

November 5, 2010

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

Re: Response to Release No. IC-29367; File No. S7-15-10

Fifth Third Asset Management, Inc. (hereinafter “FTAM”) appreciates the opportunity to comment on the Securities and Exchange Commission’s (hereinafter “Commission”) proposed amendments to mutual fund distribution fees, specifically to the adoption of Rule 12b-2 and amendments to Rule 6c-10 (hereinafter “the Rules”) of the Investment Company Act of 1940.¹

We acknowledge the Commission’s concerns with Rule 12b-1. However, we believe the proposed Rules, if adopted, are likely to alter the manner in which mutual funds are distributed, impose significant costs, add operational complexities, and may adversely affect fund shareholders. We believe the Commission’s proposal: (1) does not address the full range of distribution fees; (2) does not require such fees to be disclosed in a manner that is the most transparent or that promotes easy comparison across funds; and (3) does not provide a practical implementation approach that minimizes shareholders confusion and fund costs. If the Commission’s intent is to materially alter the manner in which funds are distributed, we recommend that it thoughtfully address the full range of distribution activities and corresponding fees prior to amending existing or implementing new rules. Specifically, we request that the Commission consider the recommendations set forth below in its final rule making.

I. Rule 12b-2

As proposed, Rule 12b-2 permits a fund to deduct up to 25 bps from fund assets for distribution activities.² Conceptually, we understand the proposed Rule. However, we feel the Commission’s proposal will make it difficult for funds to consistently determine what constitutes “distribution activities”.³ Furthermore, we feel the

¹ SEC Release 33-912 8; 34-62544; IC-29367; (the “Release”).

² Proposed Rule 12b-2(b).

³ Release pages 45-46.

Commissions reference to and application of “service fees” is unclear and requires more guidance. We recommend that the Commission provide additional guidance on what fund distribution expenses must be paid within Rule 12b-2 and what service fees are permitted outside the scope of the Rule.

II. Increased Transparency of Distribution-Related Fees

FTAM recommends additional changes to the prospectus fee table that require disclosure of all distribution-related fees, including both asset-based distribution fees, as well as all indirect distribution fees (e.g., revenue sharing payments, etc.).

In many instances, advisers finance fund distribution by paying revenue sharing from their own resources. Perhaps advisory contracts should be identified for advisory services only and all other fees paid to intermediaries related to the advisory contract should become transparent. Currently, these arrangements are not plainly disclosed to shareholders. FTAM believes that these fee arrangements represent material distribution costs and their disclosure is important to the Commission’s goal of creating greater transparency of distribution fees. Specifically, FTAM believes that the prospectus fee tables should reflect advisory fees both gross and net of distribution-related subsidies. The distribution subsidy paid by the adviser should be added back into the service and distribution fees section. This fee presentation would provide complete visible representation of all distribution, service, and processing fees paid to intermediaries by the fund and the adviser. A sample of our proposed fee table is included in the attached exhibit.

III. Special consideration for R-Shares

If adopted as proposed, we feel that the current proposal will significantly harm small retirement plans and may force them to close or adopt alternative (more costly and/or less transparent) arrangements. We believe the Commission’s final Rule should permit R Shares (or shares sold in tax-advantaged plans) to use marketing and service fees greater than the proposed 25 bps threshold in order to pay for plan recordkeeping and shareholder servicing. We recommend that the Rule allow these share classes to charge up to 100 bps in perpetuity for a combination of ongoing sales charge and marketing and service fees. The Commission’s concerns with these fee arrangements can be mitigated through additional disclosure. We recommend that the Commission

evaluate the Department of Labor's fee disclosure requirements before implementing any final rules. We also urge the SEC to standardize the use of the name "R Shares" to represent this segment of the fund industry.

Conclusion

We acknowledge that today's 12b-1 arrangements differ from the Commission's original intent thirty years ago and that Rule 12b-1 fee arrangements have become deeply rooted in the manner in which mutual funds are distributed. There are other non-asset-based fee arrangements, such as revenue sharing, that have also become material to fund distribution arrangements.⁴ If the Commission desires to change the manner in which funds are distributed and create clearer transparency, we believe disclosure of non-asset based distribution arrangements, including revenue sharing, should also be included in the Commission's final rules. Although these costs are not always paid directly by the shareholder, they are indirect costs that contribute to a fund's total expenses that are ultimately borne by shareholders. These recommended changes would improve fee transparency to both fund shareholders and mutual fund boards.

Respectfully submitted,

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⁴ Release footnote 65.

Exhibit

Proposed Expense Table with Distribution Costs

| | Example Small Fund A Class | Example Large Fund A Class | Descriptions |
|--|----------------------------------|----------------------------------|--|
| Management Fees | | | |
| Investment Management (IM) Fee | 0.80 | 0.40 | |
| Contra IM Revenues | (0.30) | (0.13) | Note 1; account for as a contra IM revenue |
| Net IM Fees | 0.50 | 0.27 | Better comparison of IM fees for Boards |
| Distribution and Service Fees | | | |
| Marketing and Service Fee | 0.25 | 0.25 | Clarify rule to represent marketing and service fees |
| Ongoing Sales Charge | 0.00 | 0.00 | New fund-level asset-based commission/distribution fee |
| Other Distribution/Service Fees | 0.35 | 0.16 | Note 2; includes some direct fund costs |
| Net Distribution Fees | 0.60 | 0.41 | Note 3; Transparency for shareholders/Boards |
| Other Expenses | 0.08 | 0.03 | |
| Total Annual Operating Expenses | 1.18 | 0.71 | |

Notes:

1. Distribution and service related expenses paid out of the investment manager's resources; includes revenue sharing, sub-TA and other distribution fees paid to fund intermediaries.
2. Other distribution and service fees may include IM contra fees plus all other fund-level fees paid to fund intermediaries.
3. Represents total fees paid to intermediaries by the fund and the adviser.