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Ms. Nancy Morris  
Secretary  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-9303

June 9, 2006

Re: June 12<sup>th</sup> Interactive Data Roundtable

Dear Ms. Morris:

The Investment Company Institute is pleased to submit the following Statement in connection with the Commission's Interactive Data Roundtable scheduled for Monday, June 12, 2006.

Sincerely,

A handwritten signature in black ink that reads 'Elizabeth Krentzman'. The signature is written in a cursive, flowing style.

Elizabeth Krentzman

**SECURITIES AND EXCHANGE COMMISSION  
INTERACTIVE DATA ROUNDTABLE**

**Statement of the Investment Company Institute  
June 9, 2006**

**I. Introduction**

The Investment Company Institute<sup>1</sup> commends Chairman Cox and the Securities and Exchange Commission for scheduling this very timely series of roundtable discussions on use of the Internet to provide investors and analysts with better information about mutual funds and operating companies.

The Commission's specific attention to mutual funds and their investors is welcome and appropriate. Mutual funds are the investment of choice for millions of Americans saving for retirement, for their children's education and for other important financial goals. Today, nearly 54 million U.S. households and more than 91 million individual investors own funds.<sup>2</sup>

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<sup>1</sup> ICI members include 8,698 open-end investment companies (mutual funds), 656 closed-end investment companies, 166 exchange-traded funds, and 5 sponsors of unit investment trusts. Mutual fund members of the ICI have total assets of approximately \$9.378 trillion (representing 98 percent of all assets of U.S. mutual funds); these funds serve approximately 89.5 million shareholders in more than 52.6 million households.

<sup>2</sup> Investment Company Institute, *U.S. Household Ownership of Mutual Funds in 2005*, Research Fundamentals, Vol. 14, No. 5, October 2005, available at <http://www.ici.org/pdf/fm-v14n5.pdf>.

The Institute has encouraged the Commission to conduct a careful review of the mutual fund disclosure system.<sup>3</sup> We hope that these roundtable discussions will provide valuable insights for the review process, and we certainly appreciate the opportunity to provide our views.

We agree with Chairman Cox that the Internet and other technological advances provide unique opportunities for funds to better serve investors' information needs. This statement will discuss the growth of the Internet and its potential as a tool for better informing investors; the Institute's plans to promote the Commission's interactive data initiative and to develop and encourage the use of data-tagging standards that will best serve mutual fund investors; and the Institute's specific recommendations for Commission actions to improve the fund disclosure system in light of developments in technology and the evolving needs of investors.

## **II. The time is ripe to make greater use of the Internet to inform fund investors**

The Internet has enormous potential as a tool for communicating effectively with fund shareholders. In a remarkably short period of time, the Internet has transformed and accelerated our ability to gather and distribute information. While early Internet users were mostly young, high-income, highly educated people,<sup>4</sup> today a majority of every age, income and education group has Internet access.<sup>5</sup>

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<sup>3</sup> See, e.g., Letter from Paul Schott Stevens, President, Investment Company Institute, to Mr. Christopher Cox, Chairman, U.S. Securities and Exchange Commission, dated Aug. 4, 2005.

<sup>4</sup> Pew Internet & American Life Project, *Internet: The Mainstreaming of Online Life*, Trends 2005, at 59.

<sup>5</sup> Mediamark Research Inc.

Rapid growth in Internet access and usage is particularly evident among mutual fund investors. An Institute study conducted last year found that nearly 90 percent of mutual fund investors have access to the Internet.<sup>6</sup> About two thirds of those with Internet access go online at least once a day. Three quarters of fund investors who go online use the Internet to access their bank or investment accounts. Nearly 60 percent of fund investors who go online use the Internet to obtain investment information.

As in the case of the general population, mutual fund investors' Internet access has sharply increased across all demographic groups. Consider the change in just five years, from 2000 to 2005. Among fund investors age 65 or older, Internet access more than doubled, from 30 percent to over 60 percent. Internet access among fund investors with a high school education or less almost doubled, to 72 percent. And among fund investors with household incomes less than \$50,000, Internet access increased by almost two-thirds, to more than 75 percent.

As it has considered relying more heavily on the Internet to provide required disclosure, the Commission has sought to pace its proposals to the level of Internet access of the investing public. The Commission, like others, has recognized that Internet use has expanded greatly.<sup>7</sup> The Institute's findings on Internet access and usage show that mutual fund investors in particular are comfortable

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<sup>6</sup> Investment Company Institute, *Mutual Fund Shareholders' Use of the Internet, 2005*, Research Fundamentals, Vol. 15, No. 2, February 2006, available at [www.ici.org/pdf/fm-v15n2.pdf](http://www.ici.org/pdf/fm-v15n2.pdf). A copy of this report is attached as Appendix A.

<sup>7</sup> In its recent proposal concerning Internet availability of proxy materials, for example, the Commission cited data indicating that "up to 75% of Americans have access to the Internet in their homes, and that this percentage is steadily increasing among all age groups." SEC Release Nos. 34-52929; IC-27182 (Dec. 8, 2005), 70 Fed. Reg. 74598, 74599 (Dec. 15, 2005).

using and relying on Internet technology. These findings indicate that fund investors are equipped and ready *now* for a new disclosure regime that takes greater advantage of the Internet.

### **III. The Institute believes that the use of interactive data in mutual fund disclosure will benefit mutual fund investors, and strongly supports the Commission's initiative**

The Institute supports Chairman Cox's efforts to promote interactive data. As the Chairman has noted, effective use of available technology will "change the game for millions of ordinary investors."<sup>8</sup> The SEC's eXtensive Business Reporting Language (XBRL) initiative is designed to help "put investors in the driver's seat" by facilitating automated search, retrieval and analysis of tagged data. By enabling investors and others to manipulate data, to perform analysis and comparisons, and to "drill down" deeper into layers of information, interactive data can truly increase the value of information made available to the public.<sup>9</sup> XBRL data tagging also will enable the Commission to review filings more efficiently.

To date, the SEC's voluntary XBRL filing program has focused on financial data. The Institute is encouraging its members to participate in this voluntary initiative. Unlike with operating companies, however, mutual fund financial statements do not provide the information that investors most

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<sup>8</sup> Speech by SEC Chairman: Opening Remarks to the Practicing Law Institute's SEC Speaks Series (March 3, 2006).

<sup>9</sup> Most investors who own mutual funds outside of defined contribution plans invest through financial intermediaries. Many of these investors conduct some research on their own. In addition to providing new capabilities to those investors who wish to research and compare different funds, XBRL data tagging may benefit fund investors indirectly by assisting their financial intermediaries in analyzing fund information.

commonly rely upon in making investment decisions.<sup>10</sup> Therefore, a broader taxonomy that goes beyond financial data will increase XBRL's value to fund investors.

The Institute has embarked on a major project to begin the development of that broader taxonomy. To our knowledge, the Institute is the first U.S. financial services industry organization that is working to extend the use of XBRL beyond financial data. We plan to extend the existing XBRL taxonomy to cover the risk/return summary currently contained in all mutual fund prospectuses. This summary includes:

- the fund's investment objectives/goals;
- the fund's principal investment strategies;
- the principal risks of investing in the fund (including a narrative description of these risks and graphic presentations of historical fund performance); and
- the standardized fund fee table.<sup>11</sup>

It is appropriate to focus on the risk/return summary because it contains information that is critical to investors and that lends itself well to fund analyses and comparisons. In fact, this was the original purpose of the risk/return summary. In proposing the risk/return summary in 1997, the Commission stated that the summary "would provide all investors with key information about a fund

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<sup>10</sup> Investment decisions regarding operating companies are generally driven by comparisons between investors' assessments of the value of a company (based in part on its financial statements) and the market's assessment of the company's value, as indicated by its market capitalization. By contrast, an investment company's market capitalization is directly tied to the assets it holds; there is no subjectivity in its share price. A mutual fund investment decision, therefore, is less likely to be based on the valuation of the investment company than on factors such as fees, risks, market conditions, and past performance.

<sup>11</sup> See SEC Form N-1A, Items 2-3.

in a standardized, easily accessible place that could be used to evaluate and compare fund investments.”<sup>12</sup> Making this information interactive will help fulfill the risk/return summary’s intended purpose.

We have engaged PricewaterhouseCoopers to assist us in extending the existing investment company taxonomy to cover the risk/return summary. PwC is a member of XBRL International and has played a key role in developing the XBRL taxonomy covering investment company financial statements.

To assist the Institute and PwC in this effort, we have formed a working group of interested parties, including legal, accounting, compliance and technology professionals from ICI member firms, SEC filing agents, independent fund administrators and software companies. As all of these organizations will play key roles in implementing XBRL, their participation is critical to the success of this initiative.

The extended taxonomy project is set to begin on June 12, 2006. We expect to complete our work on the risk/return summary by year end, and to make a final version of the extended taxonomy

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<sup>12</sup> SEC Release Nos. 33-7398, IC-22528 (Feb. 27, 1997), 62 Fed. Reg. 10897, 10902 (Mar. 10, 1997) (Registration Form Used by Open-End Investment Management Investment Companies; Proposed Rule). The Commission adopted the risk/return summary in 1998 as part of a major overhaul of mutual fund registration statements. In a related reform, the Commission created a new fund disclosure option, the fund profile, designed to give investors key information about a fund. The fund profile is required to include the same information as the risk/return summary, as well as information about the fund’s portfolio manager(s), how to purchase and sell fund shares, the fund’s distributions and tax treatment, and a summary of services available to fund investors. These latter categories of information are less amenable to comparative analysis than the contents of the risk/return summary, which is why we have focused our XBRL taxonomy project on the risk/return summary. *See* SEC Release Nos. 33-7512; 34-39748; IC-23064 (Mar. 13, 1998), 63 Fed. Reg. 13916 (Mar. 23, 1998) (Registration Form Used by Open-End Management Investment Companies; Final Rule); SEC Release Nos. 33-7513, IC-23065 (Mar. 13, 1998), 63 Fed. Reg. 13968 (Mar. 23, 1998) (New Disclosure Option for Open-End Management Investment Companies).

available during the first quarter of 2007. At that time, assuming that the SEC amends its voluntary XBRL reporting program to allow it, the Institute intends to encourage the use of XBRL tagging for the risk/return summary in EDGAR filings, and to offer various forms of educational assistance to members and industry service providers to support the launch of the taxonomy.

Applying XBRL tags to the risk/return summaries to all of the funds in a complex will be no small feat. Unlike typical operating companies, whose XBRL-related efforts are limited to applying XBRL tags to one set of financial statements, a mutual fund complex can have dozens or even hundreds of funds, each with its own disclosure that must be tagged.<sup>13</sup> Even after the risk/return summary taxonomy is implemented, the number of funds in each complex increases the challenges involved in making sure that fund companies and their service providers can tag data accurately and efficiently in an ongoing manner.

#### **IV. The SEC should bring the fund disclosure system into the 21<sup>st</sup> century**

Making interactive mutual fund data a reality will provide significant benefits to investors, their financial advisers and other market participants. But it is only one component of a broader disclosure reform initiative that we urge the Commission to undertake. Just as technology makes interactive data possible, it also provides an historic opportunity for the Commission to make improvements that will bring the fund disclosure system into the 21<sup>st</sup> century.

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<sup>13</sup> According to ICI data, the top 350 fund complexes, representing 98 % of all assets held in open-end mutual funds, have a total of 8,017 individual funds. In other words, mutual fund complexes have an average of 23 funds each, although the actual number of funds per complex ranges from 1 to 278.



A. The Internet opens the door to better ways of serving investors' information needs

Under the current paper-based system of fund disclosure, a single document – the fund prospectus – must serve multiple purposes. The prospectus is used, for example, to inform millions of investors, thousands of intermediaries, numerous other market participants such as fund analysts and financial advisers, the media, and the Commission itself. Not all of these constituencies (or their individual constituents) have the same interests, needs and uses for the information. The prospectus must be crafted to meet legal requirements and thereby protect the fund and its adviser against legal liability under the securities laws. The SEC's disclosure regime makes extensive information available to the public, and that transparency is a hallmark of mutual funds. But the attempt to satisfy so wide a range of purposes with one document has resulted in lengthy, complex and detailed prospectuses that are not well suited to the objective of informing investors.

The experience with fund shareholder reports is similar. In both cases, competing objectives and the constraints of a paper-based system have led to documents so long and uninviting that many people do not read them. Recent Institute research concerning investor preferences for mutual fund information confirms that fund prospectuses and shareholder reports are not meeting the needs of many investors.<sup>14</sup> Most shareholders find prospectuses difficult to understand and too long, and about half of those surveyed feel the same way about shareholder reports.

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<sup>14</sup> Investment Company Institute, *Understanding Investor Preferences for Mutual Fund Information*, Summary of Research Findings ("Understanding Investor Preferences"), 2006, available at [www.ici.org/pdf/rpt\\_06\\_inv\\_prefs\\_summary.pdf](http://www.ici.org/pdf/rpt_06_inv_prefs_summary.pdf). A copy of this report is attached as Appendix B.

Our research shows that shareholders prefer a concise summary of key mutual fund information.<sup>15</sup> This finding comes as no surprise. Indeed, to the Commission's credit, it recognized this years ago; the fund profile and the risk/return summary in fund prospectuses developed in the late 1990s were designed to respond to the need for a concise summary of key fund information and to facilitate comparisons among funds.<sup>16</sup> Today, the Internet provides a mechanism for building on those concepts and addressing the issues that have prevented previous disclosure reform initiatives from realizing their full potential.

B. The Commission should develop a new approach for fund disclosure

Advances in technology, the widespread use of the Internet by mutual fund investors, and compelling data about investors' information preferences make this a most opportune time for the Commission, in consultation with all stakeholders, to develop a new fund disclosure approach that takes greater advantage of the Internet. Outlined below are some of the key elements of an approach that we recommend.

*1. Use of a concise disclosure document*

To improve the current disclosure system, we recommend that the Commission consider developing a new approach under which funds would:

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<sup>15</sup> *Id.* at 4-5.

<sup>16</sup> *See supra* note 12. As discussed in the SEC's releases, these efforts were supported by substantial empirical evidence developed through research conducted by the Commission and the industry. *See, e.g.*, 63 Fed. Reg. at 13918, 13969. *See also*

- provide a clear, concise disclosure document (similar to a fund profile) to all investors, in paper form or, at the investor's election, electronically;<sup>17</sup>
- prominently advise investors that additional, more detailed information (*i.e.*, the prospectus and statement of additional information) is available; and
- make the prospectus and statement of additional information available online and paper copies available promptly upon request at no additional charge.

Although our proposed approach would require that the concise disclosure document be provided in paper unless requested electronically, it nonetheless represents a significant step forward in use of the Internet. First, individuals who want to learn more about a fund may be more likely to use the Internet to do so. Additionally, once XBRL-tagged risk/return summaries are available, the concise disclosure document could inform investors that certain information is available in an interactive format on the Internet. This may result in a greater migration toward the use of technology, as investors begin to understand the enhanced analytical capabilities provided by interactive data.

The Commission should also consider following a similar approach with respect to fund shareholder reports. Streamlined shareholder reports could focus on the information shareholders find most useful (*e.g.*, fund management's discussion of fund performance). Information that may be of

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Investment Company Institute, *The Profile Prospectus: An Assessment by Mutual Fund Shareholders* (May 1996), available at [http://www.ici.org/pdf/rpt\\_profprspctus.pdf](http://www.ici.org/pdf/rpt_profprspctus.pdf).

<sup>17</sup> Notwithstanding the widespread acceptance and use of the Internet by mutual fund shareholders, the Institute recognizes that some investors do not have Internet access and others prefer to obtain fund information in paper form. At some future time, the Commission may want to consider further developments in technology and trends in the use of the Internet, and reevaluate whether paper delivery of the concise disclosure document should continue to be the default requirement.

interest only to some shareholders and other market participants, such as the financial statements, could be made available electronically.

## *2. Benefits of the proposed approach*

Our proposed approach would introduce greater flexibility into the fund disclosure system. First and foremost, it would ensure that all investors receive a high quality, plain English document highlighting key information about funds. As supported by our recent research findings, investors would benefit because – in comparison to the prospectus they currently receive – they would be far more inclined to use such a document. The same would be true of streamlined shareholder reports.

Meanwhile, making additional, more detailed information available online would enable investors, their financial advisers and other market participants to access and analyze the levels and types of data most important to them. As a result, our proposed approach would serve the varying needs of all consumers of mutual fund information *without any net loss in the amount of information available to investors and the marketplace at large*. As Institute President Paul Stevens observed in remarks at the National Press Club earlier this year, “[t]he Internet offers the ultimate *a la carte* menu: Those who want more extensive information can get it. Those who don’t can access or be provided the essential information they need, in a form they are likely to use.”<sup>18</sup> In addition, over time, we would

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<sup>18</sup> Address by Paul Stevens, President, Investment Company Institute, “Revolution in Real Time: Using the Internet to Inform Investors Better,” February 14, 2006, National Press Club, Washington, D.C., available at [http://www.ici.org/statements/remarks/06\\_npc\\_stevens\\_spch.html#TopOfPage](http://www.ici.org/statements/remarks/06_npc_stevens_spch.html#TopOfPage).

expect this approach to dovetail with Commission and industry efforts to enable investors and others to retrieve and manipulate key fund information and make comparisons among funds (using XBRL).

*3. Addressing concerns that have hindered past disclosure simplification efforts*

Despite the considerable effort involved in developing past disclosure simplification initiatives, their success has been limited. The fund profile, for example, foundered in part because liability concerns prohibited it from being used as a short-form, stand-alone document. For funds to adopt our proposed approach, the Commission must conclude that providing a concise disclosure document, and making the prospectus available on the Internet - and in paper upon request - satisfies funds' legal obligations under the federal securities laws.

In addition, as the Commission recognized in its last major disclosure simplification effort, achieving the goals of simplified disclosure "necessitates discipline on the part of the Commission and its staff, as well as on the part of funds and their advisors."<sup>19</sup> If additional disclosure requirements are warranted in the future, the Commission should carefully consider whether the information required is of key importance to investors and, if not, should require only that it be made available primarily online (with paper copies available upon request).

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<sup>19</sup> 63 Fed. Reg. at 13941.

### C. Permit Internet-only mutual funds or share classes

To facilitate greater use of the Internet for disclosure purposes right away, the Commission should clarify that it is legally permissible to offer all-electronic funds or share classes. Some investors may prefer to do business with fund companies without ever receiving any paper.<sup>20</sup> Funds or share classes for which all required disclosures and statements are provided solely through electronic means could benefit from reduced expenses.

The Commission approved an all-electronic insurance product in 2001, but stated in its order that “our decision to declare this registration statement effective reflects the particular facts and circumstances applicable here,” and that, in light of the enactment of the Electronic Signatures in Global and National Commerce Act, “we are currently reviewing whether our previous pronouncements on electronic delivery should be modified.”<sup>21</sup> No additional interpretive guidance has been offered since that time, so it remains unclear whether similar offerings may go forward today without specific Commission approval. Given advances in Internet technology, security, access and usage, the Commission should clarify its position and remove any regulatory obstacles to electronic-only fund offerings.

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<sup>20</sup> Investors would need to be fully informed of, and agree to, the electronic-only arrangement at the outset, including the fact that if they later chose to receive paper, their shares would either be redeemed or exchanged for shares in a different class.

<sup>21</sup> SEC Release No. 8027 (Oct. 25, 2001).

D. Adopt workable and effective point of sale disclosure requirements for funds and other investments

The Commission has proposed to require brokers to provide investors, at the point of sale, with information about costs and potential conflicts of interest related to the sale of fund shares.<sup>22</sup> The Institute continues to support such a requirement in concept, but we believe two changes to the Commission's proposal are essential before it goes forward.

First, the Commission should designate the Internet as the primary medium for providing point of sale disclosure.<sup>23</sup> The Commission's proposal, for all practical purposes, would require brokers to deliver paper copies of point of sale disclosure before executing transactions, which would disrupt the current broker sales model. The Internet makes it possible to provide timely information, in a way that is consistent with how brokers conduct business with their customers (*i.e.*, typically by phone or over the Internet, rather than in face-to-face meetings).<sup>24</sup>

The approach we recommend is consistent with Chairman Cox's efforts to promote greater use of technology to help investors. It will make it easy for investors who are interested in more detailed information to obtain it (*e.g.*, through hyperlinks to fund prospectuses). It also will facilitate comparisons among funds and among brokers.

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<sup>22</sup> SEC Release Nos. 33-8358; 34-49148; IC-26341 (Jan. 29, 2004), 69 Fed. Reg. 6438 (Feb. 10, 2004); *see also* SEC Release Nos. 33-8544; 34-51274; IC-26778 (Feb. 28, 2005), 70 Fed. Reg. 10521 (Mar. 4, 2005).

<sup>23</sup> Paper copies of the required information should be made available upon request.

<sup>24</sup> *See* Letter from Elizabeth Krentzman, General Counsel, Investment Company Institute, to Mr. Jonathan G. Katz, Secretary, U.S. Securities and Exchange Commission, dated April 4, 2005.

Second, and of equal importance, the policy goals underlying point of sale disclosure for mutual funds are no less valid in the context of other investments that brokers sell. The SEC therefore should revise its proposal to extend point of sale disclosure requirements to other investment products. The Institute agrees with NASD Chairman Robert Glauber's recent recommendations in this regard.<sup>25</sup> Without this change, the requirements will unfairly discourage brokers from selling mutual funds.

The Institute also appreciates Mr. Glauber's offer to work with the fund industry to facilitate the implementation of point of sale disclosure once new requirements are adopted.<sup>26</sup>

## **V. Conclusion**

As Chairman Cox has recognized, the Commission has before it an historic opportunity to harness technology to serve investors. Institute research illustrates that the time has come to take full advantage of the many benefits technology has to offer to better inform mutual fund investors, their financial advisers and the marketplace at large. Our XBRL project and the new approach to mutual fund disclosure that we recommend are intended to help the Commission achieve this goal. We look forward to working with the Commission on these initiatives.

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<sup>25</sup> Mr. Glauber recommended extending the requirements to exchange-traded funds, separately managed accounts and annuities. Remarks of Robert Glauber, ICI Annual Meeting (May 18, 2006), available at [http://www.nasd.com/PressRoom/SpeechesTestimony/RobertR.Glauber/NASDW\\_016642](http://www.nasd.com/PressRoom/SpeechesTestimony/RobertR.Glauber/NASDW_016642), at 4-5.

<sup>26</sup> *Id.* at 4.



# **Exhibit A**

## Mutual Fund Shareholders' Use of the Internet, 2005

### KEY FINDINGS

- **Americans' access to the Internet has grown dramatically:** Four out of five Americans today have Internet access; in 1997, less than one-quarter had Internet access.
- **Mutual fund shareholders are more likely than all Americans to have Internet access:** In 2005, nearly 90 percent of mutual fund shareholders have Internet access, compared with 79 percent of all Americans.
- **Mutual fund shareholders use the Internet often:** About two-thirds of fund investors with Internet access go online at least once a day; nearly another quarter goes online at least once a week.
- **Mutual fund shareholders use the Internet for financial purposes:** Fund shareholders are more likely than other Internet users to access an investment or bank account online or obtain online investment information.

### INTERNET USAGE INCREASES AMONG ALL AMERICANS

The number of Americans with Internet access has grown rapidly since the late 1990s (Figure 1), due in part to the growing availability of broadband Internet access, the decreasing cost of personal computers, and users' increasing comfort with the Internet's ability to provide secure transactions.<sup>1</sup> As the number of Americans with Internet access has grown, so has the number of government,<sup>2</sup> retail, and commercial services available online.

As is often the case with new technology, use of the Internet was concentrated at first among a small segment of the U.S. population and expanded over time to include a much broader cross-section. Early Internet users were mostly young, high-income, highly educated people. Now a majority of people in all age, income, and education groups has Internet access.

Among some population subgroups, Internet access is nearly universal today. These include people with some post-secondary education, those with household incomes of \$50,000 or more, and those

FIGURE 1

**INTERNET ACCESS INCREASES AMONG AMERICANS OF ALL DEMOGRAPHIC GROUPS**

Percent of U.S. adults with Internet access, by selected characteristics, 1997–2005, selected years

	1997	1999	2001	2003	2005
<b>All U.S. Adults</b>	24	42	66	78	79
<b>Age</b>					
Less than 35 years	30	51	75	85	85
35 to 54 years	30	51	74	85	85
55 years or older	8	20	43	62	64
<b>Education</b>					
High school or less	10	23	47	64	64
Some college or associate's degree	33	56	80	90	90
College or postgraduate degree	48	73	91	96	96
<b>Household Income</b>					
Less than \$50,000	14	26	48	64	64
\$50,000 to \$149,000	40	64	84	92	93
\$150,000 or more	56	81	95	97	97

source: Mediamark Research Inc., cited in U.S. Census Bureau, Statistical Abstract of the United States: 1997–2003, and www.mediamark.com

who are under age 55. Access has also increased significantly among other subgroups, such as people with less formal education or lower household income. In addition, nearly two-thirds of U.S. adults age 55 or older have Internet access in 2005, up from just 8 percent in 1997.<sup>3</sup>

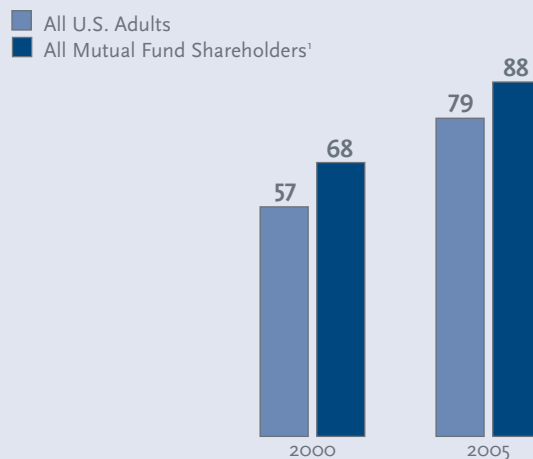
**NEARLY ALL MUTUAL FUND SHAREHOLDERS HAVE ACCESS TO THE INTERNET**

The share of mutual fund investors with Internet access also has grown rapidly in recent years: nearly 90 percent of mutual fund shareholders in 2005 had Internet access,<sup>4</sup> up from 68 percent in 2000,<sup>5</sup> the first year in which ICI measured shareholders' access to the Internet (Figure 2). Mutual fund owners are more likely than all U.S. adults to have Internet access in part because these owners share many of the same characteristics of individuals most likely to use the Internet. For example, 85 percent of all mutual fund shareholders have some post-secondary education,<sup>6</sup> compared with 50 percent of the U.S. population.<sup>7</sup> Similarly, 71 percent of fund-owning households have income of \$50,000 or more,<sup>8</sup> versus 45 percent of all U.S. households.<sup>9</sup>

FIGURE 2

**NEARLY ALL MUTUAL FUND SHAREHOLDERS NOW HAVE INTERNET ACCESS**

Percent of all U.S. adults and mutual fund shareholders with Internet access, 2000 and 2005



<sup>1</sup>In 2000, shareholders not using the Internet in the past 12 months or solely using the Internet for email were not counted as having Internet access.

sources: Investment Company Institute and Mediamark Research Inc., cited in U.S. Census Bureau, Statistical Abstract of the United States: 2000, and www.mediamark.com

## INTERNET ACCESS HAS GROWN RAPIDLY AMONG CERTAIN GROUPS OF MUTUAL FUND INVESTORS

Internet access increased among all shareholder groups during the last five years, but most substantially among shareholders who are older, shareholders with less formal education, and shareholders with lower

household income (Figure 3). For example, the share of senior fund owners with Internet access more than doubled in the last five years. Younger, more educated, and higher-income shareholders still have greater rates of Internet access, but the gap has narrowed as the Internet has gained wide acceptance as a communications medium.

**FIGURE 3**

### MUTUAL FUND SHAREHOLDERS OF ALL TYPES HAVE INTERNET ACCESS

*Percent of mutual fund shareholders with Internet access, 2000 and 2005*

	Share Who Had Internet Access in 2000	Share Who Had Internet Access in 2005
<b>Shareholder Age</b>		
Less than 35 years	83	94
35 to 49 years	75	93
50 to 64 years	60	91
65 years or older	30	63
<b>Shareholder Education</b>		
High school or less	39	72
Some college or associate's degree	68	86
College or postgraduate degree	81	93
<b>Household Income</b>		
Less than \$50,000	47	76
\$50,000 to \$99,000	77	92
\$100,000 to \$149,000	92	97
\$150,000 or more	94	97

*source: Investment Company Institute*

## MUTUAL FUND SHAREHOLDERS USE THE INTERNET FREQUENTLY

Virtually all mutual fund investors with Internet access went online at least once between June 2004 and May 2005 (Figure 4). Only 4 percent of shareholders with Internet access did not go online during this period.

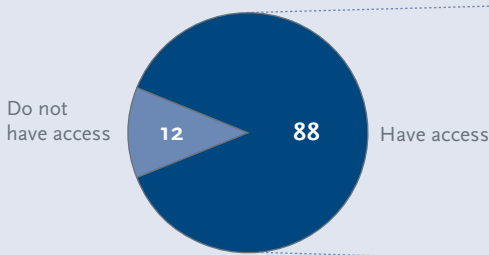
Most mutual fund shareholders use the Internet frequently. About two-thirds of shareholders with Internet access go online at least once a day, and another 23 percent go online at least once a week (Figure 5). Only one out of every 10 fund owners with Internet access goes online less than once a week or not at all.

FIGURE 4

### MOST MUTUAL FUND SHAREHOLDERS WITH INTERNET ACCESS WENT ONLINE IN THE LAST YEAR

#### INTERNET ACCESS, 2005

(percent of all mutual fund shareholders)



#### USE OF THE INTERNET IN THE PAST 12 MONTHS<sup>1</sup>

(percent of mutual fund shareholders with Internet access)

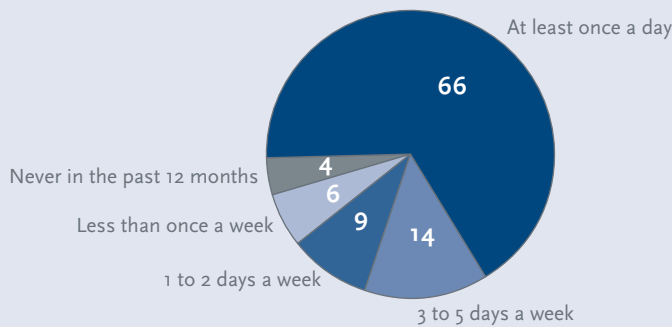


<sup>1</sup>June 2004 through May 2005  
source: Investment Company Institute

FIGURE 5

### MOST MUTUAL FUND SHAREHOLDERS USE THE INTERNET EVERY DAY

Percent of mutual fund shareholders with Internet access, by frequency of Internet use, 2005



note: Components do not add to 100 percent because of rounding.  
source: Investment Company Institute

## MUTUAL FUND SHAREHOLDERS SEEK FINANCIAL INFORMATION ONLINE

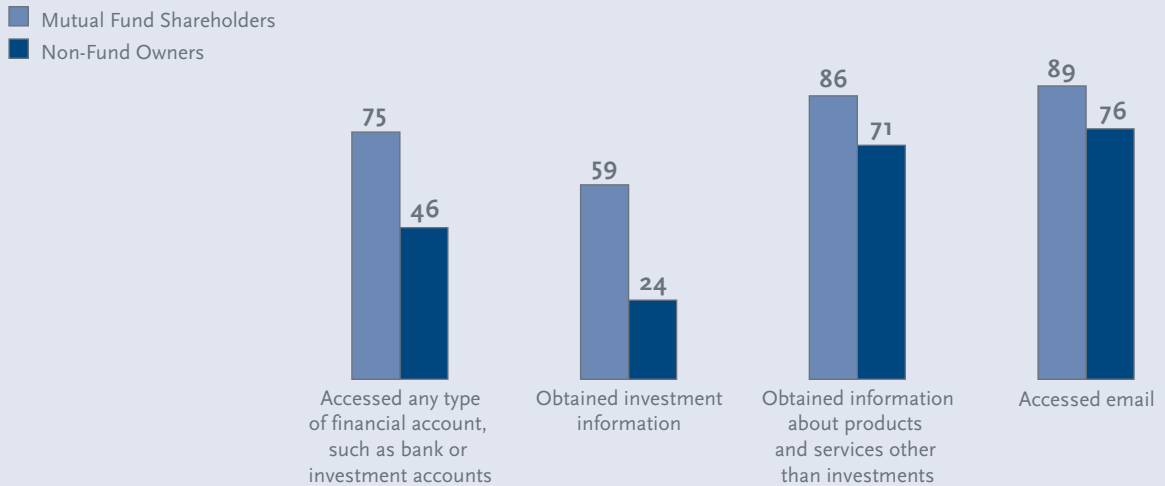
Many mutual fund shareholders take advantage of the financial information available on the Internet. Among those with Internet access, mutual fund owners are much more likely than non-fund owners to go online to access an investment or bank account or obtain online

investment information (Figure 6).<sup>10</sup> In addition, more mutual fund owners than non-fund owners engage in common online activities, such as accessing email or obtaining information about non-financial products and services. Nearly 90 percent of shareholders with Internet access use the Internet to access email.

FIGURE 6

### MOST MUTUAL FUND SHAREHOLDERS USE THE INTERNET FOR FINANCIAL-RELATED PURPOSES

Percent of mutual fund shareholders and non-fund owners with Internet access engaging in each online activity in the past 12 months,<sup>1</sup> 2005



<sup>1</sup>June 2004 through May 2005

source: Investment Company Institute

## NOTES

- <sup>1</sup> See John Horrigan and Lee Rainie, "Getting Serious Online: As Americans Gain Experience, They Pursue More Serious Activities," Pew Internet and American Life Project ([www.pewinternet.org/pdfs/PIP\\_Getting\\_Serious\\_Online3ng.pdf](http://www.pewinternet.org/pdfs/PIP_Getting_Serious_Online3ng.pdf)); and Susannah Fox, "Online Banking 2005: A Pew Internet Project Memo," Pew Internet and American Life Project ([www.pewinternet.org/pdfs/PIP\\_Online\\_Banking\\_2005.pdf](http://www.pewinternet.org/pdfs/PIP_Online_Banking_2005.pdf)).
- <sup>2</sup> Today, 56 percent of federal and state government websites offer at least one service that is fully executable online, with driver's license and vehicle registration renewals among the most popular Internet-based government services (see Darrell M. West, "State and Federal E-Government in the United States, 2004," Brown University Center for Public Policy ([www.insidepolitics.org/egovto4us.pdf](http://www.insidepolitics.org/egovto4us.pdf))).
- <sup>3</sup> Internet access among all U.S. adults is measured regularly by Mediamark Research, Inc. and is reported annually in the U.S. Census Bureau's *Statistical Abstract of the United States*.
- <sup>4</sup> ICI collected data on mutual fund ownership and Internet access in a June 2005 telephone survey of 3,000 randomly selected households. The survey's standard error for the total sample is  $\pm 1.8$  percentage points at the 95 percent confidence level. The sample was weighted to match the age distribution of the U.S. population.
- <sup>5</sup> See Investment Company Institute, "Mutual Fund Shareholders' Use of the Internet," *Fundamentals*, Vol. 9, No. 3, July 2000 ([www.ici.org/pdf/fm-v9n3.pdf](http://www.ici.org/pdf/fm-v9n3.pdf)).
- <sup>6</sup> See Investment Company Institute, *Profile of Mutual Fund Shareholders*, October 2004 ([www.ici.org/pdf/rpt\\_profile04.pdf](http://www.ici.org/pdf/rpt_profile04.pdf)) (referenced as ICI (October 2004) in the remainder of this publication).
- <sup>7</sup> See U.S. Census Bureau, Current Population Survey, *Educational Attainment in the United States: 2004*, Table 1 ([www.census.gov/population/www/socdemo/education/cps2004.html](http://www.census.gov/population/www/socdemo/education/cps2004.html)).
- <sup>8</sup> See ICI (October 2004).
- <sup>9</sup> See U.S. Census Bureau, Current Population Reports, P60-229, *Income, Poverty, and Health Insurance Coverage in the United States: 2004*, August 2005 ([www.census.gov/prod/2005pubs/p60-229.pdf](http://www.census.gov/prod/2005pubs/p60-229.pdf)).
- <sup>10</sup> According to a 2005 Investment Company Institute and Securities Industry Association survey, 68 percent of equity investors in the United States used the Internet during 2004 for some financial-related purpose. Half of equity investors accessed a financial account online, 46 percent obtained financial news online, and 29 percent collected online information on retirement planning (see Investment Company Institute and Securities Industry Association, *Equity Ownership in America, 2005*, ([www.ici.org/pdf/rpt\\_05\\_equity\\_owners.pdf](http://www.ici.org/pdf/rpt_05_equity_owners.pdf))).

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The ICI Research Department maintains a comprehensive program of research and statistical data collections on investment companies and their shareholders. The Research staff collects and disseminates industry statistics, and conducts research studies relating to issues of public policy, economic and market developments, and shareholder demographics.

For a current list of ICI research and statistics, visit the Institute's public website at [www.ici.org/stats/index.html](http://www.ici.org/stats/index.html). For more information on this issue of *Fundamentals*, contact ICI's Research Department at 202/326-5913.

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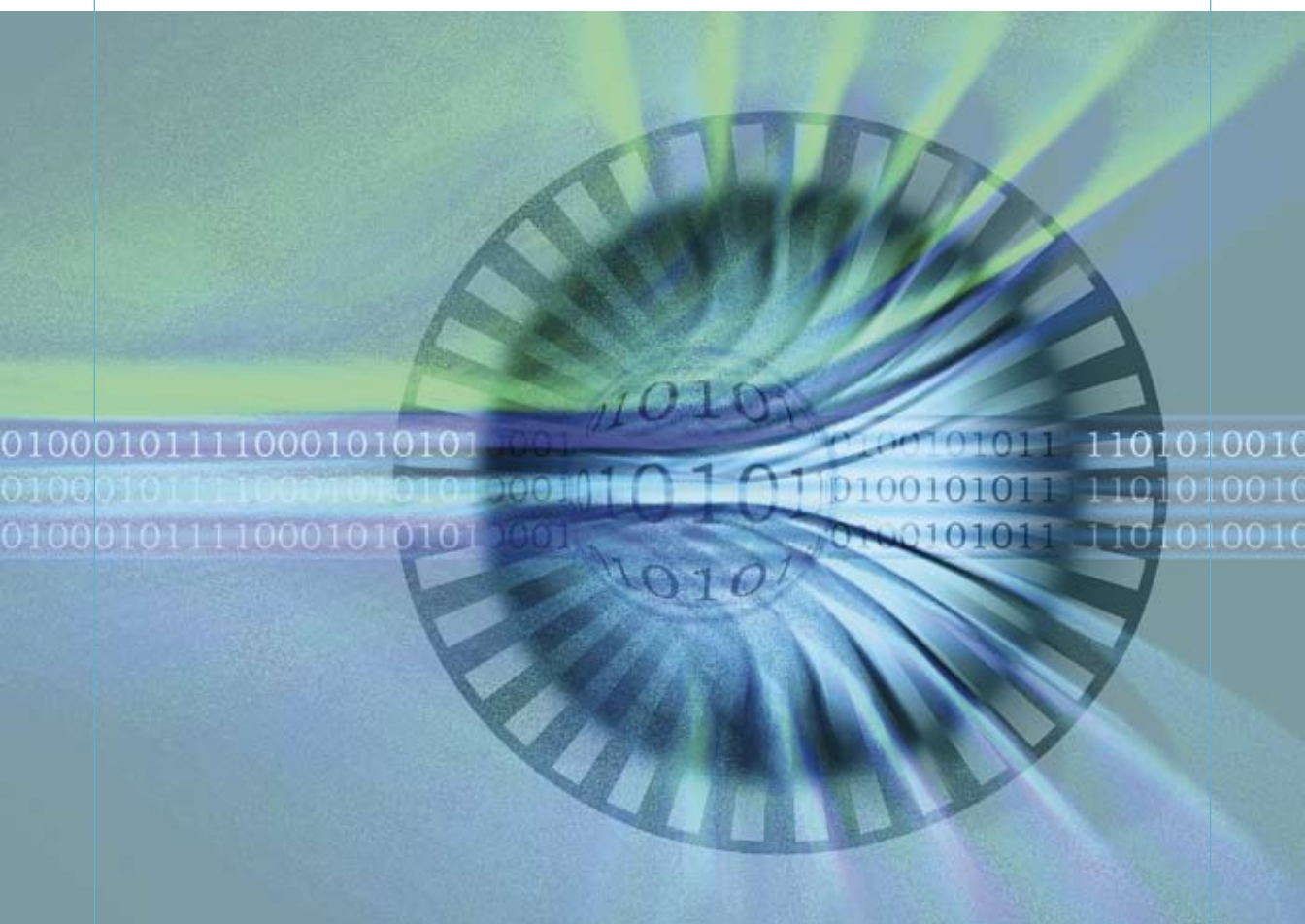
The Investment Company Institute (ICI) is the national association of U.S. investment companies. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers.

# **Exhibit B**



# Understanding Investor Preferences for Mutual Fund Information

*Summary of Research Findings*





# Understanding Investor Preferences for Mutual Fund Information

## *Summary of Research Findings*

### KEY FINDINGS

- » **Shareholders consider a wide range of information before purchasing mutual fund shares.** They most frequently review or ask questions about a fund's fees and expenses and its historical performance.
- » **Shareholders prefer a concise summary of the mutual fund information they want to know before buying fund shares.** They also prefer graphic rather than narrative presentations of fund information.
- » **Shareholders rely on a variety of sources for mutual fund information.** They most often turn to professional financial advisers for information prior to purchasing fund shares. Some shareholders also visit fund company or other websites for information before buying fund shares, while others confer with friends, family, or business associates.
- » **Although shareholders typically obtain mutual fund information from several different sources, a large majority do not consult mutual fund prospectuses before purchasing fund shares.** Shareholders say prospectuses are difficult to understand and too long.
- » **Most fund investors use the Internet regularly, and those who go online use it for a variety of financial purposes, particularly to gather investment information.** The Internet, with its interactive capabilities, is an effective vehicle for communicating mutual fund information to investors.

### BACKGROUND

The Investment Company Institute (ICI)<sup>1</sup> regularly conducts research to promote understanding of mutual funds, fund investing, and fund investors. As part of its investor research program, in February 2006 the Institute undertook a comprehensive study to identify the information needs of mutual fund investors and the sources from which they gather that information. The Institute engaged GfK NOP, an independent research firm, to conduct in-home interviews with 737 randomly selected investors who had purchased shares in stock, bond, or hybrid mutual funds outside retirement plans at work in the preceding five years.<sup>2</sup>

# RESEARCH RESULTS

## 1

Investors usually review a range of information before purchasing fund shares outside retirement plans at work. Typically, items considered include information on a fund's fees and expenses and historical performance.

» **On average, investors consider nine discrete pieces of information about a fund before purchasing shares.** Nearly three-quarters of recent fund investors wanted to know about the fund's fees and expenses prior to purchasing shares in the fund, and more than two-thirds reviewed or asked questions about the fund's historical performance (Figure 1). More than half of recent fund investors also examined the risks of investing in the fund, the fund's price per share, the types of securities in which the fund invests, minimum investment requirements, and a comparison of the fund's performance against an index.

Other ICI research has found that shareholders review a range of information before purchasing fund shares. In a 1996 Institute study, shareholders considered, on average, six different items of information about a fund before making their most recent purchases.<sup>3</sup> Similar to the 2006 study, the three most frequently mentioned items in the 1996 study were information about the fund's past performance, risk, and fees and expenses.

» **While many shareholders want to know about a fund's fees and expenses, historical performance, and level of risk, they rarely review or ask questions about the fund's portfolio manager, board of directors, or proxy voting policies before buying fund shares.** One-quarter of recent fund investors reviewed or asked questions about the fund's portfolio manager. Fifteen percent considered information about the fund's board of directors, and the same percentage reviewed the fund's proxy voting policies prior to purchasing fund shares.

FIGURE 1

**Shareholders Review a Wide Range of Information Before Purchasing Mutual Fund Shares**

Percent of recent fund investors who reviewed or asked questions about each item before most recent fund purchase,<sup>1</sup> 2006

<b>More than two-thirds of recent fund investors considered:</b>	
The fund's fees and expenses <sup>2</sup>	74
The historical performance of the fund <sup>2</sup>	69
<b>More than half of recent fund investors considered:</b>	
The risks associated with investing in the fund <sup>2</sup>	61
The fund's price per share [or net asset value]	58
The types of securities in which the fund invests <sup>2</sup>	57
The minimum investment required to invest in the fund	57
The fund's performance compared to the performance of an index <sup>2</sup>	55
<b>About half of recent fund investors considered:</b>	
The fund's sales charge, if any <sup>2</sup>	52
The tax consequences of investing in the fund <sup>2</sup>	47
Information about the fund's dividends and distributions	47
<b>Less than half of recent fund investors considered:</b>	
Information about the company offering the fund	45
The fund's investment objectives <sup>2</sup>	40
How to buy and sell fund shares	39
The services offered by the fund	37
The fund's rating from a service like Morningstar or Lipper	35
The fund's portfolio turnover rate	34
Information about the fund's portfolio manager	25
Information about the fund's board of directors	15
The fund's proxy voting policies	15
<sup>1</sup> Multiple responses are included.	
<sup>2</sup> These items must be included in the front of the prospectus in the Risk/Return Summary.	

**NOTE:** The confidence interval for these estimates is  $\pm 3.6$  percentage points at the 95 percent confidence level.

**SOURCE:** Investment Company Institute

## 2

### Shareholders prefer concise summaries and graphic presentations of the mutual fund information they want to know before buying a fund.

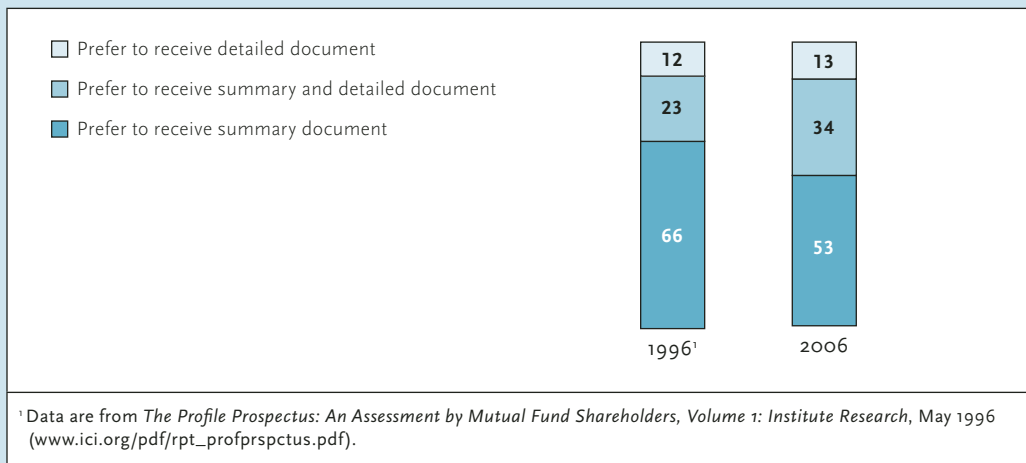
» **Shareholders want mutual fund information in a summary format.** Nearly nine in 10 recent fund investors prefer a summary of the information they want to know before buying shares in a fund, either by itself or along with a detailed document (Figure 2). Just 13 percent prefer to get only a detailed document.

ICI's 1996 study had similar findings.<sup>4</sup> In this earlier research, after viewing a prototype of a concise fund document, called the “profile” prospectus, nearly 90 percent of recent fund investors preferred to receive the profile prospectus, either by itself or along with a full prospectus. Most of the recent fund investors in the 1996 study indicated that the concise fund document provided them with the right amount of information, and that it would be more helpful for making investment decisions than the full prospectus.

FIGURE 2

#### Shareholders Prefer Mutual Fund Information in Summaries

Percent of recent fund investors, 1996 and 2006



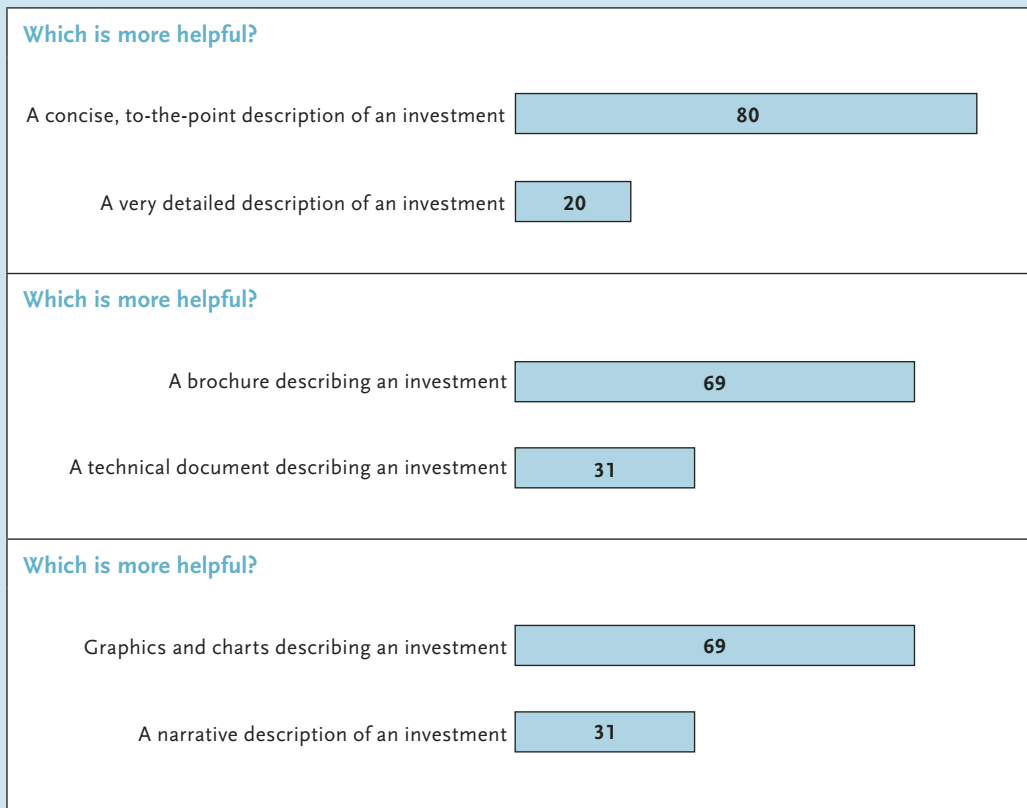
SOURCE: Investment Company Institute

- » **Shareholders prefer concise investment descriptions.** Eight out of 10 recent fund investors find concise descriptions of investments more helpful than very detailed descriptions (Figure 3). Similarly, a large majority indicate that brochures describing investments are more helpful than technical documents describing investments.
- » **Shareholders prefer graphics and charts.** Over two-thirds of recent fund investors say financial documents that use graphics and charts to describe investments are more helpful than financial documents that have narrative descriptions of investments.

FIGURE 3

**Shareholders Prefer Concise Summaries With Graphics**

Percent of recent fund investors, 2006



SOURCE: Investment Company Institute

# 3

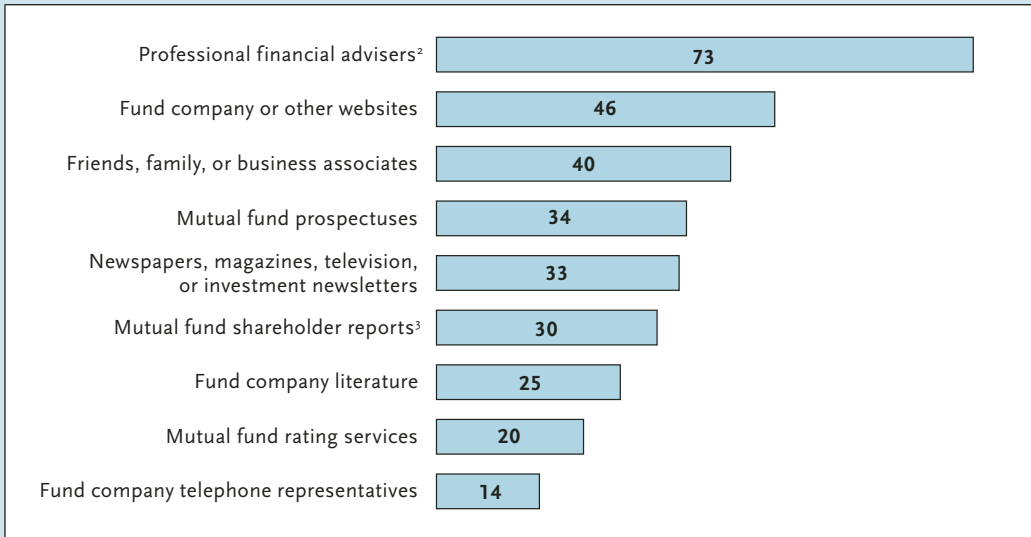
Shareholders typically consult three sources for mutual fund information before purchasing fund shares, and one of those sources is usually a professional financial adviser.

» **Shareholders rely heavily on professional financial advisers when making mutual fund investment decisions.** ICI research indicates that most shareholders who own funds outside retirement plans at work hold fund shares purchased through professional financial advisers — such as full-service brokers, independent financial planners, bank representatives, and insurance agents — who provide investment advice and are compensated by the investor for their services.<sup>5</sup> Consistent with shareholders’ fund ownership patterns, nearly three-quarters of recent fund investors turned to professional financial advisers for information before purchasing their most recent fund shares (Figure 4).

FIGURE 4

### Shareholders Often Turn to Professional Financial Advisers for Mutual Fund Information

Percent of recent fund investors who consulted each source before most recent purchase,<sup>1</sup> 2006



<sup>1</sup> Multiple responses are included.

<sup>2</sup> Professional financial advisers include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants.

<sup>3</sup> Mutual fund shareholder reports are also referred to as mutual fund annual and semiannual reports.

**NOTE:** The confidence interval for these estimates is  $\pm 3.6$  percentage points at the 95 percent confidence level.

**SOURCE:** Investment Company Institute

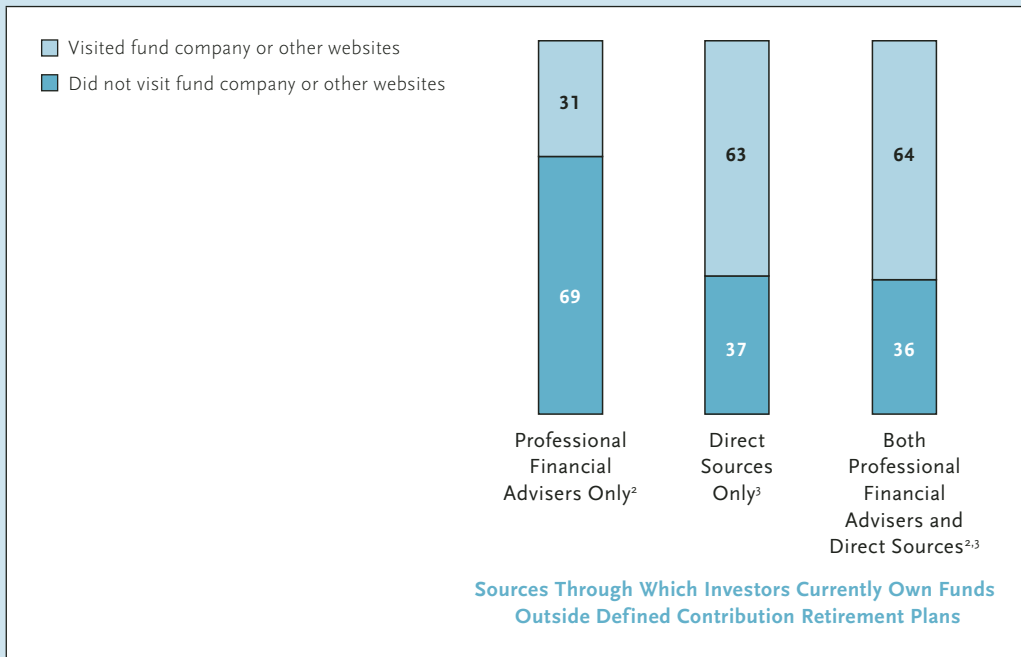


» **A substantial portion of shareholders—particularly those owning direct-marketed funds—visit mutual fund and other websites for information before buying fund shares.** Nearly half of all recent fund investors visited mutual fund or other websites for information before purchasing fund shares. Among recent fund investors owning direct-marketed funds—that is, investors who own funds purchased directly from fund companies or discount brokers—more than 60 percent visited websites for information before buying fund shares (Figure 5).

FIGURE 5

**Shareholders of Direct-Marketed Funds<sup>1</sup> Are Most Likely to Visit Websites for Information**

Percent of recent fund investors, by whether they visited fund company or other websites for information before most recent purchase, 2006



<sup>1</sup> Direct-marketed funds are mutual funds whose shares may be purchased directly from a fund company or through a discount broker instead of through financial advisers.

<sup>2</sup> Professional financial advisers include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants.

<sup>3</sup> Direct sources include fund companies and discount brokers.

SOURCE: Investment Company Institute

# 4

## Shareholders typically do not consult mutual fund prospectuses or shareholder reports for mutual fund information.

» **When purchasing mutual fund shares, a relatively small percentage of investors refer to mutual fund prospectuses or shareholder reports for information.** One-third of recent fund investors say they obtained information from mutual fund prospectuses before purchasing their most recent fund shares, and 30 percent consulted shareholder reports (Figure 6).

Shareholders' nominal use of mutual fund prospectuses and shareholder reports is evident in other ICI research. A 1997 ICI study found that less than half of shareholders consulted mutual fund prospectuses or shareholder reports before purchasing their most recent fund shares.<sup>6</sup>

» **Many shareholders find mutual fund prospectuses and shareholder reports difficult to understand, and indicate that these documents provide too much information.** For example, 60 percent of recent fund investors describe mutual fund prospectuses as very or somewhat difficult to understand, and two-thirds say prospectuses contain too much information.

» **Shareholders' overall readership of mutual fund prospectuses and shareholder reports is very low.** Consistent with previous ICI research,<sup>7</sup> about half of recent fund investors say that they generally either do not read or read very little of the mutual fund prospectuses they receive. The majority of recent fund investors who do not read prospectuses say they find mutual fund investing complicated and feel they know less about mutual funds than most people.

FIGURE 6

**Use of Mutual Fund Prospectuses, Shareholder Reports Is Low**

Percent of recent fund investors, 2006

	Mutual Fund Prospectus	Mutual Fund Shareholder Reports <sup>1</sup>
<b>Use of Document Before Purchasing Most Recent Fund Shares</b>		
Consulted document	34	30
Did not consult document	66	70
<b>Ease of Understanding<sup>2</sup></b>		
Very or somewhat easy to understand	40	54
Very or somewhat difficult to understand	60	46
<b>Amount of Information<sup>2</sup></b>		
Right amount of information	31	43
Too little information	3	4
Too much information	66	54
<b>Overall Level of Readership<sup>2</sup></b>		
Read all	8	10
Read most	17	17
Read some	23	24
Read very little or do not read	52	49
Read very little	22	26
Do not read but save it	12	11
Do not read and throw it away	18	12
<sup>1</sup> Mutual fund shareholder reports are also referred to as mutual fund annual and semiannual reports. <sup>2</sup> Data exclude recent fund investors who do not recall seeing each document.		

**NOTE:** Totals may not add to 100 percent because of rounding.

**SOURCE:** Investment Company Institute

# 5

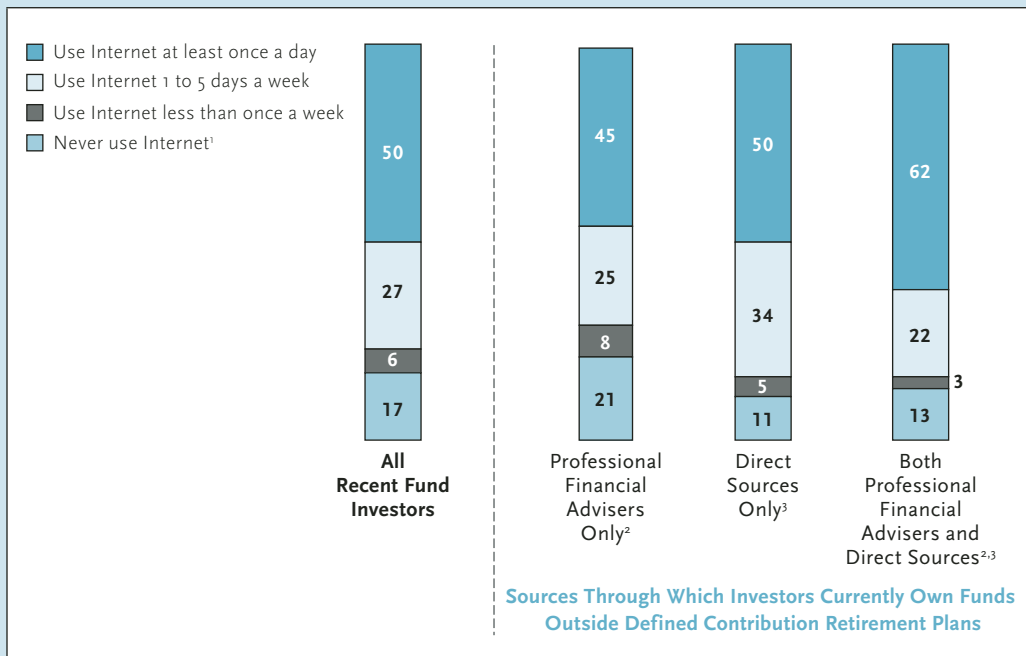
## The Internet holds great potential for more effectively communicating with mutual fund investors.

» **The vast majority of recent fund investors use the Internet, regardless of the sources through which they own funds.** Consistent with other ICI research findings,<sup>8</sup> most recent fund investors use the Internet: one-half go online at least once a day and more than three-quarters go online at least once a week (Figure 7). Nearly half indicate their use of the Internet for financial purposes has increased over the past 12 months.

FIGURE 7

### Regardless of How They Purchase Funds, Shareholders Typically Make Wide Use of the Internet

Percent of recent fund investors, 2006



<sup>1</sup> Data include recent fund investors who do not have Internet access or have Internet access but do not go online.

<sup>2</sup> Professional financial advisers include full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants.

<sup>3</sup> Direct sources include fund companies and discount brokers.

**NOTE:** Totals may not add to 100 percent because of rounding.

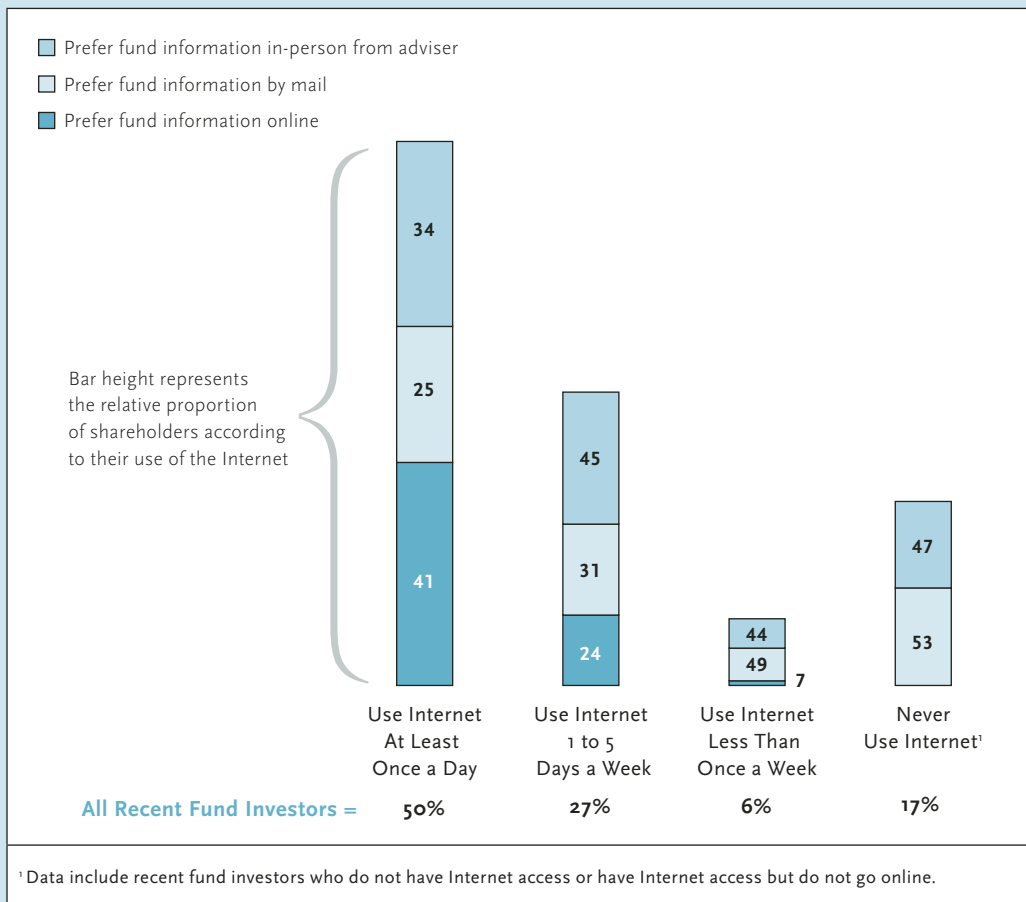
**SOURCE:** Investment Company Institute

» **Recent fund investors' frequency of Internet use influences their preferences for obtaining mutual fund information.** Recent fund investors who use the Internet every day are more likely to prefer online access to the information they want to know before purchasing fund shares (Figure 8). Recent fund investors who never use the Internet prefer to obtain mutual fund information either by mail or in-person from their advisers.

FIGURE 8

**Shareholders' Frequency of Internet Use Influences Their Preferences for Obtaining Mutual Fund Information**

Percent of recent fund investors, 2006



SOURCE: Investment Company Institute

» **Nearly all recent fund investors who use the Internet go online to gather financial information.**

More than eight out of 10 recent fund investors who use the Internet go online to gather financial information, including six in 10 who go online to monitor their fund investments (Figure 9). Most recent fund investors who go online also indicate that the Internet plays a major role in how they manage their finances.<sup>9</sup>

» **Recent fund investors recognize that the Internet is an important communications tool for investment information.** Regardless of their age or current use of the Internet, the majority of all recent fund investors believe obtaining investment information online is the wave of the future. In fact, nearly 60 percent of recent fund investors who never use the Internet agree with this statement.

FIGURE 9

**Shareholders Use the Internet to Gather Financial Information**

Percent of recent fund investors who use the Internet, 2006

<b>Uses of the Internet During Past 12 Months<sup>1</sup></b>	
Access email	84
Gather financial information (total)	85
Check bank or investment account balance	72
Monitor fund investments	60
Obtain investment information	58
Visit fund company websites	37
Contact a professional financial adviser	19
Buy or sell investments	26
<b>Strongly or Somewhat Agree With Statements About the Internet<sup>1</sup></b>	
Getting investment information online is the wave of the future	88
Online investment information is up-to-date	84
Information on fund company websites is reliable	83
The Internet saves me time finding investment information	71
The Internet plays a major role in how I manage my finances	67
<sup>1</sup> Multiple responses are included.	

**SOURCE:** Investment Company Institute

## CONCLUSION

The Institute has conducted considerable research over time to improve understanding of mutual fund investors, particularly their fund information preferences, use of professional financial advisers, and their access to the Internet.

Several consistent themes emerge from this body of research:

- » **First, investors seek out a wide range of information before making investments in mutual funds.** Repeatedly, ICI studies have indicated that investors want to know the key features of a fund before purchasing shares, particularly the fund's fees and expenses, its past performance, and the risks associated with investing in the fund.
- » **Second, professional financial advisers serve as an important conduit for mutual fund information at the time of purchase.** ICI research consistently identifies professional financial advisers as the source investors most frequently consult for mutual fund information. Most shareholders own fund shares purchased from advisers, and they turn to their advisers when making fund investment decisions.
- » **Third, mutual fund prospectuses and shareholder reports are not meeting the needs of many investors.** Several ICI research studies point to fund investors' nominal use of mutual fund prospectuses and shareholder reports, and that investors find these documents difficult to understand.
- » **Fourth, fund investors embrace technology.** ICI research indicates that the portion of mutual fund shareholders with access to the Internet has been increasing. Today, nearly all shareholders regularly go online, and many already use the Internet to gather investment information, manage their finances, or monitor their mutual fund portfolios.

## NOTES

<sup>1</sup> The Investment Company Institute (ICI) is the national association of U.S. investment companies. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. ICI members include 8,656 open-end investment companies (mutual funds), 657 closed-end investment companies, 167 exchange-traded funds, and five sponsors of unit investment trusts. Mutual fund members of ICI have total assets of approximately \$9.251 trillion (representing 98 percent of all assets of U.S. mutual funds); these funds serve approximately 89.5 million shareholders in more than 52.6 million households.

<sup>2</sup> To qualify for the survey, investors had to have purchased outside retirement plans at work shares in stock, bond, or hybrid funds that they did not own prior to 2001. This definition excludes from the study investors who only added money to long-term funds purchased outside retirement plans at work prior to 2001, as well as investors who solely own funds in retirement plans at work. The survey's margin of error for the total sample is  $\pm 3.6$  percentage points at the 95 percent confidence level.

<sup>3</sup> See *The Profile Prospectus: An Assessment by Mutual Fund Shareholders, Volume 1: Institute Research*, May 1996, p. 22 ([www.ici.org/pdf/rpt\\_profprspctus.pdf](http://www.ici.org/pdf/rpt_profprspctus.pdf)); referenced as ICI May 1996 in the remainder of this publication. See also *Understanding Shareholders' Use of Information and Advisers*, Spring 1997, p. 21 ([www.ici.org/pdf/rpt\\_undstnd\\_share.pdf](http://www.ici.org/pdf/rpt_undstnd_share.pdf)); referenced as ICI Spring 1997 in the remainder of this publication.

<sup>4</sup> See ICI May 1996, p.5.

<sup>5</sup> See "Ownership of Mutual Funds Through Professional Financial Advisers," *Fundamentals*, Vol. 14, No.3, April 2005 ([www.ici.org/pdf/fm-v14n3.pdf](http://www.ici.org/pdf/fm-v14n3.pdf)).

<sup>6</sup> See ICI Spring 1997, p. 22. and ICI May 1996, p. 23.

<sup>7</sup> See ICI May 1996, p. 26.

<sup>8</sup> A June 2005 ICI survey measured Internet access and use among all mutual fund shareholders, including those who own funds only in retirement plans at work. The 2005 survey found that 88 percent of all mutual fund shareholders have access to the Internet, including 84 percent who went online in the 12 months preceding the survey and 4 percent who did not go online during this period. The 2005 survey also found that two-thirds of all shareholders with Internet access go online at least once a day. See "Mutual Fund Shareholders' Use of the Internet, 2005," *Fundamentals*, Vol. 15, No. 2, February 2006 ([www.ici.org/pdf/fm-v15n2.pdf](http://www.ici.org/pdf/fm-v15n2.pdf)); referenced as ICI February 2006 in the remainder of this publication.

<sup>9</sup> In ICI's June 2005 survey, 59 percent of all mutual fund shareholders who went online in the 12 months preceding the survey used the Internet to obtain investment information. See ICI February 2006.



## ADDITIONAL ICI RESEARCH ON MUTUAL FUND INVESTOR INFORMATION PREFERENCES AND USE OF THE INTERNET

“Mutual Fund Shareholders’ Use of the Internet, 2005,” *Fundamentals*, Vol. 15, No. 2, February 2006 ([www.ici.org/pdf/fm-v15n2.pdf](http://www.ici.org/pdf/fm-v15n2.pdf))

“Ownership of Mutual Funds Through Professional Financial Advisers,” *Fundamentals*, Vol. 14, No.3, April 2005 ([www.ici.org/pdf/fm-v14n3.pdf](http://www.ici.org/pdf/fm-v14n3.pdf))

*Understanding Shareholders’ Use of Information and Advisers*, Spring 1997  
([www.ici.org/pdf/rpt\\_undstnd\\_share.pdf](http://www.ici.org/pdf/rpt_undstnd_share.pdf))

*The Profile Prospectus: An Assessment by Mutual Fund Shareholders, Volume 1: Institute Research*, May 1996 ([www.ici.org/pdf/rpt\\_profprspctus.pdf](http://www.ici.org/pdf/rpt_profprspctus.pdf))

*The Profile Prospectus: An Assessment by Mutual Fund Shareholders, Summary of Research Findings*, May 1996 ([www.ici.org/pdf/rpt\\_profprspctus3.pdf](http://www.ici.org/pdf/rpt_profprspctus3.pdf))

*Shareholder Assessment of Risk Disclosure Methods*, Spring 1996  
([www.ici.org/pdf/rpt\\_riskdiscl.pdf](http://www.ici.org/pdf/rpt_riskdiscl.pdf))