

February 28, 2008

Ms. Nancy M. Morris
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-0609

Re: Comments to Proposed Rule regarding Enhanced Disclosure and New
Prospectus Delivery Option of Registered Open-End Management Investment
Companies; File No. S7-28-07

Dear Ms. Morris:

Foreside Compliance Services, LLC¹ (“Foreside”) appreciates the opportunity to comment on the Commission’s proposed rule and form amendments intended to enhance mutual fund disclosure provided to fund investors.² Foreside recognizes the importance of the objectives underlying the Commission’s proposed framework for mutual fund disclosure, and its intent to provide investors with key information in plain English, in a standardized order and format, as well as to enhance the means of delivering to investors more detailed information.

As a mutual fund compliance service provider, Foreside seeks to provide comments to the Proposing Release, in part, from the perspective of the parties responsible for implementing the regulatory and operational compliance procedures and controls of a fund, as well as that of the Chief Compliance Office who is responsible for oversight of such compliance procedures. While, conceptually, implementation of standardized summary disclosure in the mutual fund statutory prospectus, a new form of summary prospectus, and a disclosure mechanism that uses electronic and regular mail options appear to advance the goal of making meaningful investment information readily accessible to investors, Foreside requests that the Commission consider the following comments with respect to its specific proposal.

¹ Foreside Compliance Services, LLC, a subsidiary of Foreside Financial Group, provides compliance services to open and closed-end, registered investment companies. Foreside Financial Group is an independently owned firm. Its subsidiaries and affiliates provide a range of distribution and compliance services to U.S. registered funds.

² Enhanced Disclosure and New Prospectus Delivery Option of Registered Open-End Management Investment Companies; Release Nos. 33-8861 and IC-28064; File No. S7-28-07 (November 21, 2007) (the “Proposing Release”)

Required Use of Summary; General Format

Mandatory Use of the Standardized Summary; Multi-fund Prospectuses; New Funds

The Commission's proposal requires funds to include the standardized summary in the front of the statutory prospectus. Foreside is concerned, however, that there may be barriers, particularly to smaller funds, to developing and providing a summary section in the front of the statutory prospectus. For smaller funds, "start-up" expenses in the form of legal fees associated with developing summary disclosure, as well as the additional printing costs for a prospectus that will be three to four pages longer than their current prospectus may prove to be a significant burden.

In addition, Foreside notes that the production costs associated with the summary sections in a multi-fund prospectus may also be substantial. A multi-fund prospectus that contains five funds may be 15 – 20 pages longer with the summary sections in the front. Although many fund families may be motivated to implement a summary prospectus, it may require some time for funds to meet the technological requirements for delivery of the summary prospectus. If a fund family using a multi-fund prospectus determines that it is not ready or able to use the summary prospectus, but is required nonetheless to provide the summary section in the front of its statutory prospectus, the printing and mailing costs for the statutory prospectus are likely to be substantially greater than the funds' current costs. With respect to funds that are not providing a summary prospectus, Foreside respectfully requests that the Commission reconsider the required use of the summary section in light of these concerns.

Finally, Foreside is concerned about use of the summary prospectus and the standardized summary by a fund during its first year of operation, and requests that the Commission consider application of the standardized summary and use of the form of summary prospectus only after a fund's first year of operation. Due to the distinctions in the prospectus disclosure requirements for new funds, Foreside believes that it may be more efficient and cost-effective to except new funds from the standardized summary requirement and not permit use of the form of summary prospectus. Alternatively, Foreside believes that the Commission should address separately standardized summary disclosure for new funds with respect to fees and expenses and fund performance.

References to Additional Disclosure. Foreside agrees that many investors would benefit from access to summary disclosure of key information regarding a fund. We believe, however, that it would be valuable for the summary to contain more specific guidance to investors regarding access to additional information, particularly if funds are able to include information in a summary that may or may not be repeated elsewhere in the statutory prospectus. In other words, because the disclosure in the summary is standardized and, by its nature, limited in substance, we believe that the summary should provide clear references directing investors to the location of additional information that may be of particular concern to fund investors. Under the current disclosure scheme, mutual funds, by virtue of their particular structures, investment strategies and risks, management arrangements, distribution channels, etc. will provide different levels of disclosure in their prospectuses with respect to these mutual fund characteristics. If every

fund, however, is required to provide a relatively consistent level of disclosure in the summary section regarding the areas of required information, funds may be concerned about directing investors to more detailed disclosure that the fund finds pertinent to its investors.

By way of example, in the Commission's sample summary prospectus (the "Summary Prospectus"), the Fund states that investors "...may want to review the Fund's prospectus, which contains more information about the Fund and its risks." Because the example fund in the Summary Prospectus is a multi-class fund, Foreside believes it would be appropriate and helpful to potential investors if the Summary Prospectus explicitly directed investors to the statutory prospectus for more information regarding fees and expenses. Reviewing a statutory prospectus, an investor has the benefit of more detailed disclosure regarding the share classes to help the investor to distinguish the fees and expenses of the different share classes and determine to which share class his or her investment is better suited. In the Summary Prospectus, we think it advisable that the fund state that additional information regarding the different share classes is set forth in the Prospectus, and that the Summary Prospectus direct investors to review that information prior to making an investment in the fund.³

In addition, as described in detail below, in the sections regarding *Portfolio Holdings* and *Quarterly Updating Requirement*, Foreside believes that it may be useful to include disclosure directing investors to the location of certain fund information that the Commission has learned is of particular interest to investors, but is *not* contained in the summary prospectus or the statutory prospectus.

Amendments to Fee Table

Placement of Fee Table. Foreside believes that the Commission's proposed placement of the Fee Table will enhance the prominence of cost information and supports the proposed change in the location of the table for the reasons set forth in the Proposing Release.

Revision to Fee Table Heading. The Commission's proposal further includes a revision to the heading "Annual Fund Operating Expenses" in which the parenthetical following the heading will read "ongoing expenses that you pay each year as a percentage of the value of your investment" rather than "expenses that are deducted from Fund assets." Foreside agrees with the Commission's concern for making clear that annual fund operating expenses constitute ongoing costs to investors. We believe, however, that the proposed disclosure may give rise to confusion regarding the mechanics of the expense payment and suggest a slightly expanded explanation. Specifically, we request that the Commission consider a brief explanation of the headings "Shareholder Fees" and "Annual Fund Operating Expenses" after the first sentence of the lead-in paragraph. By way of example: "Shareholder Fees' are fees that you pay directly from your investment

³ With respect to fees and expenses of a particular fund, we believe it is important for investors to see disclosure to the following effect: "Because the Fund [offers two share classes] or [charges a redemption fee] be sure to refer to the Prospectus if you need additional information regarding these fees before you invest in the Fund.

when buying or selling shares of either class. ‘Annual Fund Operating Expenses’ are ongoing expenses that you pay each year as a percentage of the value of your investment. These expenses are factored into the Fund class’s share price rather than charged directly to your account.” Although such disclosure increases the length of the Fees and Expenses section of the summary, we believe that concerns for clarity regarding such information outweigh brevity in this instance.

Fees and Expenses; Gross Operating Expenses. The “Annual Fund Operating Expenses” table in the Summary Prospectus lists separately “Management Fees”, “Distribution (12b-1) Fees”, “Service (12b-1) Fees”, and “Other Expenses”. Foreside respectfully requests that the Commission consider omitting the separate expense categories in the summary section. Foreside believes that these terms may not be meaningful to investors without additional explanatory disclosure, and that investors who refer to the summary for fee and expense information will not typically differentiate between the expense categories. Alternatively, we suggest that the Summary Prospectus include a statement that more information regarding the types and amounts of expenses included in the fund’s annual operating expenses may be found in the statutory prospectus.

Portfolio Turnover Rate. The Proposing Release provides that a fund (other than money market funds) include disclosure regarding the effect of portfolio turnover on transaction costs and fund performance, as well as its portfolio turnover rate for the most recent fiscal year. As noted by the Commission, the explanation of the effects of portfolio turnover may be of benefit to investors. Foreside believes, however, that disclosure of a one-year portfolio turnover rate would not provide meaningful information to investors. As noted by the Independent Directors Council (the “IDC”) in its comment letter to Commission dated February 15, 2008 (“Letter from IDC”), because portfolio turnover may be affected by a variety of factors, including an unusual circumstance, such as a new portfolio manager’s restructuring of a portfolio, disclosure of the portfolio turnover rate for a one-year period could create confusion for investors.⁴ Because of our concern regarding the relevance of a one-year portfolio turnover rate, Foreside believes that the portfolio turnover rate should not be disclosed in the summary. Alternatively, we ask that the Commission consider including in the explanation a cross-reference to the fund’s financial highlights in its prospectus, or require that funds disclose portfolio turnover rates over a three-year period (annualized), as the rate over a longer period is more likely to reflect the fund’s investment strategy and approach. We believe an annualized portfolio turn-over rate over a longer period is also a more relevant measure in relation to the period over which an investor typically holds fund shares.

Portfolio Holdings Information

In the Proposing Release, the Commission proposes that the summary section include a list of the 10 largest issues contained in the fund’s portfolio noting that “[i]nformation concerning portfolio holdings may provide investors with a greater understanding of a fund’s stated investment objectives and strategies and may assist investors in making

⁴ Letter from IDC (February 15, 2008), p. 4

more informed assets allocation decisions.”⁵ Foreside believes that in many instances, top ten portfolio holding information will not be meaningful to investors and may be misleading, and we request that the Commission reconsider this requirement. Foreside’s concerns regarding inclusion of portfolio holdings information in the summary are aligned with those expressed by the IDC.⁶ As an alternative, we suggest that the summary section direct investors to the fund’s web-site and/or fund’s Form N-Q or N-CSR filings for specific portfolio holding information. We believe that given the nature of an investor’s reliance upon information disclosed in a fund’s prospectus, the potential pitfalls of placing portfolio holdings information in the form of summary prospectus or in the statutory prospectus significantly outweigh the convenience of including such information as prospectus disclosure.

Quarterly Updating Requirement

The Commission’s proposal includes a requirement that average annual total returns and yields and top ten portfolio holdings information be updated at the end of each calendar quarter, not later than one month after completion of the quarter. Foreside strongly urges the Commission to reconsider the quarterly updating requirement in light of the increased operational and compliance oversight demands necessary to effect a quarterly updating process. Funds will be required to develop new compliance procedures and controls for the quarterly updating process, which may have to be implemented by additional staff in the likely event existing staff cannot accommodate this process along with current quarterly filings and disclosure updates. Chief Compliance Officers will also have to accommodate review and oversight of the quarterly updates, in addition to the current quarterly, semi-annual and annual filings for which such officers are presently responsible for compliance oversight. In addition, as well-noted by the IDC, many funds may be discouraged from implementing a summary prospectus because of the increased costs and operational requirements attendant to quarterly updates.⁷ Foreside also concurs with the IDC’s point regarding the difficulties of printing and distributing in a timely manner updated summary prospectuses to investors through a fund’s intermediary network. Foreside believes that the IDC’s proposed approach “to require annual updating of the summary prospectus, with prominent disclosure in the document describing how investors can access quarterly or other periodic performance and holdings information”⁸ presents an effective alternative.

Finally, in the event that the Commission’s final rule requires quarterly updating of the summary prospectus, Foreside respectfully requests that the Commission provide further guidance regarding the filing requirements related to the quarterly updates.

⁵ Proposing Release, p. 26

⁶ Letter from IDC (February 15, 2008), p. 3. The IDC states, among other things, that “...the holdings may comprise a small percentage of the fund’s overall holdings and provide very limited insight into the portfolio’s holdings” and that portfolio holdings information “could quickly become stale”. We believe the latter to be true even if the portfolio holdings information is updated on a quarterly basis.

⁷ Letter from IDC (February 15, 2008), p. 2.

⁸ Letter from IDC (February 15, 2008), p. 3.

Other Performance Information

In response to the Commission's inquiry as to whether additional performance measure should be presented in the summary section, Foreside suggests that the Commission consider adding comparative index performance data or performance information from a nationally-recognized, third party fund analytics service provider, similar to the information often provided to fund boards in connection with their consideration and approval of management contracts. Foreside believes such benchmark performance information compliments the fund's performance data and provides investors with useful information regarding a fund's relative performance.

Purchase and Sale Information

The Proposing Release requires that the summary section include brief disclosure with respect to "purchase and sale and tax information". Foreside believes that it would be appropriate and helpful to investors relying upon the summary prospectus, for a fund to provide information regarding the fund's exchange privileges. In addition, we believe that funds should provide certain information regarding investment in the fund through an omnibus account. In particular, Foreside believes that investors should have information in a summary prospectus regarding any potential differences in the treatment of investments through omnibus accounts, in areas such as frequent trading, market timing, and redemption fees.

Conclusion

The comments above represent the views and comments of the undersigned and do not necessarily reflect the views of Foreside's clients or affiliates. In the event the Commission extends the comment period or otherwise permits submission of further comments after February 28, 2008, Foreside intends to provide supplemental comments regarding the Proposing Release. Again, Foreside appreciates the opportunity to submit the foregoing comments.

Very truly yours,



Peter R. Guarino
Managing Director