February 1, 2008

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

File Number S7-28-07

Dear Ms. Morris:

I greatly appreciate the opportunity to comment on the "Proposal to Improve Mutual Fund Disclosure." I have worked in the mutual fund industry for over thirty years and continue to provide consulting services to mutual fund groups. The comments set forth below are my own and do not reflect the views of any client.

The proposal to permit the use of a summary prospectus will save shareholders a little money and that is good. The prospectus and Statement of Additional Information will continue to serve as the insurance policy for management companies and that is appropriate. However, the proposed contents of the summary prospectus will not improve the mutual fund disclosure and that is unfortunate. Consideration should be given to a principles-based approach instead of holding steadfast to current rules-based document. I believe that this would result in providing information investors need to know in a document that will be read.

I have sat through numerous presentations by investment advisers. A great many of these presentations have included portfolio managers. I have listened to the questions asked by members of boards some of whom are very knowledgeable about investing assets in securities and derivative contracts and some of whom have less knowledge and experience in the investment process. Over the years I have found these questions have been useful in eliciting the type of information that I believe most investors would want to know if they had the same opportunity to ask questions. These questions in short can be categorized as asking "what is this fund all about."

The proposal perceives that if a portion of the data presently available in the registration statement or in quarterly reports is given to investors in the same form that it currently appears in a summary prospectus it will become more meaningful. I respectfully disagree. The registration statement and quarterly reports will continue to be read by persons who evaluate and market mutual funds and occasionally by members of the plaintiff's bar. However, the objective for the summary prospectus should be for it to become a useful document for every investor, including those who seek to build savings and retirement programs either through an employer program or on their own.

The first thing I want to know about a fund is what investments it makes and why. The proposal has three sections that attempt to explain the fund: investment objective, principal investment strategies and principal risks. If the summary prospectus is going to explain what the fund is all about, then these must be explained together. To merely repeat these items in the boiler plate format as they appear in the prospectus adds no clarity. I will not devote space to commenting on why words like growth of capital, capital appreciation, reasonable risk, market risk, credit risk, etc. fail to paint a picture of what the fund is all about. Instead I will suggest a different approach.

I have found that, when asked to do so, a portfolio manager, in one page or less, can give a comprehensive picture of what the fund is about, including, the securities and derivatives it owns, how and why the investment portfolio is structured the way it is, where the fund fits with other funds and how it is used by investors, and two or three facts the portfolio manager believes distinguishes the fund and are important for a client to know. Often such presentations include comments about how the portfolio manager tries to manage risk.

As a further attempt to explain the fund, the proposed summary prospectus requires a listing of the top ten portfolio holdings. This information in most cases is meaningless and could very well be misleading. More than thirty years ago when the primary market revolved around the “nifty fifty” and most funds held a significant portion of their assets is a few sizable positions, listing the top ten holdings had some meaning. Today, looking at multimanager funds, fund-of-funds, long-short funds, use of derivative instruments etc., the ten largest holdings seldom provide any insight into what a fund is all about.

By using a principles-based approach, the SEC could direct that registrants tell investors what the fund is all about in one page or less. If that is unclear, the SEC could provide a list of questions based on the questions usually asked by investors. However, if a list of questions is set forth in the directive, the SEC should make clear that the questions are just to help formulate a response and are not required disclosure.

Once I decide I am interested in investing in the fund, my next question is what are the costs associated with such an investment. At this point, investors should be told that the costs related to the fund’s operations impact the overall performance of the fund. I believe that these costs can best be shown in a schedule already in the proposed summary prospectus. By using the bar chart for the presentation of annual total return for each of the past 10 years and adding the annual operating costs so that the chart shows both gross and net returns on the same bar, there is an immediate understanding of the impact of the cost of operations.

I do not find the table covering average annual returns for 1, 5 and 10 helpful. The data setting out the after tax return computed at the highest tax rate would be of no value to most investors. Very few investors fall within the highest tax rate and in many funds a majority of shareholders are in tax-deferred arrangements. However, I would like to see cumulative numbers for a fund’s net investment performance for 3 and 5 years with a comparison to the primary indices by which the fund is evaluated. The 3 and 5 years more closely tracks the time frame in which most investors hold fund shares.

As for data regarding distribution fees, I suggest a different approach. Distribution fees should be disclosed in the same section as payments to brokers. Since many funds have at least a handful of different classes, it is my view that only the primary class issued by the fund should be shown in the summary prospectus. However, it is necessary to provide a short explanation about classes of shares. Since investors may not understand immediately that share classes merely offer different methods by which to pay distribution fees, an explanation should be provided that states that an investor can pay these fees in different ways by selecting a different class of shares. The summary prospectus should then tell investors where to look to determine the requirements to qualify for the different classes and the fees related to selecting those classes for which the investor qualifies.

I have two specific comments related to the table in the proposal under the caption "Fees and Expenses of the Fund." First it does not provide the one piece of data I would like most to know and that is "how much the investment adviser spends on the investment decision-making process?" A significant portion of the management fee goes toward payment of marketing costs and product management. While these are legitimate costs of a management company offering mutual funds, I do not care about these details. Unfortunately this information is not available anywhere.

My second comment is that the only other piece of data I want to know is "what is the total annual operating expense?" Setting out three line items; 12b-1 distribution, 12b-1 service and other, is basically meaningless except to regulators and purists and that data is in the registration statement. Most investors would not bother to try to differentiate product line management, marketing and distribution and would focus only on the total.

Finally, the requirement to list the name of the portfolio manager should be reevaluated. A better approach would be to permit the fund to describe the portfolio management structure since most funds are managed by teams. For those funds that do name a portfolio manager, the disclosure should state the importance of that individual. Such a fund also should provide an explanation of succession planning. Using a principles-based approach, the directive for the preparation of a summary prospectus could require a description of the significant aspects of the portfolio management structure or decision-making process, including whether the loss of one or more team members will have an impact on the management style. Also the portion of the summary prospectus related to the portfolio management structure would be the most appropriate location for comments on portfolio turnover since that structure often influences the turnover.

What is the downside of taking such a radical approach in designing a summary prospectus? I suppose a concern could be that the disclosure would look more like advertising. I doubt that would happen for three reasons. First is that it will be reviewed by the SEC and will likely be subject to the SEC's comparison with the registration statement and quarterly reports. The second reason is that because the summary prospectus will be a reader friendly presentation, investors will more likely read it and be curious enough in many instances to refer to the prospectus, Statement of Additional Information or quarterly reports. Since the summary prospectus will link to the prospectus and quarterly reports, the facts can be easily checked. The third reason that it is unlikely to become advertising copy is that financial columnists and organizations that closely monitor funds will be quick to comment on disclosure that differs from the requirements.

Does the SEC have the authority to adopt such a proposal? I believe it does. Indeed, it would be very perverse if the regulatory agency, charged with the responsibility of assuring investors receive full and fair disclosure about investments, could not require such disclosure to be provided in the best possible manner. Can a summary use language that does not appear in a full document? Yes, I believe that is the purpose of a summary.

What sanctions must the SEC be able to administer if the summary prospectus does not track with the facts? If during the review process the SEC staff concluded the summary prospectus was inconsistent with the information presented in the registration statement, it could withhold the effectiveness of the registration statement. As noted above, liability is appropriately based on the disclosure in the registration statement not on the disclosure in the summary prospectus. This will allow lawyers to continue to write prospectuses and Statements of Additional Information. Since it will not be advertising, marketing personnel will not write the copy nor will it be subject to review as advertising material. The benefit of the summary prospectus is that portfolio managers and chief investment officers can tell what the fund is all about. Accordingly, the SEC staff should exercise care in the review process and resist rewriting the summary prospectus.

A well-drafted summary prospectus might make the boilerplate and industry jargon that currently is used in the registration statement a little more understandable. Also it might provide a basis for understanding and comparing to comments of the portfolio managers in the annual and semi-annual reports.

Again, I appreciate the opportunity to comment on the proposed summary prospectus.

Sincerely,

Leslie L. Ogg