May 21, 2004

Jonathan G. Katz, Secretary
U.S. Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549-0609

RE: Disclosure Regarding Portfolio Managers of Registered Management Investment Companies
File No. S7-12-04

Dear Mr. Katz:

Capital Research and Management Company[1] ("CRMC") appreciates the opportunity to comment on the Securities and Exchange Commission's (the "Commission") proposed amendments to Form N-1A, Form N-2, and Form N-3, registration forms used by management investment companies to register under the Investment Company Act of 1940 ("Investment Company Act") and to offer their securities under the Securities Act of 1933 ("Securities Act"); and amendments to Form N-CSR under the Investment Company Act and the Securities Exchange Act of 1934 ("Exchange Act"), the form used by registered management investment companies to file certain shareholder reports with the Commission.

We generally support the proposed amendments to Form N-1A, Form N-2, Form N-3, and Form N-CSR and respectfully submit the following comments.

[1] CRMC is the investment advisor to the 29 mutual funds in The American Funds Group, with over $550 billion in assets under management.

I. Disclosure Regarding Other Accounts Managed, Potential Conflicts of Interest, and Policies and Procedures to Address Conflicts

The Commission proposes requiring funds to disclose information about other accounts for which the fund's portfolio manager is primarily responsible in the day-to-day portfolio management. The information would include the number of other accounts and the total assets in such accounts within four categories. They would be located in the statement of additional information ("SAI"). In addition, the funds would also be required to describe any conflict of interest that may arise in connection with the portfolio manager managing the fund and other accounts. This would help investors to assess the conflicts of interest to which a portfolio manager may be subject as a result of managing more than one portfolio, such as how the conflict between the investment strategy of one fund and that of another is resolved. This disclosure would provide investors with a more accurate picture of the portfolio managers' total responsibilities.

We generally agree with this proposal and believe that the investor should be able to make determinations about such potential conflicts. However, providing the information in the SAI as proposed may not be the most efficient approach as the amount of information may be unwieldy, particularly if it were required with respect to each portfolio manager (in the case of teams). Further, the requirement that "any" conflict be described is too broad. This could result in pages of disclosure that may not be helpful to the investor. A better approach would be to disclose that the fund has policies and procedures in place to address any such conflicts and that these are reviewed and approved by the board.

In terms of the other accounts information, the disclosure could be made in tabular format using the total assets by category. This disclosure should be included in the SAI, as proposed, as it does not constitute basic information.

II. Disclosure of Portfolio Manager Compensation Structure

The Commission proposes that a fund disclose in its SAI the structure of the compensation of its portfolio managers, the method used to determine it, and its source (fund, investment adviser, other). This disclosure would apply to the fund and any other account that the portfolio manager manages. According to the Commission, information about the compensation would help the investors in assessing the portfolio managers' incentives in managing the fund and in determining whether their interests are aligned with those of the investors. For instance, one of the factors may be that the portfolio managers are compensated based on their past results and not their current/recent results. This would indicate

that the portfolio managers are not investing in and out of companies to create exaggerated results in the short term. Therefore, the investors would be able to determine that the interests of the portfolio manager are aligned with theirs. The disclosure could also show possible conflicts of interest that could arise when a portfolio manager manages other accounts. The proposal requires the disclosure of the various components (but not amounts) of compensation, such as salary, bonus, deferred compensation, pension and retirement plans, arrangements and whether compensation is cash or non-cash. In addition, the disclosure would have to include any difference between the method used to determine the compensation for one fund and other accounts. We generally agree with the proposal. However, we believe that the degree of detail that is proposed is not necessary.

We fully agree with the Commission's position that the actual amount of the compensation paid to the portfolio manager should not be disclosed. In and of itself, the actual amount gives no indication on what the portfolio manager's incentive may be to manage the fund. Instead, the general structure of determining the compensation is more relevant. The reason behind the disclosure is to give information on relevant factors to the investors so that they can make a determination that is helpful to them. In terms of the definition of "compensation", we believe that it is too broad. Going into great detail may obscure the purpose of the disclosure. It would be preferable to disclose the general structure of the compensation and the method used to determine it. The source of the compensation could also be included, although portfolio managers are typically compensated by the investment advisers and not by the funds.

For your information, we have included below an example of how we are currently disclosing the structure of the compensation of our portfolio managers. We think that this disclosure strikes the appropriate balance as discussed above. The language reads as follows:

> Portfolio counselors and investment analysts are paid competitive salaries. In addition, they receive bonuses based on their individual portfolio results. Investment professionals may also participate in profit sharing plans and ownership of The Capital Group Companies, the parent company of Capital Research and Management Company. In order to encourage long-term focus, bonuses based on investment results are calculated by comparing pretax total returns over a four-year period to relevant benchmarks. For portfolio counselors, benchmarks include both measures of the marketplaces in which the relevant fund invests and

measures of the results of comparable mutual funds. For investment analysts, benchmarks include both relevant market measures and appropriate industry indexes reflecting their areas of expertise. Capital Research and Management Company also separately compensates analysts for the quality of their research efforts.

III. Disclosure of Securities Ownership of Portfolio Managers

The Commission's proposal requires a fund to disclose the ownership of securities of each of its portfolio managers in the funds and other accounts, including investment companies that are managed by the portfolio manager or the investment adviser. This would also include the holdings of the portfolio manager in accounts managed by a management company under common control with the investment adviser of the fund in question. Further, the holdings of the portfolio manager's immediate family members (spouse and minor children living with the portfolio manager) would also be disclosed. The purpose of these disclosures would be to help the investors to determine if the portfolio manager's interest is aligned with theirs and to assess potential conflicts of interest. In addition, according to the Commission, it would show the level of confidence that a portfolio manager has in the investment strategy of the fund. Under the proposal, the ownership of securities would be disclosed using the following dollar ranges: None; $1-$10,000; $10,001-$50,000; $50,001-$100,000; $100,001-$500,000, $500,001-$1,000,000 and over $1,000,000.

We agree that there may be benefits to providing investors with additional basic information about portfolio managers and the funds and accounts they manage. We do not support, however, the proposal that the funds disclose all the security holdings of the portfolio managers and their immediate family members. In addition, we believe that the ranges should be modified to be in line with those currently used for independent directors (as discussed below).

A. Securities Held in Funds and Other Accounts

The Commission proposes that the fund disclose in its SAI the ownership of securities of each of its portfolio managers in the fund and in other accounts, including investment companies, managed by the fund's investment adviser or the portfolio manager. We support the proposal to disclose the portfolio managers' ownership of securities in the funds that the portfolio manager manages within specified ranges as further described below. This information may be helpful to the investors. However, we suggest that this be limited to the funds that the portfolio manager actually manages (and not all funds in the complex) since

knowledge of the portfolio manager's holdings in other funds in the fund complex would be of limited, if any, help to investors. It is not necessary to spell out which particular funds a particular portfolio manager holds since there could be many reasons why the particular portfolio manager holds any given fund and does not hold another. Instead, we suggest that the disclosure show the number of funds that the portfolio manager holds that the particular portfolio manager also manages. We would like to highlight that portfolio managers have a fiduciary duty to investors, regardless of the nature or amount of their personal investments.

We oppose the requirement that the portfolio managers disclose their holdings in other accounts, including those managed by any person under common control with an investment adviser of the fund and over which the portfolio manager may or may not have control. The definition is too broad. This sort of disclosure would intrude on the portfolio managers' privacy and would involve undue administrative burdens. Information concerning holdings managed by entities under the common control of the fund's adviser or underwriter would be of limited value in assessing the interest of the portfolio manager because the nature of the relationship between affiliated companies makes a conflict of interest unlikely. Given the small likelihood that a conflict would arise in the case of an entity under common control with the fund's adviser or principal underwriter, the increased burden that requiring such information would place on funds and their portfolio managers is not justified. Further, requiring that portfolio managers disclose their holdings in other accounts may have the impact that such portfolio managers would transfer their accounts to another unrelated investment adviser to avoid disclosure. Portfolio managers generally prefer to have their other accounts with the investment management company and its affiliates where they are employed.

B. Family Members

The Commission's proposal would require that the holdings of the spouse of the portfolio manager and the immediate family living with the portfolio manager also be disclosed. These requirements are too broad, difficult, and highly intrusive. Portfolio managers may not be able to ensure the cooperation of their spouse or immediate family, even if they are living together. In the case of the minor children of portfolio managers, it exposes them to becoming victims of crimes by being targeted. At most, the information would relate to a possible "appearance" of a conflict of interest. In any event, the holdings of the family members have no bearing on the portfolio manager's qualifications to act as fund manager and disclosing them cannot seriously help the investors to determine whether there is a conflict of interest.

C. Specified Ranges

We strongly support making the disclosure of ownership of funds of the portfolio manager in the fund and other accounts that the portfolio manager manages within specified dollar ranges. Disclosure of a specific dollar amount of assets is not necessary to demonstrate alignment of the portfolio manager's interests with those of the investors. Requiring disclosure of fund ownership within dollar ranges would provide investors with sufficient information to assess the portfolio managers' economic stake in the funds of the complex without unduly invading the portfolio managers' privacy. Therefore, we suggest that the same dollar ranges as are used for the disclosure of the holdings of fund directors be used in this case. The dollar ranges are: None; $1-$10,000; $10,001-$50,000; $50,001-$100,000; and over $100,000. It is not necessary to require more detailed disclosure regarding ownership amounts in excess of $100,000. Requiring disclosure at higher ranges could be tantamount to revealing that the portfolio managers and their families are high net worth individuals. The personal wealth of the portfolio managers and, in particular, that of their families is not relevant to the work of the portfolio manager when managing funds. This disclosure would amount to an invasion of privacy, which neither justified nor needed. Forcing portfolio managers to disclose indications of high net worth could make them targets for plaintiffs' attorneys or for persons who prey on high net worth individuals, such as identity thieves. Keeping the ranges in line with those of the fund boards meets the requirement and does not unduly invade the privacy of the portfolio managers.

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We appreciate your consideration of our views. Any questions regarding our comment letter may be directed to the undersigned at 213.486.9392 or to Mike Downer at 213.486.9425.

Sincerely,

Liliane Corzo
Counsel

cc: Michael J. Downer, Capital Research and Management Company