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VIA EMAIL AND FEDERAL EXPRESS

February 28, 2008

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

Re: File Number S7-28-07

Dear Ms. Morris:

Capital Research and Management Company serves as investment adviser to the American Funds, one of the oldest and largest mutual fund families in the nation. We appreciate the opportunity to comment on the Commission's efforts to adopt a simplified mutual fund prospectus. We support the initiative to provide investors with a streamlined disclosure document that will further enhance their ability to compare and evaluate funds.

1. Executive Summary

We believe the current proposal is a step in the right direction toward providing investors with key information regarding their investments. However, we believe that the proposal should be modified as discussed below in order for it to maximize the benefits of the simplification effort and to be embraced widely by mutual funds.

This proposal in its current form does not adequately recognize the widespread availability of current fund information on the Internet. In addition, the proposal contains many of the same elements incorporated into the last serious attempt by the Commission

in 1998 to simplify the prospectus — the Profile Prospectus Rule. The voluntary profile prospectus has been largely rejected by the industry due to concerns relating to the feasibility of updating, potential liability and practicality. The current proposal to improve disclosure effectiveness raises many of these very same concerns. **Please note however, that if the proposed rule were to be amended to provide that electronic access equals delivery, all our concerns regarding updating would be resolved and our concerns regarding liability would be reduced.**

Specifically, the Commission should consider the following:

- To acknowledge the near universal adoption of the Internet and address environmental concerns:
 - Adopt an access equals delivery model for fund prospectuses and shareholder reports. The Commission has already adopted this approach in other areas.
- To address liability and updating concerns:
 - Deem the summary document a prospectus under section 10(a) of the Securities Act of 1933, thereby adopting a two-tiered approach to disclosure. The length of a summary document could be controlled through Form N-1A instructions and by requiring funds to place all information not mandated by the new 10(a) summary prospectus in the statement of additional information, which would be incorporated by reference as permitted under Form N-1A. This would greatly reduce both our liability and our updating concerns.
 - Eliminate the quarterly updating requirement. This requirement will likely create a serious impediment to the broad use of the summary prospectus.
- To address practicality and effective disclosure concerns:
 - Permit funds to present information on multiple related funds in the summary prospectus. For example, it could be confusing to investors to receive multiple

summary prospectuses for certain products like target date funds that are designed to be offered on an integrated basis.

- Require simple links to the table of contents of the prospectus and SAI.
- Include only information essential to an investment decision. For example, while top ten holdings may be interesting data for sales material, it is not critical for a disclosure document.

2. The Commission should adopt an access equals delivery model for mutual fund prospectuses and shareholder reports

We appreciate the efforts of the Commission in facilitating greater use of technology in shareholder communications. The Commission has adopted a number of initiatives that reduce the burdens on issuers in communicating with investors while still accommodating those who prefer to receive information in paper format. For example, the Commission has: (1) made EDGAR, the online database of issuer filings, text searchable; (2) commenced initiatives to encourage mutual funds and other issuers to file reports in Extensible Business Reporting Language (or XBRL format) that facilitates automated retrieval, analysis and comparison of information; (3) allowed shareholders of funds and operating companies to choose whether to receive proxy materials in paper or via the Internet and (4) adopted the access equals delivery model to fulfill prospectus delivery obligations of corporate issuers.

The access equals delivery model should be extended to the mutual fund industry, allowing funds to deliver prospectuses and shareholder reports by posting them on their websites. Shareholders wishing to receive paper copies of these documents could opt out of this delivery model.

The Federal Thrift Savings Plan has taken this approach with respect to account statements, and participants have responded favorably to the practice. We believe that fund shareholders would also welcome this model. Our research indicates that most

shareholders feel overwhelmed by the amount of paper material they receive from funds and many do not read the materials they receive. Note that this approach is particularly compelling since the Internet has been nearly universally embraced. *See* Investment Company Institute, *Understanding Investor Preferences for Mutual Fund Information* (2006).

Delivery via the Internet would also result in significant savings to shareholders by reducing the costs associated with printing and mailing prospectuses and shareholder reports. In 2007, we estimate that the total annual printing and mailing costs for all of our funds' prospectuses and shareholder reports were in excess of \$29 million.

Moreover, elimination of the unnecessary production of paper documents would aid efforts to improve our environment, including substantially reducing carbon dioxide emissions, a major contributor to global warming. For example, in 2007 we used 18.2 million pounds of paper to print prospectuses and shareholder reports and the printing of these documents produced nearly 50 million pounds of carbon dioxide.

3. The Commission should make the summary prospectus a prospectus under section 10(a) of the Securities Act

Under the proposal a fund may satisfy its delivery obligation under section 5(b)(2) of the Securities Act by delivering the summary prospectus. A fund may also incorporate by reference the statutory prospectus, SAI and/or its shareholder reports. However, the summary prospectus must meet certain conditions in order to take advantage of these protections. We have been advised by experienced mutual fund litigation counsel that these conditions create a risk of additional liability because a court would likely view such conditions as factual matters that would survive a motion to dismiss under the Federal Rules of Civil Procedure. The result would be that potentially frivolous lawsuits would be allowed to proceed to discovery, resulting in substantial legal costs and wasted resources. As demonstrated by the myriad of lawsuits that have survived a motion to

dismiss but have been ultimately unsuccessful, this is more than a mere theoretical concern. As a matter of public policy, the Commission should aim to reduce the risks and costs associated with frivolous lawsuits based on the use of the summary prospectus by making the document a prospectus under section 10(a) of the Securities Act.

Many of the broker-dealer firms who distribute our funds are concerned with these liability issues, and may insist on delivering the statutory prospectus in lieu of the summary prospectus to reduce the risk of litigation. In these cases, we would have to provide the full statutory prospectus. Ironically, **this would result in shareholders receiving substantially longer prospectuses** because of the proposal's requirement that the new summary document for each fund be added to the statutory prospectus.

Consequently, the summary prospectus should be deemed a statutory prospectus under section 10(a) of the Securities Act, and should only include key information. All other information currently contained in the statutory prospectus could then be required in the SAI which would be made available via the Internet or in paper form upon request.

In addition, while we endorse the Commission's layered approach to disclosure, we believe there is no compelling reason for three tiers of disclosure documents as contemplated by the proposal (*i.e.* a summary prospectus, a larger statutory prospectus, and SAI). Requiring a summary prospectus and a longer statutory prospectus which includes the same information seems unnecessary, particularly if all documents will be accessible electronically. A two-tiered approach (*i.e.* a summary 10(a) prospectus and SAI) would be more straightforward and less confusing to investors. With one less document to sort through, investors will be more readily able to identify the information they need to make intelligent investment decisions. This approach does not diminish the nature or amount of information available to investors, but simply makes it more accessible. This approach is also consistent with the proposal's goal of providing investors with streamlined and user-friendly information key to an investment decision,

while making available more detailed information both on the Internet and in paper form, upon request. It also addresses the updating and liability concerns discussed above.

4. The summary prospectus should be updated once per year based on the fiscal year of the fund, consistent with current requirements of section 10(a)

We believe that the challenges of quarterly updating and the dramatic increase in filings and document production resulting from such updating will be a significant deterrent to fund companies voluntarily adopting the summary prospectus. **For example, our organization is much less likely to voluntarily use the summary prospectus if quarterly updating is required.**

Quarterly updating is not necessary because the summary prospectus should disclose only key information that typically remains consistent over long periods. Requiring quarterly updating of a fund's results promotes a short-term investment mentality, which is inconsistent with past guidance from the Commission. *See New SEC Mutual Fund Tips Remind Investors to Look at More than Short-Term Past Performance* (January 24, 2000). We believe that investors should focus on investment results over longer, more meaningful time periods.

However, if the Commission feels that quarterly information is important to investors, it should require that the summary prospectus refer investors to the fund's website for more current information. Although quarterly updating of sales literature is required, sales material is specifically designed for new investors, whereas, the prospectus is the fund's primary disclosure document. The Commission should not blur the line between the fund's primary disclosure document and sales literature. In addition to these issues, updating the summary prospectus each calendar quarter presents several logistical problems, which are described below.

- A. If updated quarterly, the summary prospectus could be inconsistent with the rest of the fund's registration statement

To manage work flow, our funds' fiscal years are staggered throughout the year. If updating tied to calendar quarters is required, the summary prospectus would quickly become unsynchronized with a fund's registration statement. Potentially inconsistent disclosure documents could confuse investors.

- B. It would be burdensome to provide intermediaries with updated summary prospectuses four times each year

Because our funds are accessed by the public primarily through financial advisers, we would have to provide advisers with updated summaries each quarter. In our experience, we believe advisers will resist printing the summaries themselves and instead will ask funds to supply pre-printed copies. We also understand that many broker-dealer home offices oppose quarterly updating because re-stocking millions of copies of the document four times each year, in addition to their current re-stocking activities, would be unduly burdensome. Because of these logistical difficulties, we believe that many dealers would insist on being provided the full 10(a) prospectus, not the summary prospectus.

- C. It will be difficult to update the summary prospectus within 30 days of the end of the calendar quarter

It will be difficult to prepare, review, print and ship summaries to dealer firms within the proposed 30-day window. Although we update fund fact sheets and other sales material each quarter we are not *required* to update them within a specific time period (though we strive to do so as quickly as possible). Instead, we provide advisers with a single document covering all of our funds that contains the most recent information on investment results and expenses that can be used until the material is updated. Unlike sales material, the summary prospectus would have to be updated and shipped to

intermediaries within the 30-day window since the document must be delivered to investors purchasing the funds.

- D. The benefits of quarterly updating are substantially outweighed by the added costs that would be imposed on fund shareholders and complexes

If we are required to update the summary prospectus each quarter, as opposed to once per year based on each fund's fiscal year, we conservatively estimate that we would spend an additional 4,400 hours per year to comply with the quarterly updating requirement.

Under the current proposal we would have to produce 529 summary prospectuses each year, compared to 74 statutory prospectuses that we currently produce each year. This includes retail, retirement and Spanish language versions of most of our funds' prospectuses. It also includes producing separate summaries for our target date series of funds and our variable insurance series of funds. This would necessitate hiring at least two additional full time employees to comply with the requirement.

- E. The quarterly updating requirement would result in significant waste

We estimate that we send over 25 million prospectuses each year to financial advisers for use in connection with selling the funds. Under the proposal, advisers must use updated summary prospectuses in connection with sales activity. As discussed earlier, we believe brokers would require pre-printed summary prospectuses for this purpose. Because fund sales tend to fluctuate from month to month, it would be challenging to determine the quantity of summaries necessary each quarter. This would likely result in additional costs from waste associated with overprinting, or alternatively, from smaller print runs if additional summaries were required.

5. Funds should be allowed to combine information on multiple, related funds

Presenting information for certain types of funds consisting of integrated offerings, such as target date funds or variable annuity funds, would allow investors to better compare similar investment options and would reduce confusion, duplication and waste.

Information on target date funds should be presented in the same document because the investor in a target date fund will move through several different portfolios as she approaches her planned retirement date. In addition, requiring multiple summaries for related funds would result in unnecessary length and repetition in the statutory prospectus. *At the very least the Commission should be receptive to avoiding duplicative information in the statutory prospectus by allowing certain information to be referenced once in the summary section, since discussions regarding the purchase and sale of fund shares, tax information and intermediary compensation are likely to be the same.*

Requiring individual summaries for each portfolio in a series of funds would significantly increase, not reduce, shareholder confusion and would not permit easier comparisons.

These issues would likely deter us from using the summary prospectus for integrated offerings.

6. The summary prospectus should link to the table of contents of the prospectus and SAI, not to specific sections

We believe that it is reasonable and helpful to investors if the Commission requires the summary prospectus to link to the table of contents of the statutory prospectus and SAI. However, requiring links from the summary prospectus to each section of the statutory prospectus and SAI with related information would be burdensome and subject to error and confusion since there could be several sections in both documents with related information. These risks result in additional liabilities to funds that voluntarily use the summary prospectus, **and if required, may deter us from voluntarily adopting the summary prospectus.**

7. The summary prospectus should include only the information that is essential for an investor to make an informed investment decision

If the summary prospectus is to be effective it should be further streamlined to provide investors with only the most critical information. In 1998 when the Commission amended Form N-1A, it evaluated the types of information that are most important to investors. The result of that evaluation was the adoption of the risk/return summary, which the Commission stated was designed to provide investors with an “executive summary of key information.” In consideration of the Commission’s evaluation in 1998, we feel the disclosure requirements of the summary prospectus should be based primarily on the required items in the current risk/return summary.

Accordingly, we believe that only the following critical items should be disclosed in the summary prospectus, in the following order: (1) investment objective (currently included in the proposal); (2) investment strategies (currently included in the proposal); (3) risks and past investment results (currently included in the proposal); (4) total annual expenses before and after any fee waivers or expense reimbursements (currently included in the proposal); (5) sales charges (currently included in the proposal); (6) total costs of ownership (not included in the proposal); (7) identification of the fund’s investment adviser (currently included in the proposal); and (8) information on how to purchase and sell fund shares (currently included in the proposal). While the importance of these items may be apparent, we would like to raise particular concerns with respect to expense disclosure, as well as highlight some information we think would not be appropriate to include in a summary document.

- A. A fund should be required to disclose only its total expenses before and after fee waivers and reimbursements

The Commission’s proposal requires the itemization of fund expenses in the summary prospectus. In our view, investors would be better served by disclosure of the total fund

expense ratio rather than its component parts. Disclosure of the component parts of a fund's expense ratio can confuse and overwhelm the average investor. This is especially true since certain expenses are categorized, labeled and disclosed differently throughout the industry. The most important consideration for investors is the total cost paid relative to the value of services received. A complete breakdown of fund expenses would continue to be available in the SAI.

The expense information should also include the amount of any fee waivers or expense reimbursements and total fund expenses after application of such waivers and reimbursements to better reflect the actual expenses an investor will incur. Under the proposal the Commission would permit a fund to show its net expense ratio if the waiver or reimbursement will continue to reduce fees "for no less than one year from the effective date of the fund's registration statement." We believe many funds will find it difficult to meet this strict time requirement and that there should be more flexibility allowed. For example, our organization's waivers and reimbursements are not contractual and could be removed upon consultation with the fund boards. In these circumstances, a fund should be allowed to continue to disclose net expenses provided it also discloses the circumstances in which the waiver may be terminated, which is consistent with current N-1A requirements.

- B. The summary prospectus should include disclosure regarding the total costs of ownership

A significant number of mutual fund shareholders bear costs that are not fully captured in a fund's expense ratio. For example, although approximately 90% of sales of mutual funds today are through intermediaries, an increasing percentage of these sales involve no 12b-1 expense or sales load. In fact, funds sold without a front end sales load constitute only 10% of sales. Often these costs, which would otherwise be reflected in a disclosed sales load or fund expense, are paid directly by the shareholder. Accordingly, at a minimum, the summary prospectus should include a general statement that investors may

incur additional costs outside of the mutual fund expense ratio. For instance, investors purchasing fund shares through *on-going advisory programs* often pay more than 1.00% on assets each year, in addition to fund expenses. Requiring disclosure of expenses that are reflected in a fund's expense ratio, while knowingly ignoring the trend toward externalization of major investment expenses, increases the likelihood that some will engage in a "shell game" with investors.

- C. Certain information required under the current proposal is not critical to investors and should be omitted from the summary prospectus

The summary prospectus should not include information that will confuse investors and distract them from the most critical information. As the Commission stated in its Release, the summary prospectus should provide investors with "streamlined and user-friendly information that is key to an investment decision." In our view, the inclusion of certain proposed items is unnecessary and will detract from this goal. The Commission did not feel the items discussed below were critical to investors when it adopted the risk/return summary in 1998, and we do not believe these items are any more critical to investors today.

1. The summary prospectus should not require disclosure of a fund's top ten portfolio holdings

Although information on the fund's top ten holdings may be interesting to some investors, it is not critical since the top ten holdings typically represent a small percentage of fund assets. In addition, disclosure of the top ten holdings focuses investors on information that will become stale quickly. For those interested in top ten holdings, the information is already available on websites and other fund materials. We also note that when the Commission considered whether to include a fund's top ten holdings in its 1998 profile prospectus proposal, it ultimately (and correctly, we believe) concluded that

information on a fund's top ten holdings does not rise to the level of critical information necessary in a disclosure document.

2. The summary prospectus should not require disclosure of a fund's portfolio turnover rate

We do not believe that a fund's portfolio turnover rate is essential to an investment decision. Because trading costs are reflected in fund returns, the impact of the turnover rate will be reflected in the past investment results of the fund. Further, disclosing the turnover rate for one period is not particularly meaningful because it does not allow the investor to compare the effect of a higher or lower turnover rate on investment results. Information regarding the fund's turnover rate would remain available in the statutory prospectus and/or SAI.

3. The summary prospectus should not require disclosure of a fund's individual portfolio managers

While we agree that the name of a fund's investment adviser is critical, we do not believe that all funds should be required to disclose the names of its portfolio managers in the summary prospectus. Because multiple portfolio counselors manage our funds, we disclose several individuals in our statutory prospectuses. For example, the current prospectus of The Growth Fund of America discloses eleven individual portfolio counselors, none of whom manages more than 10% of the fund. Disclosing eleven individuals in a summary prospectus would increase the length of the document without adding any substantive disclosure.

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February 28, 2008
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Thank you for considering these comments. The undersigned are the individuals primarily responsible for our organization's compliance with fund disclosure requirements and the oversight of the prospectus production process. Please feel free to contact any of us should you have any questions or wish to discuss our thoughts on the current proposal.

Sincerely,

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