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June 9, 2014

Ms. Elizabeth M. Murphy
Secretary
United States Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File Number S7-12-10

Dear Ms. Murphy:

We appreciate the opportunity to comment on the Commission's release seeking comments and suggestions on how to enhance disclosures in target date fund marketing materials. We support the Commission's initiative to deliver only the most understandable and relevant information to investors to assist them in making informed investment decisions.

Capital Research and Management Company serves as investment adviser to the American Funds, one of the oldest mutual fund families in the nation. Our fund offerings include the American Funds Target Date Retirement Series (the "Series"), launched on February 1, 2007. The Series consists of 10 funds, with retirement dates ranging from 2010 to 2055 in 5-year increments. As of May 31, 2014, the Series had over $21 billion in net assets. The Series strives to achieve an appropriate balance of three critical objectives of investors throughout their lifetime: growth, income and conservation of capital. With this goal in mind, each fund in the Series is invested in a diversified blend of underlying American Funds, which may include growth, growth-and-income, equity-income and balanced, and bond funds. Each fund in the Series is designed for investors who plan to retire in, or close to, the year designated in the fund's name. The funds in the Series are actively managed for 30 years past retirement, which allows investors to use a single fund for their entire lives.

The funds in the Series are managed by a Portfolio Oversight Committee, consisting of a team of veteran investment professionals with diverse backgrounds and an average of 26 years of investment experience. The Committee develops the allocation approach and selects the underlying American Funds in which each fund in the Series invests. It meets regularly to monitor the results of the Series and review various target date fund analyses.

We believe that target date funds have become critical in helping investors save for a more secure retirement. Importantly, they provide an efficient way for investors to invest in a diversified portfolio of assets that is automatically rebalanced over time to match evolving needs, thereby reducing the risks inherent in non-diversified portfolios and eliminating the need for an investor to repeatedly rebalance his or her own portfolio.

We believe that target date funds have greatly benefitted certain retirement plan investors by providing a systematic age-based method of asset allocation. Since target date fund offerings are a relatively recent development, which was spurred by the Pension Protection Act, this is an increasingly active area of research and innovation. In addition, investors' understanding of these fund offerings is still developing. We are devoting considerable resources to educating and informing investors, and so are other fund providers.

Our comments on the release include the following, all of which are discussed in greater detail below:

- The Commission should avoid creating detailed and overly prescriptive requirements specific to target date fund marketing materials. This is inconsistent with the intention behind the current regulatory framework and could lead to: (a) the prospectus being overshadowed as the primary offering document, (b) the creation of advertising rules that target one type of mutual fund based on investment objective or type of investor, (c) a protracted regulatory review process for target date fund marketing materials and (d) a chilling effect on the creation of innovative marketing materials that could enhance investor understanding of target date funds.

- We believe that any mutual fund that has a glide path illustration in its prospectus should not be required to include an asset allocation table, chart or graph in its marketing materials. Fund families should have flexibility in presenting asset allocation information, including the use of types or objectives of underlying funds rather than types of securities or standard asset classes.

- The Commission should not mandate the use of a glide path illustration based on a standardized measure of risk as the discussion of risks is complex and cannot be reduced into a simple illustration.

- The Commission should eliminate the proposed requirement that a target date fund cite its asset allocation at the target date (or in the case of a fund that has already passed its target date, the current asset allocation) adjacent to the initial use of the fund's name. This could be confusing for investors since all funds in the glide path typically have the same asset allocation at the target date. Additionally, it could cause the investor to give undue emphasis to the fund's asset allocation at a single point in time, either the target date or current, rather than give consideration to the entire glide path and other key factors.

- We support the Commission not amending prospectus disclosure requirements for target date funds.

- Disclosures regarding the likely impact of fund fees on total accumulations over the expected holding period of the investment should not be mandated since investment amounts, holding periods and the timing of contributions before retirement and withdrawals after retirement can vary. Any such disclosure could be potentially confusing and/or misleading. The current fee table in target date fund prospectuses is sufficient to facilitate investor understanding of costs.

1. Scope of proposed amendments

The Commission requests comments on whether the rules governing investment company marketing materials should be amended to require additional disclosures to specifically address concerns regarding investor understanding of target date funds. We agree that investors and employers selecting target date funds for their retirement plans should understand the key features of the funds. However, we strongly believe that the prospectus or summary prospectus is, and should remain, the primary offering document for all mutual funds, including target date funds. The additional advertising disclosures proposed by the Commission could cause marketing materials to overshadow the prospectus in importance and deter, rather than enhance, investor understanding.

Furthermore, we believe that overly prescriptive requirements could undo the progress made by the Commission in developing a successful framework for advertising. Except as it pertains to performance advertising, the regulatory framework for investment company marketing materials is purposefully based on general standards to avoid inhibiting the development and use of more helpful and understandable presentations. As you are aware, the current framework was once preceded by a detailed Commission Statement of Policy ("Statement") on investment company marketing material.[1] After nearly three decades of administering the Statement, the Commission requested comment on the Statement's usefulness. Based on the industry's responses and its own review, the Commission withdrew the Statement, stating that:

> "The Statement was intended merely to provide some guidance to the public about what the Commission and the staff thought might be misleading in investment company sales literature. It explicitly neither prescribes the content of sales literature nor proscribes presentations which are not covered by the Statement provided that they are not misleading. Nevertheless, in practice the Statement has taken on the character of a comprehensive and mandatory rule… [T]he staff has experienced significant burdens in administering the Statement. These developments have had unintended and adverse consequences. On the one hand, the Statement has operated to limit the flexibility of investment companies in advertising. Yet, at the same time, some may have been led to believe that use of a format which is included in the Statement or the failure of the staff to object to a particular representation created a "safe harbor."… What is or is not misleading in sales literature may depend greatly on the totality of the circumstances, including the context in which it is used and the sophistication of the investor. The Commission doubts the feasibility of developing mechanical or technical guidelines to define what is or is not misleading in sales literature in all circumstances. Rather the Commission believes that the fundamental responsibility for protecting investors from misleading sales literature resides with those who prepare and use it."[2]

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[1] *See* Investment Company Act Release No. 1503 (August 14, 1950).
[2] *See* Investment Company Act Release No. 10621 (March 8,1979).

We believe that the reasoning of the Commission to move away from prescriptive requirements for investment company marketing materials in 1979 remains valid today.

In addition, we note that the federal securities laws do not currently have any requirements specific to target date fund marketing materials. We urge the Commission not to create advertising rules that target one type of mutual fund based on investment objective or type of investor. A return to the day of the "Statement of Policy" is not warranted. This level of regulation over fund advertising could result in a protracted regulatory review process for marketing materials. It could also inhibit the creation of innovative marketing materials that could enhance investor understanding of target date funds. We believe that the antifraud rules under federal securities regulations, FINRA advertising rule, Department of Labor fiduciary regulations and FINRA review of marketing materials provide sufficient protection for investors from misleading presentations.

2. Asset allocation table, chart or graph

As mentioned above, we do not believe it is necessary to impose additional disclosure requirements specific to target date fund marketing materials. However, we do believe that a glide path illustration can be an effective way to communicate the key features of a target date fund to investors, particularly the fact that the fund's asset allocation automatically becomes more conservative over time. In addition, a glide path provides investors with both the short-term and long-term views of their investment mix (importantly, the fund's current target asset allocation, its projected allocation upon reaching the target date and projected allocation changes after the target date.) For these reasons, we include a glide path illustration in the prospectus for the Series. We believe that any mutual fund that similarly has a glide path illustration in its prospectus should not be required to include an asset allocation table, chart or graph in its marketing materials.

However, the Commission should reexamine the proposed approach of requiring funds to disclose asset allocation by types of securities as opposed to types of underlying funds. Fund families should have the flexibility to design marketing materials and present asset allocation information in the most helpful and understandable manner, taking into consideration the intended audience and context in which the information will be used. For example, we believe that a target date fund glide path that uses the investment objectives of the underlying funds (for example, growth, growth-and-income, equity-income/balanced and bond) can facilitate investor understanding as it best aligns the investment strategy with investor objectives of growth, income and conservation of capital. As discussed earlier, we believe that granting fund families with flexibility in designing their marketing materials is consistent with the intention behind the current regulatory framework for advertising. Additionally, we believe that the current rules and regulations, as well as FINRA reviews of marketing materials, provide sufficient protection for investors from misleading asset allocation presentations.

3. Risk-based glide path

Although we agree that providing risk information to investors, plan sponsors and financial advisors is very important, we believe that this information is sufficiently covered by the prospectus. In addition, the Commission should not mandate the use of a glide path illustration based on a standardized measure of risk as the discussion of risks cannot be reduced into a simple illustration. The concept of "risk" is complex and changes depending on an investor's objectives and time horizons. Any attempt to distill the various forms of risk into a single chart could be confusing and unhelpful, particularly for the type of investors who are either defaulting into the target date funds or inclined to use these funds due to their perceived simplicity and convenience as an investment option. It could also be dangerously misleading as it could cause an investor to improperly focus on one dimension of risk and ignore all others. Indeed, the challenges of reducing risk into a single definition were previously highlighted in 1995, when the Commission issued a release requesting comment on how to improve risk disclosure for investment companies, including ways to increase the comparability of fund risk levels.[3] In reviewing the responses from investors and the mutual fund industry, the Commission acknowledged that investors have a wide range of definitions of risk. The Commission subsequently adopted a requirement that a fund's prospectus include a bar chart to graphically illustrate the variability in the fund's returns, thereby providing some indication of the risks of investing in the fund. We believe that the investing public should be reviewing the bar chart and other risk disclosures in the prospectus rather than relying on marketing materials for risk information.

For reasons already stated above, the Commission should not impose detailed and prescriptive requirements for target date fund marketing materials. Fund families should have the flexibility to present risk information in the manner they deem most helpful and understandable, taking into consideration the intended audience and the context in which the information will be used.

4. Target date fund naming convention

The Commission should eliminate the proposed requirement that a target date fund cite its asset allocation at the target date (or in the case of a fund that has already passed its target date, the current asset allocation) adjacent to the initial use of the fund's name. All of the funds within the same glide path will typically have the same asset allocation at their target date. For example, American Funds 2055 Target Date Retirement Fund and American Funds 2050 Target Date Retirement Fund will have the same asset allocation once they reach their respective target dates but the latter becomes more conservative sooner in the glide path. In addition, such disclosure could be taken to imply that the fund guarantees a fixed asset allocation. This could add to investor confusion rather than aid in their understanding. Furthermore, such prominence may give undue emphasis to the fund's asset allocation at its target date and cause investors not to give proper consideration to other information such as the fund's current allocation and overall investment objectives, fees and expenses and the overall glide path.

5. Prospectus disclosure requirements

We support the Commission not amending prospectus disclosure requirements for target date funds. A target date fund is currently required to disclose its investment objective, principal investment strategies, principal risks in investing and its fees and expenses. We believe this provides the right mix of information that is material to target date fund investors.

6. Amendments to fee disclosure requirements for target date funds

The Commission has broadly requested comments on any aspect of the recommendations of the Investor Advisory Committee. Recommendation 5 of the Committee encourages the Commission to amend the fee disclosure requirements for target date funds to provide better information about the likely impact of fund fees on total accumulations over the expected holding period of the investment. We believe that since investment amounts, holding periods, and the timing of contributions before retirement and withdrawals after retirement can vary, any such disclosure could be potentially confusing and/or misleading. In addition, we do not believe that this type of fee disclosure should be required in target date fund marketing materials. The fee table in the prospectus (which reflects the costs of a $10,000 investment in a fund over 1, 3, 5 or 10 years) adequately provides a standardized formula to compare the costs of investing in a target date fund with the costs of investing in another mutual fund. As previously

[3] *See* Investment Company Act Release No. 20974 (March 29,1995).

stated, we do not believe that the Commission should impose overly prescriptive requirements on marketing materials, which could serve to overshadow the prospectus as the primary offering document. Furthermore, target date funds should not be treated differently from other mutual funds with regard to marketing materials.

We truly appreciate the opportunity to comment on the release and hope that the Commission's efforts in this area truly result in requirements that help investors better understand target date funds. If you have any questions regarding our comments, please feel free to contact either of the undersigned or Maria Manotok at (213) 615 0200.

Sincerely,

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