, reduced your total return.

¹ The costs paid during the period do not reflect certain costs paid outside the Fund (such as purchase charges you might have paid if you bought shares of the Fund during the period). Percentage annualized.

How did the Fund perform during the period? What affected the Fund's performance?

Performance Highlights

- XYZ Income Fund returned 6.45% for Class A and 6.70% for Class Z for the six months ended July 31, 2020. The Fund underperformed its benchmark (the QRS Aggregate Bond Index), which returned 7.72%. This underperformance is largely the result of our portfolio holding more interest-rate-sensitive investments than our benchmark.
- Top contributors to performance:
 - long-term fixed interest rate investments because the Federal Reserve reduced interest rates during the period which increased long-term bond prices; and
 - investments in technology and financial services companies.
- Top detractors from performance:
 - short duration investments (such as bank loans) and new purchases of fixed income instruments because of the lower interest rate environment; and
 - investments in oil and telecommunication companies.

Performance Attribution

ASSET CLASS	
Top Contributors	
Corporate – High Yield	Corporate – High Quality
Mortgage Backed Securities	
Top Detractors	
Bank Loans	Asset Backed Securities
Treasury	
SECTOR	
Top Contributors	
Technology	Financial Services
Health Care	
Top Detractors	
Energy	Telecommunications
Industrials	

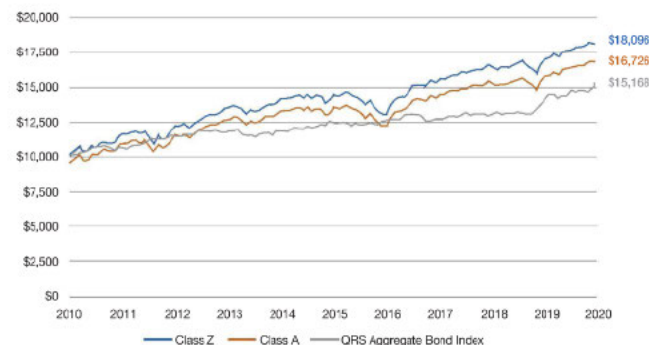
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HYPOTHETICAL SUMMARY SEMI-ANNUAL SHAREHOLDER REPORT

How did the Fund perform over the past 10 years?

Keep in mind that the Fund's past performance is not a good predictor of how the Fund will perform in the future.

Cumulative Performance: August 1, 2010, through July 31, 2020
Initial Investment of \$10,000



Average Annual Total Returns:

	1 Year	5 Years	10 Years
Class A (with purchase charge)	1.21%	4.32%	5.29%
Class A (without purchase charge)	6.45%	5.36%	5.86%
Class Z	6.70%	5.61%	6.11%
QRS Aggregate Bond Fund	7.72%	5.21%	4.25%

Visit xyzfunds.com/XYZIG or the XYZ App for more recent performance information.

What are some key Fund statistics? (as of July 31, 2020)

Fund Size:	\$789 mil.
Number of Investments:	722
Semiannual Portfolio Turnover:	78%
30-Day SEC Yield:**	BB*
Average Credit Quality:*	
• Class A	4.28%
• Class Z	4.53%
Effective Duration:	1.4 years
Weighted Average Maturity:	5.4 years

* The Average Credit Quality is based on credit ratings provided by UWW Rating Inc.

** The 30-Day SEC Yield is a standardized calculation so you can compare yields across funds.

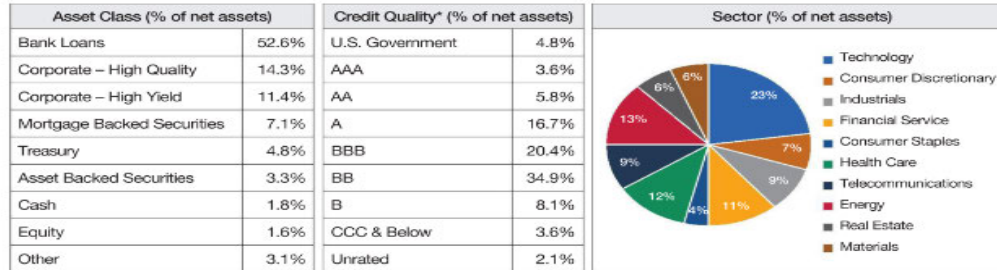
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Semiannual Shareholder Report Prototype

Page 3

HYPOTHETICAL SUMMARY SEMIANNUAL SHAREHOLDER REPORT

What did the Fund invest in? (as of July 31, 2020)



* Credit Quality is based on credit ratings provided by U.V.W. Rating Inc., a nationally recognized statistical rating organization, because the XYZ Advisers (the Fund's manager) believes they have the broadest coverage of securities held by the Fund.

Visit xyzfunds.com/XYZ3 or the XYZ App for more recent holdings information.

How has the Fund changed?

Beginning October 1, 2020, the Fund is revising its Interest Rate Risk to include risks of very low or negative interest rates. Very low or negative interest rates may prevent the Fund from earning positive returns and increases the risk of rising interest rates, which may negatively impact the Fund's performance.

This is a summary of a planned change to the Fund's principal risk disclosure. For more complete information, you may review the Fund's next prospectus, which we expect to be available by October 1, 2020, at XYZfunds.com/XYZIFdocs or upon request at 1-800-XYZ-FUND or documents@xyzfunds.com.

How does the Fund ensure that it has money available to pay me when I exit the Fund?

The XYZ Loan Fund has investments that may not be as liquid as typical stocks and bonds.

Primary source of the Fund's liquidity risk:	How does the Fund manage its liquidity risk?
The Fund invested significantly in bank loans. When a fund sells one of these loans, it may take a significant amount of time before the Fund receives the money from the sale.	<ul style="list-style-type: none"> The Fund has a liquidity risk management program (LRMP) to ensure the Fund can pay you on time when you sell shares. This program includes: (1) maintaining a minimum amount of highly liquid assets and limiting purchases of illiquid assets; (2) borrowing money and entering into expedited settlement agreements when needed; and (3) stress testing to see how the Fund would perform in stressed market conditions and, if necessary, modifying the Fund's investments in response to these tests. At a meeting on December 5, 2019, the Fund's board of directors reviewed a report prepared by XYZ Advisers (the LRMP administrator) that described the operation of the Fund's LRMP over the prior year and affirmed that the program effectively managed the Fund's liquidity risk.

Where can I find additional information about the Fund?

Additional information is available on the Fund's website, including its:

- prospectus
- financial information
- holdings
- proxy voting information
- description of U.V.W. Rating Inc.'s credit ratings



XYZFunds.com/XYZ3Edocs

Semiannual Shareholder Report Prototype

Section – Fund Cost for Period

What were your Fund costs for the period? *(based on a hypothetical \$10,000 investment)*

Class	Beginning account value 2/1/2020	Total return before costs paid*	Costs paid†	Ending account value 7/31/2020	Costs paid as a percentage of your investment†
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Semiannual Shareholder Report Prototype

Section - Fund Performance

How did the Fund perform during the period? What affected the Fund's performance?

Performance Highlights

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 - » short duration investments (such as bank loans) and new purchases of fixed income instruments because of the lower interest rate environment; and
 - » investments in oil and telecommunication companies.

Performance Attribution

ASSET CLASS

Top Contributors

- ↑ Corporate – High Yield
- ↑ Corporate – High Quality
- ↑ Mortgage Backed Securities

Top Detractors

- ↓ Bank Loans
- ↓ Asset Backed Securities
- ↓ Treasury

SECTOR

Top Contributors

- ↑ Technology
- ↑ Financial Services
- ↑ Health Care

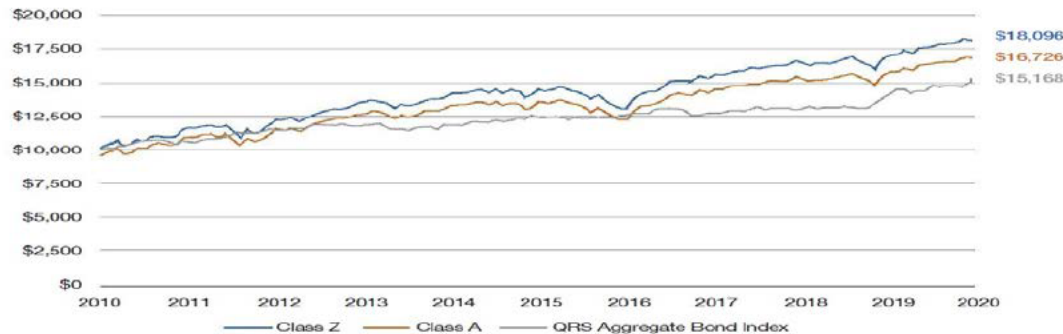
Top Detractors

- ↓ Energy
- ↓ Telecommunications
- ↓ Industrials

How did the Fund perform over the past 10 years?

Keep in mind that the Fund's past performance is not a good predictor of how the Fund will perform in the future.

Cumulative Performance: August 1, 2010, through July 31, 2020
Initial Investment of \$10,000



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QRS Aggregate Bond Fund	7.72%	5.21%	4.25%

Visit xyzifunds.com/XYZG or the XYZ App for more recent performance information.

Semiannual Shareholder Report Prototype

Section- Key Statistics, Investments

What are some key Fund statistics? *(as of July 31, 2020)*

Fund Size:	\$789 mil.
Number of Investments:	722
Semiannual Portfolio Turnover:	78%
Average Credit Quality: [*] 30-Day SEC Yield: ^{**}	
• Class A	4.28%
• Class Z	4.53%
Effective Duration:	1.4 years
Weighted Average Maturity:	5.4 years

* The Average Credit Quality is based on credit ratings provided by UYW Rating Inc.

** The 30-Day SEC Yield is a standardized calculation so you can compare yields across funds.

What did the Fund invest in? *(as of July 31, 2020)*

Asset Class (% of net assets)		Credit Quality* (% of net assets)		Sector (% of net assets)	
Bank Loans	52.6%	U.S. Government	4.8%		
Corporate – High Quality	14.3%	AAA	3.6%		
Corporate – High Yield	11.4%	AA	5.8%		
Mortgage Backed Securities	7.1%	A	16.7%		
Treasury	4.8%	BBB	20.4%		
Asset Backed Securities	3.3%	BB	34.9%		
Cash	1.8%	B	8.1%		
Equity	1.6%	CCC & Below	3.6%		
Other	3.1%	Unrated	2.1%		

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Semiannual Shareholder Report Prototype

Section – Changes in Fund

How has the Fund changed?

Beginning October 1, 2020, the Fund is revising its Interest Rate Risk to include risks of very low or negative interest rates. Very low or negative interest rates may prevent the Fund from earning positive returns and increases the risk of rising interest rates, which may negatively impact the Fund's performance.

This is a summary of a planned change to the Fund's principal risk disclosure. For more complete information, you may review the Fund's next prospectus, which we expect to be available by October 1, 2020, at XYZfunds.com/XYZIFdocs or upon request at 1-800-XYZ-FUND or documents@xyzfunds.com.

Attachment B

SEC Feedback Flier Questionnaire (with added questions from the Release)

Broadridge SEC Annual & Semiannual Report Quantitative Study

Final

September 8, 2020

TNMI Project #: 20BRG18

Replicate the SEC Flier survey and include additional questions including preferred frequency and the delivery method for receiving the information included in the current annual and semiannual reports.



Study Background:

Currently, the SEC requires that Mutual Fund and ETFs companies send a prospectus each time an investor purchases a new fund. Thereafter, those companies are required to send both an annual and a semi-annual report to all existing shareholders. Finally, if a change is made to the fund, the SEC requires that the fund files a supplement with the SEC or updates its prospectus. Mutual fund and ETF companies decide whether to send out such changes to their existing shareholders.

In FY20, Broadridge commissioned two independent market research companies to conduct communication studies among MF and ETF investors. The key findings, consistent from both studies, was that almost 90% of investors who held Mutual Funds and/ or ETFs wanted to receive summary reports two times a year or more. They did not want to go to a website to obtain the information.

The SEC has now proposed a new disclosure framework. They are proposing that annual and semi-annual reports would be replaced with 3-4 page annual and semiannual summary shareholder reports and that investors must be notified of material changes to the fund within 3 days.

The SEC created a sample annual shareholder report based on the proposed rule, which was designed to be investor-friendly and published an investor feedback flier. For purposes of testing the semiannual shareholder report, we created an identical version, with minor changes to account for the different reporting period.

Study Objective:

The following table illustrates which sections are required in the Annual and Semi-Annual reports.

	Annual Report	Semi-Annual Report
Fee Table	✓	✓
Key Statistics	✓	✓
Holdings	✓	✓
Fund Liquidity	✓	✓
Additional Information	✓	✓
Performance	✓	
Fund detail changes	✓	

The objective of this study is to determine, from the investors' perspective, the level of usefulness, the preferred frequency (annually, semi-annually, or more often) and the preferred delivery method (mail, email, URL) for each section of a summary annual and semiannual report.

Methodology:

A total of 2,000 ten-minute online surveys will be completed utilizing Dynata's online national panel.

- Dynata is one of the world's leading providers of first-party data contributed by consumers and business professionals.
- Dynata serves nearly 6,000 market research agencies, media and advertising agencies, consulting & investment firms and healthcare and corporate customers in North America, South America, Europe, and Asia-Pacific.
- As part of the Total Research Quality system, Dynata monitors the quality of the data through various quality checks such as participation limits, screening questions, digital fingerprinting, random and illogical responding, capturing and removing flatliners and speeders.
- Dynata can balance sample on outbound invitations, surveys starts or completed interviews. Dynata does this using a wide range of targeting criteria, from simple demographics to more complex behavioral and attitudinal targeting.

In order to provide a representative sample, this study will be balanced as follows:

- The outbound invitations will be balanced to the census on gender, age and income.
- The survey starts will be balanced to the census on gender, age and income.

Respondent Qualifications:

All respondents will have mutual funds or ETFs outside of employer-sponsored retirement and 529 plans. Also, respondents will be:

- At least 18 years of age
- Primary or shared investment decision-maker in the household

Those who only have employer retirement plans or 529 College Saving Plans will be excluded from this study.

The initial outbound invitations will be balanced to the census on gender, age and income

Programming:

Throughout this questionnaire, programming notes are displayed in brackets: [Example Programming Note].

Timeline:

Week	1	2	3	4	5	6
TNMI develops questionnaire and acquires sample	█					
Broadridge approves questionnaire	█					
TNMI programs questionnaire		█				
Broadridge approves programmed survey		█				
Program survey and conduct Interviews			█	█		
Data clean, QC, Analysis and Report				█	█	

Introduction

Broadridge SEC Annual & Semiannual Report Survey

We appreciate you taking the time to share your thoughts and opinions. Be assured that your individual answers will be kept completely confidential as the results of this survey are only analyzed and reported in aggregate.

Please click 'Next' to begin the survey.

Screening

S1. [BASE: ALL] [NUMERIC TEXTBOX: 1-115] [BALANCE STARTS] What is your age?

Age: [_____] [TERMINATE IF UNDER 18]

S2. [BASE: ALL] [BALANCE STARTS] Are you ...

1. Male
2. Female

S3. [BASE: ALL RESPONDENTS] [BALANCE STARTS] What is your household's total annual income from all sources before taxes?

Please be sure to include the income for yourself and your spouse/partner, considering salaries as well as any income from Social Security benefits, pensions, and investment income.

1. Less than \$25,000
2. \$25,000 to \$49,999
3. \$50,000 to \$74,999
4. \$75,000 to \$99,999
5. \$100,000 to \$149,999
6. \$150,000 to \$199,999
7. \$200,000 or more
8. Prefer not to answer

[TERMINATE]

[BALANCE SURVEY STARTS TO CENSUS ON AGE, GENDER AND INCOME]

Target Demographics – US Census:

Gender	Age	Income
Males – 49.2%	18-34 – 30%	Less than \$25K – 19.6%
Females – 50.8%	35-44 – 16%	\$25K - <50K – 21.3%
	45-54 – 16%	50K - <75K – 17.4%
	55-64 – 17%	75K - <99K – 12.6%
	65+ - 21%	\$100K - <\$150K – 15%
		\$150K - <\$200K – 6.6%
		\$\$200K+ - 7.6%

S4. [BASE: ALL] What is your role in making decisions regarding your household investments?

1. I am the primary decision-maker
2. I make decisions jointly with my spouse, partner, or other family member
3. Others make the investment decisions on my behalf (e.g., a financial adviser decides what to buy, sell, or own). [TERMINATE]

S5. [BASE: ALL] [RANDOMIZE] [MULTIPLE RESPONSE] Which types of investment products do you currently own?

1. Annuities
2. Exchange Traded Funds (ETFs)
3. Individual Bonds
4. Mutual Funds
5. Stocks or Equities
6. [ANCHOR] Other
7. [ANCHOR; EXCLUSIVE] None of the above

[S5=2 or 4 OR TERMINATE]

S6. [BASE: Mutual funds and/or ETFs] [RANDOMIZE][MULTIPLE RESPONSE] You mentioned that you currently have [PIPE "MUTUAL FUNDS" IF SELECTED IN S5 AND/OR [PIPE "ETFs" IF SELECTED IN S5] In what type of account are your [PIPE "MUTUAL FUNDS" IF SELECTED IN S5] AND/OR [PIPE "ETFs" IF SELECTED IN S5] investments held? (Select all that apply.)

1. 529 - a college savings account (tax-advantaged investment account specifically for education)
2. Workplace Retirement Savings account such as a 401(k) or 403(b) account
3. Self-directed (discount) brokerage account
4. Full-service brokerage account
5. Advisor-managed account (an account that includes a financial advisor who helps you decide what to invest in)
6. IRA (Individual Retirement Account)
7. Mutual fund account (an account held directly with a mutual fund company)
8. Bank or savings institution
9. Insurance agency
10. [ANCHOR; EXCLUSIVE] Don't know

[MUST CHOOSE S6 = 3, 4, 5, 6, 7, 8 or 9 OR TERMINATE]

S7. [BASE: ALL] How many different mutual funds and ETFs do you own?

1. 1 - 3
2. 4 - 6
3. 7 - 10
4. 10+

SEC Survey Questions

[PROGRAMMER RANDOMLY ASSIGN TO SEMIANNUAL OR ANNUAL CELL FOR N=1000 EACH]

The Securities Exchange Commission (SEC) requires mutual funds and exchange-traded funds (ETFs) to provide you with an annual and semi-annual shareholder report. These reports include key information about a fund, but they can often be long.

They are proposing changes to these reports to better highlight information that would be helpful to you as you monitor your investments. We would like to know what you think.

Please take a few minutes to review this sample [SEMIANNUAL: semiannual; ANNUAL: annual] shareholder report and answer any or all of these questions. Thank you for your feedback!

[INSERT JPG OF SUMMARY REPORT. DO NOT ALLOW RESPONDENT TO MOVE ON FOR 15 SECONDS; MOBILE FRIENDLY JPEG SHOULD BE USED IF RESPONDENT IS USING A MOBILE DEVICE (PHONE OR TABLET); ADD 'CLICK HERE' AT END OF DOCUMENT TO PROCEED]

A1. [BASE: ALL] Overall, would the sample shareholder report be useful in monitoring your fund investments?

1. Yes
2. No

A1a. [BASE: A1=2] If not, how would you change it? [OPEN END IS NOT REQUIRED]

[_____]

- A2. Rate the sections of the sample shareholder report. Please indicate whether you find each section *useful* or *not useful*. Please consider explaining your responses in the comments.

[PROGRAMMER “WHY” OPEN ENDS ARE NOT REQUIRED]

SECTION		USEFUL	NOT USEFUL	Why?
1.	“What was your cost for the period?”	1	2	
2.	“How did the Fund perform [SEMIANNUAL: during the period?; ANNUAL: last year?] What affected the Fund’s performance?”	1	2	
3.	“How did the Fund perform over the past 10 years?”	1	2	
4.	“What are some key Fund statistics?”	1	2	
5.	“What did the Fund invest in?”	1	2	
6.	“How has the Fund changed?”	1	2	
7.	“How does the Fund ensure that it has money available to pay me when I exit the Fund?”	1	2	
8.	“Where can I find additional information about the Fund?”	1	2	

- A3. [BASE: ALL] The section titled “What was your cost for the period?” includes an example of what it costs to hold fund shares this year.

INSERT IMAGE TO SEE “WHAT WAS YOUR COST FOR THE PERIOD” SECTION – BLUE BORDER AROUND IT

		Yes	No
1.	Is the table clear?	1	2
2.	Is it helpful to see “costs paid” both in dollars and as a percentage of your investment?	1	2
3.	Is it clear how the total returns of the fund minus the costs paid result in the ending account value?	1	2

- A4. [BASE: ALL] The section titled “How did the Fund perform [IF SEMIANNUAL: during the period? IF ANNUAL: last year?] What affected the Fund’s performance?” includes narrative and graphic presentations.

[INCLUDE QA4 – QA4B ON SAME PAGE]

INSERT IMAGE “HOW DID THE FUND PERFORM” SECTION – PUT BLUE BORDER AROUND IT

ENLARGE TEXT ON THIS GRID TO MAKE MORE VISIBLE

		Yes	No
1.	There is a narrative description of the fund’s past performance in the “Performance Highlights” section. Does the narrative description help you understand the key drivers of fund performance?	1	2
2.	There is a graphic presentation of key drivers of the fund’s past performance in the “Performance Attribution” section. Does the graphic presentation help you understand why the fund performed as it did over the [SEMIANNUAL: period? IF ANNUAL: last year?]	1	2
3.	There is a line graph representing the fund’s performance in dollars over the past 10 years. Does this graph help you understand how the fund performed over that time period?	1	2
4.	There is an “Average Total Returns Table” showing the fund’s performance as a percentage over the past 1, 5, and 10 years. Does this table help you understand how the fund performed over those time periods?	1	2

5.	Is it helpful to see the fund's performance both in dollars and as a percentage?	1	2
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A4a. **[BASE: ALL]** Is there any information that could be presented more clearly in the “How did the Fund perform **[SEMIANNUAL: during the period?; ANNUAL: last year?]**” section?

1. Yes
2. No

A4b. **[BASE: A4a=1]** Please explain what could be presented more clearly. **[OPEN END IS NOT REQUIRED]**

[]

A5. **[BASE: ALL]** The sample shareholder report includes key statistics about the fund's size, number of investments, and annual portfolio turnover.

INSERT IMAGE SECTION WITH KEY STATISTICS ABOUT THE FUND WITH BLUE BORDER

Do these statistics provide meaningful information regarding the fund, for example, to help put the fund's performance and investments into context?

1. Yes
2. No

A6. **[BASE: ALL]** The section titled “What did the Fund invest in?” includes charts describing the types of investments made by the fund

INSERT IMAGE “WHAT DID THE FUND INVEST IN” SECTION WITH BLUE BORDER

Do these charts help you understand how the fund is investing your money?

1. Yes
2. No

A7. **[BASE: ALL]** The section titled “How has the Fund changed?” describes important changes to the fund within the **[SEMIANNUAL: period covered by the report.; ANNUAL: last fiscal year.]** What types of changes are most important to you?

INSERT “HOW THE FUND CHANGED” SECTION

[OPEN END IS NOT REQUIRED]

[]

A8. **[BASE: ALL]** Is there any information in the sample shareholder report that is difficult to understand, confusing, too technical, or that could be presented more clearly?

[CLICK TO SEE SUMMARY REPORT AGAIN](#)

[OPEN END IS NOT REQUIRED]

[]

A9. **[BASE: ALL]** Is there additional information that we should require in the shareholder report? This could include the fund’s full financial statements, the results of any shareholder votes and/or how much the fund paid to directors, officers, and others. Is there any information in the sample shareholder report that should be highlighted more? **[OPEN END IS NOT REQUIRED]**

[]

A10. **[BASE: ALL]** Under the proposal, in addition to the shareholder report, you also would have access to more information about the fund online (and delivered in paper on request). How likely would you be to seek more information on the following?

Very Important	Important	Neither Important Nor Unimportant	Very Unimportant	Don't Know
4	3	2	1	9

The fund’s full financial statements

Key financial information over time

Changes in and disagreements with accountants

Results of any shareholder votes

How much the fund paid to directors, officers and others

A11. **[BASE: ALL]** Is the length of the document: . . .

1. Too short
2. Too long
3. About right

A12. **[BASE: ALL]** How would you prefer to receive or read a document like the sample shareholder report? *Single choice only*

1. On paper
2. In an e-mail
3. On a website
4. A combination of paper and digital
5. Other [_____] **[OPEN END IS NOT REQUIRED]**

A13. **[BASE: ALL]** Do you have any additional suggestions for improving the shareholder report?
[PROGRAMMER NOT REQUIRED]

[_____]

Additional Survey Questions

B1. **[BASE: ALL]** Funds provide two shareholder reports per year (an annual report at year-end, and a semiannual report at mid-year). How frequently should summary shareholder reports, like the sample report, be provided?

1. Quarterly
2. Twice a year
3. Once a year
4. Other [_____] **[OPEN END IS NOT REQUIRED]**

B2. **[BASE: A12=3]** You indicated you would prefer to receive or read a document like the sample shareholder report on a website. How would you prefer to be notified of its availability? *Select all that apply.*

1. By mail
2. By email, with a link to the summary report
3. By text message, with a link to the summary report
4. By social media, as a notification in my social media account (e.g., Instagram, Facebook, Twitter) with a link to the summary report
5. By notification through an investment app with a link to the summary report
6. Other [_____] **[OPEN END IS NOT REQUIRED]**

- B3. [BASE: A12: 2, 3, 4] You indicated you prefer to receive or read summary shareholder reports online. Should online summary shareholder reports include direct links to more detailed information on fees, portfolio holdings, financial statements and financial highlights?
1. Yes
 2. No

NEW PAGE:

We'd now like to ask you a few questions about summary prospectuses. A summary prospectus provides information on investment strategies and objectives, fees, principal risks, and portfolio management – information that is not provided in annual or semi-annual shareholder reports.

Fund companies provide investors with an annual updated summary prospectus by mail or email. If a material change occurs during the year, funds typically notify investors.

- B4. Please indicate whether you agree or disagree with the following statement:

I would like to continue to receive an annual updated summary prospectus directly by mail or email.

1. Agree
 2. Disagree
- B5. [BASE: B4=2] You indicated you prefer to not receive an annual updated summary prospectus. Which choice (below) best describes your reason why? *Choose one.* [ROTATE]
1. I only want to be notified of material changes in the information when they occur.
 2. I am not interested in them.
 3. They are difficult to understand.
 4. I will request copies when I want them.
 5. I will search for them online when I want them.
 6. Other [] [OPEN END IS NOT REQUIRED]

B6. Please indicate whether you agree or disagree with the following statement:

I would like to continue to be notified of material changes when they occur (e.g., material changes in investment strategies and objectives, fees, principal risks, and fund management).

1. Agree
2. Disagree

B7. **[BASE: B6=2]** You indicated you prefer to not be notified of material changes when they occur. Which choice (below) best describes your reason why? *Choose one.* **[ROTATE]**

1. An annual updated summary prospectus is sufficient as long as it highlights material changes.
2. I receive too many notices of material changes during the year.
3. I am not interested in them.
4. I will search online for material changes when I want to see them.
5. Other [_____] **[OPEN END IS NOT REQUIRED]**

Demographics

D1. [BASE: ALL] Which best reflects your current level of education?

1. Some high school or less
2. High school graduate
3. Some college - no degree
4. 2-year college/technical degree
5. 4-year college degree
6. Post-graduate degree

D2. [BASE: ALL] Next, please select the category below that best describes your household's total investable assets.

Please include investments such as IRAs, college savings programs, stocks, bonds, mutual funds, annuities, money market accounts, and CDs, and any workplace retirement plans such as a pension or 401(k)/403(b) account held by you or other members of your household.

DO NOT INCLUDE the value of your home(s) or any real estate or small businesses you may own.

1. Under \$10,000
2. \$10,000 to \$24,999
3. \$25,000 to \$99,999
4. \$100,000 to \$249,999
5. \$250,000 to \$499,999
6. \$500,000 to \$999,999
7. \$1,000,000 or more

D3. [BASE: ALL] [NUMERIC TEXTBOX: 1-115] For quality assurance purposes, please provide your age below.

Age: [_____] [TERMINATE IF UNDER 18]

Thank you for your feedback. We appreciate your willingness to share your thoughts with us. Your answers have been submitted.

Attachment C

Data tables (2,000+ survey responses)

Click the links below to open the data tables.

Banner Tables

<https://bit.ly/38Lj92d>

Verbatim Responses

<https://bit.ly/2WYWIRu>