Capital Research and Management[SM]

RECEIVED
FEB 25 2004
OFFICE OF THE SECRETARY

February 23, 2004

Capital Research
and Management Company
333 South Hope Street
Los Angeles, California 90071-1406

Phone (213) 486 9318
Fax (213) 486 9455
E-mail: jar@capgroup.com

James P. Ryan
Senior Vice President and
Senior Counsel
Fund Business Management Group

20

Mr. Jonathan G. Katz
Secretary
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, DC 20549-0609

Re: Concept Release on Measures to Improve Disclosure of Mutual Fund Transaction Costs (File No. S7-29-03)

Dear Mr. Katz:

Capital Research and Management Company ("CRMC") appreciates the opportunity to comment on the Securities and Exchange Commission's concept release on issues relating to the disclosure of mutual fund transaction costs. CRMC serves as investment adviser to The American Funds family of mutual funds with aggregate net assets in excess of $500 billion.

We support efforts to ensure that investors are given all material information necessary to permit them to understand, evaluate and compare various mutual fund investments, including information about fund fees and expenses. We think that there are a number of important steps to improve disclosure and awareness of fund portfolio transaction costs that can and should be taken at this time. However, we also think that some of the proposals being discussed would not meaningfully improve disclosure and could lead to investor confusion.

We think there would be a benefit to requiring funds to disclose the portfolio turnover rate for the five most recent fiscal years more prominently in the prospectus. This information, which is currently provided as part of the financial highlights table in the prospectus, should be moved forward in the document. However, it is also important to provide fund investors with context for the disclosure that would enable them to understand the relative importance of turnover and transaction costs. Consequently, we agree with recommendations to include narrative disclosure explaining the meaning of portfolio turnover and its relationship to portfolio transaction costs. This narrative disclosure would explain how portfolio turnover is calculated and what it means and would explain how turnover relates to transaction costs.

We would not object to a requirement to disclose brokerage commissions paid by a fund as part of the financial highlights table, including as a percentage of average net assets in a separate line item in the table. We also would not object to disclosing information about the average commission rate paid per share in the financial highlights table. Investors would need to be warned that this approach would necessarily include the only type of transaction cost that can be explicitly measured – commissions - and would exclude other direct and indirect transaction costs that are not capable of precise measurement. Accordingly, investors would need to be reminded of the limitations in using commission data as a measure of costs incurred in trading a fund's portfolio securities.

While we understand the desire to quantify all transaction costs, we do not believe that implicit costs can be adequately measured. Consequently, we think it would be misleading to attempt to disclose them quantitatively. As the concept release notes, there are no agreed-upon methods to calculate implicit costs such as spreads, opportunity costs and market impact. There are numerous systems that attempt to measure these costs, but their methods and techniques can vary significantly. We have found that it can be complicated and confusing to interpret the results of these systems and think it would be hopelessly confusing and counterproductive to present them in full detail to investors. The results simply do not lend themselves to simple, concise disclosure that would be useful for investors. Unfortunately, we think that any attempt to simplify the nature of these implicit costs could lead to a mistaken assumption by investors that such costs are capable of precise measurement. In addition, without an objective, consistent method to measure these costs, any numerical representation will be subjective and will not lead to meaningful comparisons among funds.

For these reasons, we would support greater narrative disclosure of the fund manager's investment and trading style, with a discussion of how that style might impact both explicit and implicit costs. This disclosure would seem best placed near the description of investment strategies in the prospectus and would be qualitative in nature.

We would also support additional disclosures about fund policies and practices regarding broker selection and soft dollar arrangements. More specific disclosure of these items could help investors understand these arrangements and provide important information that could help explain the level of brokerage commissions, particularly the average commission per share. We note that the Commission is currently reviewing certain soft dollar issues, including its interpretation of the scope of Section 28(e) of the Securities Exchange Act, and the impact of any changes in that arena should be taken into consideration with on any disclosure proposal.

*　　*　　*　　*　　*

Capital Research and Management Company appreciates the opportunity to comment on the Concept Release and are available to discuss our views with members of the staff if they wish to do so.

Sincerely,

James P. Ryan

James P. Ryan