



DIVISION OF
INVESTMENT MANAGEMENT

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

July 29, 1996

ACT SA of 1933
SECTION _____
RULE 497
PUBLIC
AVAILABILITY 7/29/96

Craig S. Tyle, Esq.
Vice President and Senior Counsel
Investment Company Institute
1401 H Street, N.W.
Washington, D.C. 20005-2148

Dear Mr. Tyle:

Your letter dated July 29, 1996, asks the Division of Investment Management to continue the pilot program that permits a mutual fund to use a "fund profile" together with its prospectus under certain conditions. The form and disclosure requirements of a profile were set forth in a letter from the Division to the Investment Company Institute ("1995 Letter")¹ and in the ICI's "Instructions for Profiles" dated July 19, 1995 ("1995 Instructions"). As stated in the 1995 Letter, permission to use the profiles was granted for a one-year period that expires on July 31, 1996.

Your letter specifically requests confirmation that any mutual fund may prepare and distribute profiles that comply with the ICI's revised profile instructions ("1996 Instructions"), which are attached to your letter. You note that on May 20, 1996, the ICI submitted to the Commission its research findings on shareholder assessment of the profile and suggestions for changes to the profile. You submit that the 1996 Instructions reflect most of these findings and suggestions.

Given the voluntary nature of the profile initiative, we do not object to the extension of the 1995 Letter and the use of the 1996 Instructions. Thus, the Division will not recommend enforcement action to the Commission against any open-end investment company that delivers a profile with its prospectus, provided that the contents of the profile conform to the 1996 Instructions and use of the profile is consistent with the terms and conditions set forth in our 1995 Letter.

In order to facilitate the orderly transition of all profiles to the format of the 1996 Instructions, the Division will not object if an open-end investment company continues to use

¹ See Letter from Jack W. Murphy, Associate Director and Chief Counsel, to Paul Schott Stevens, General Counsel of the Investment Company Institute (pub. avail. July 31, 1995).

Craig S. Tyle
July 29, 1996
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profiles conforming to the 1995 Instructions after July 31, 1996, until the next amendment to its registration statement becomes effective.

Each registrant relying on this letter must send or deliver a copy of its current prospectus, including the profile, to the Division of Investment Management, Attention: Richard Pfordte, Senior Counsel. This copy is in addition to the filings required to be made with the Commission as discussed in the 1995 Letter. Further, the relief granted by this letter is available to any open-end investment company through July 31, 1997, or until such earlier time as the Commission or its staff takes action with respect to profiles.

Sincerely,

A handwritten signature in black ink, appearing to read "Heidi Stam", with a long horizontal flourish extending to the right.

Heidi Stam
Associate Director



INVESTMENT COMPANY INSTITUTE

CRAIG S. TYLE
VICE PRESIDENT & SENIOR COUNSEL
SECURITIES AND FINANCIAL REGULATION

July 29, 1996

Heidi Stam
Associate Director
Division of Investment Management
U.S. Securities and Exchange Commission
450 5th Street, N.W.
Washington, D.C. 20549

Re: The Profile

Dear Ms. Stam:

As you know, on August 1, 1995 the Division provided no-action assurances to the Investment Company Institute for the use on a one-year trial basis of a mutual fund "profile" that is prepared according to specific instructions. On May 20th, the Institute submitted to the Commission our research findings on shareholder assessment of the profile and our suggestions for the profile. These suggestions were developed by the eight mutual fund organizations who participated in the project, and reflect the research findings, our experience with the document to date, and our consultations with Institute members and outside experts on mutual fund disclosure and related issues. Attached are proposed instructions that reflect most of the suggestions presented in our May 20th letter. (The instructions do not include the Institute's suggestions that would apply if the profile could be distributed with an application to purchase.)

The Institute respectfully requests confirmation that after August 1, 1996 any mutual fund that chooses to do so, may prepare and distribute profiles, provided that they comply with the attached profile instructions (as well as with the other conditions of the August 1, 1995 letter, a copy of which is attached). We also request confirmation that mutual funds may continue to use existing profiles that were developed according to the 1995 instructions until the next regular update, at which time the profiles would be revised to comply with the attached instructions.

Thank you again for the Division's efforts towards development of the profile. Please do not hesitate to contact us should you have any questions concerning the enclosed instructions or the profile prospectus.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. S. Tyle'.

Attachments

INSTRUCTIONS FOR THE PROFILE

July 29, 1996

General: The profile would be considered part of the Section 10(a) prospectus under the securities laws, and should be in a format that would enable it to be used as a prospectus wrapper or included as a separate document that would accompany the Section 10(a) prospectus.

Limit the contents of the profile to the information set forth herein. Additional information, or more detailed responses to the items listed, may only be disclosed in a separate document (except for any legends). The profile may not contain cross-references to the full prospectus or to any other document, except for the legend below. The relegation of critical information to footnotes is discouraged.

Date. Provide the date of the profile.

Prominent Disclosure of Certain Information. The name of the investment company and the fact that the document is a "Profile" or "Fund Profile" must appear prominently at the beginning of the profile. Avoid the phrase "profile prospectus". The following legend must appear prominently in the profile and in bold letters:

This profile contains key information about the fund. If you would like more information before you invest, please consult the fund's accompanying prospectus. For details about the fund's holdings or recent investment strategies, please review the fund's most recent annual or semiannual report. The reports may be obtained at no cost by calling

_____.

Other Information Required in the Profile. Include the following eleven disclosure items in the order listed and numbered accordingly. Include the appropriate heading (e.g., "Risks"), although this requirement may be satisfied by using a question-and-answer format (e.g., "What are the risks of the fund?"). Investment companies should, to the extent possible, attempt to use language that a typical investor in the investment company should easily understand and avoid the use of technical terms.

1. *Goals or Objectives.* Briefly describe the investment company's goals or objectives. This description can include identification of the type of investment company being offered (e.g., money market fund, balanced fund).

2. *Investment Strategies.* Briefly describe the investment company's principal investment strategies, including the manner in which the investment company intends to achieve its objectives, a short description of the types of securities in which the investment company principally invests or is expected to invest and any special investment practices or techniques that the investment company principally uses or is expected to use. For example, an equity

fund should briefly describe the criteria used for making investments; a fixed income fund should disclose its general policies (if any) with respect to average maturity or duration and credit quality.

If the investment company has a policy of concentrating in an industry, group of industries, or group of issuers, disclose this fact.

3. *Risks.*

(a) *Narrative Disclosure* -- Briefly describe, in narrative form, the principal risk factors that are expected to affect significantly the investment company's overall performance. These factors should be specific to the type of investment company. Disclosure that the principal value of the shares may fluctuate, by itself, is not sufficient. If the fund is non-diversified, this fact must be disclosed.

Also state that loss of money is a risk of investing in the investment company. The specified disclosure of this fact can vary depending upon the type of investment company. For example, a money market fund could disclose that there is no guarantee that it will maintain a \$1 per share price.

Do not describe the risk factors associated with individual securities in which the investment company may invest unless they are likely to alter significantly the overall risk of an investment in the investment company as described in the profile.

(b) *Risks and Rewards* -- An investment company may, if it wishes, also include a discussion of the anticipated rewards of investing in the investment company. If so, the discussions of risk and reward must be separated and labeled accordingly. Avoid promissory language in discussing rewards.

4. *Appropriateness.* Briefly set forth characteristics of an investor for whom the investment company might be expected to be an appropriate and/or inappropriate investment (e.g., time horizon, willingness to tolerate fluctuations in principal, material tax consequences).

5. *Fees and Expenses.* Include the fee table from Item 2(a)(i) of Form N-1A, with all items including the hypothetical example. Provide a brief explanation of the difference between shareholder-level and fund-level expenses. In accordance with Form N-1A, if expenses have been waived, disclose what the expenses would have been absent the waiver.

6. *Past Performance.*

(a) *Bar Graph* -- Include a bar graph showing the annual total returns of the investment company for each of the last 10 calendar years, or the life of the investment company if less than 10 years. The graph must include disclosure of the yearly returns in numerical form.

Compute total returns without regard to any front-end or deferred sales charges; however, if the investment company assesses any such charges, disclose the fact that these charges are not reflected. Only include returns for full years (i.e., no stub periods).

As an option, funds may include in the bar graph a graphical comparison to an appropriate broad-based securities market index, such as the index used for purposes of complying with Item 5A(b) of Form N-1A.

(b) *For all investment companies* -- Include the standardized 1, 5, and 10 year total return data, computed in accordance with Form N-1A, and, at the option of any non-money market fund, the fund's SEC yield, each as of the end of the most recent calendar quarter as is practicable.

For money market funds only -- In addition to the 1, 5 and 10 year total return data, include (i) the fund's 7-day yield, computed in accordance with Form N-1A, current as of the end of the most calendar quarter as is practicable, and (ii) a toll-free number where investors can obtain the current 7-day yield.

Do not provide other performance numbers in response to this item. Disclose the fact that past performance is no guarantee of future results.

(c) *Updating Information* -- In lieu of revising performance numbers in a profile to bring them current to the most recent calendar quarter, an investment company may stamp the current performance numbers in any equally prominent place in the profile, or may provide the current information on a separate document (such as a "sticker" or "buck slip") that accompanies the profile.

7. *Investment Adviser.* Identify the investment company's investment adviser and any subadviser that manages a material portion of the investment company's portfolio. Briefly disclose the information required by Item 5(c) of Form N-1A with respect to persons primarily responsible for the day-to-day management of the fund's portfolio.

Investment companies that are money market funds or whose investment objectives involve replicating the performance of an index are not required to provide the Item 5(c) disclosure. In the event that all investment decisions are made by a committee, and no person is primarily responsible for making recommendations to that committee, the profile may state this fact in lieu of identifying the committee members. If three or more persons or subadvisers each manage a portion of the investment company's portfolio, the profile may state this fact in lieu of identifying individual persons or subadvisers.

8. *Purchases.* Briefly describe how to purchase shares of the investment company. Include any minimum investment requirements. Where available, note variations in sales loads.

9. *Redemptions.* Briefly describe how to redeem shares of the investment company.

10. *Distributions.* Disclose when and how (e.g., cash, reinvestment) distributions are made by the investment company. Disclose information concerning the tax treatment of distributions (e.g., whether they are taxable as capital gains or ordinary income).

11. *Other Services.* Briefly describe other services available to investors of the investment company (e.g., exchange privileges, telephone transactions).



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
INVESTMENT MANAGEMENT

July 31, 1995

Paul Schott Stevens, Esq.
General Counsel
Investment Company Institute
1401 H Street, N.W.
Washington, DC 20005-2148

Dear Mr. Stevens:

We have reviewed the ICI's "Instructions for Profiles" dated July 19, 1995 ("Instructions"), together with your accompanying letter. The Instructions describe eleven disclosure items to be included in a profile, including information regarding the fund's objectives, investment strategies, risks and appropriateness of investment, fees and expenses, past performance, investment adviser, and purchase, redemption and distribution procedures. In order to provide consistency and easy comparability with other profiles, the Instructions specify the order in which the eleven disclosure items should appear in a profile and how those items should be presented. The contents of a profile are limited to the information set forth in the Instructions. Under the Instructions, a profile will be part of the prospectus constituting Part A of a fund's registration statement on Form N-1A. The profile will either accompany, be attached to, or be physically incorporated within, the remainder of the prospectus required under Section 10(a) of the Securities Act of 1933 ("Securities Act").

The General Instructions for Part A in Form N-1A state that the information in the prospectus need not be in any particular order, except that disclosure responding to Items 1 (cover page), 2 (synopsis, including fee table), and 3 (financial highlights table)(except paragraph (c) of Item 3) must be in numerical order in the prospectus and may not be preceded or separated by any other item. Rule 481 under the Securities Act specifies certain items of information that are required to appear on the outside and inside cover pages of any prospectus relating to a registration statement of an investment company.

Although the profile was not contemplated when Form N-1A or Rule 481 was adopted, we believe that use of a profile is consistent with the policies underlying the Form and the Rule.¹ Therefore, the staff would not recommend enforcement action to the Commission for failure to comply with the sequence requirements of Form N-1A or Rule 481, if a registrant, within the time frame described below, uses a profile meeting the requirements in the Instructions. The staff's position is in no way intended to alter the other requirements of Form N-1A or Rule 481 applicable to a registrant.

Your letter also requests confirmation that the staff will not object if a profile is filed either as a supplement under Rule 497 or as a post-effective amendment under Rule 485(b). The staff will not recommend enforcement action to the Commission under Rule 497 under the Securities Act if a registrant files a profile meeting the requirements in the Instructions as a supplement to its then-current prospectus pursuant to Rule 497(e), provided that the profile is also included in the next post-effective amendment to the registrant's registration statement. Additionally, the staff will not recommend enforcement action to the Commission pursuant to Rule 485 under the Securities Act if a registrant includes a profile

¹ See Investment Company Act Rel. No. 3436 (Aug. 12, 1983) (adopting Form N-1A).

Paul Schott Stevens, Esq.
July 31, 1995
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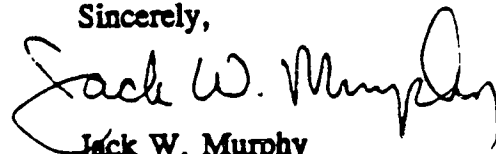
meeting the requirements of the Instructions as part of a post-effective amendment to its registration statement pursuant to Rule 485(b)(1)(vii).² The registrant or counsel to the registrant must make a written representation under Rule 485(b) that the post-effective amendment (including the profile) does not contain disclosure that would render it ineligible to be declared effective under paragraph (b).

The use of profiles is being undertaken initially as an experiment for a period of one year. During that time period, the staff of the Division intends to monitor the industry's use of profiles to assess whether investors find them helpful in deciding to invest in a fund. The no-action positions taken in this letter will be effective only for a period of one year from the date of this letter, unless otherwise extended by this office. Additionally, to assist us with this monitoring, and as a condition to the no-action relief granted by this letter, each registrant that uses a profile must send or deliver a copy of its current prospectus, including the profile, to the Division of Investment Management, Attention: Emanuel D. Strauss. This copy will be in addition to filings required to be made with the Commission.

The staff's positions contained in this letter are limited to profiles containing disclosure concerning a single series or fund. The staff wishes to first assess the results of the initial use of the profiles by comparing the use of profiles of single funds or series. In addition, the staff is concerned that allowing combined profiles for a number of series or funds may not be compatible with the role of the profile as a concise summary of material disclosure included in the prospectus.

Finally, the relief granted by this letter is available to any open-end investment company that wishes to provide a profile with its prospectus, provided it conforms to the Instructions and the conditions to the relief set forth above.

Sincerely,



Jack W. Murphy
Associate Director
and Chief Counsel

² Post-effective amendments that contain only routine updating changes become effective automatically and without staff review pursuant to Rule 485(b). Under paragraph (b)(1)(vii) a registrant may file a post-effective amendment that contains any non-material changes which the registrant deems appropriate.



INVESTMENT COMPANY INSTITUTE

PAUL SCHOTT STEVENS
GENERAL COUNSEL

July 19, 1995

Barry P. Barbash
Director
Division of Investment Management
U.S. Securities and Exchange Commission
450 5th Street, N.W.
Washington, D.C. 20549

Re: Mutual Fund Profiles

Dear Mr. Barbash:

The Investment Company Institute is pleased to submit the general instructions for preparation of the mutual fund "profile," which were developed by the eight mutual fund organizations who participated in the project, and which reflect the comments of the Division of Investment Management and the North American Securities Administrators Association.

The Institute respectfully requests confirmation of the manner in which the profiles will be formatted and filed under the Commission's rules. In particular, we request confirmation that the Division will not object if the profiles are filed as part of the funds' registration statements and will permit the filing of a profile either as a supplement under Rule 497 under the Securities Act of 1933 or as a post-effective amendment to a registration statement under Rule 485(b) of that Act (if the amendment otherwise meets the requirements of Rule 485(b)). We also request confirmation that the next post-effective amendment to a registration statement that includes the profile may be filed under Rule 485(b) (if the amendment otherwise meets the requirements of Rule 485(b)).

Thank you again for the Division's efforts towards development of the profile. Please do not hesitate to contact us should you have any questions concerning the enclosed or the no-action letter to be issued with respect to the profile prospectus.

Sincerely,

A handwritten signature in cursive script that reads "Paul Schott Stevens".

Enclosure

INSTRUCTIONS FOR THE PROFILE

July 19, 1995

General: The profile would be considered part of the prospectus under the securities laws, and should be in a format that would enable it to be used as a prospectus wrapper or included as a separate document that would accompany the full prospectus.

The name of the fund and the fact that the document is a "Profile" or "Fund Profile" must appear prominently at the beginning of the document. Avoid the phrase "profile prospectus." The following legend must appear somewhere in the document:

This Profile contains key information about the Fund. More details appear in the Fund's accompanying Prospectus.

Include the following eleven disclosure items in the order listed and numbered accordingly. Include the appropriate heading (e.g., "Risks), although this requirement can be satisfied by using a question-and-answer format (e.g., "What are the risks of the fund?").

Limit the contents of the profile to the information set forth herein. Additional information, or more detailed responses to the items listed, may only be disclosed in a separate document (except for any legends that may be required under law). The profile may not contain cross-references to the full prospectus or to any other document, except for the legend above.

1. *Goals or Objectives.* Briefly describe the fund's goals or objectives. This description can include identification of the type of fund (e.g., money market fund, balanced fund).

2. *Investment Strategies.* Briefly describe the fund's investment policies, including a short description of the types of securities in which the fund invests or will invest principally and any special investment practices or techniques. If the fund has a policy of concentrating investments in an industry or group of industries, this fact must be disclosed.

3. *Risks.* Briefly describe, in narrative form, the principal risk factors associated with an investment in the fund. These should be specific to the type of fund. (For example, disclosure that the principal value of the shares may fluctuate is not sufficient.) If the fund is nondiversified, this fact must be disclosed.

A fund may, if it wishes, also include a discussion of the anticipated rewards of investing in the fund. If so, the discussions of risk and reward must be separated and labeled accordingly. Avoid promissory language in discussing rewards.

4. *Appropriateness.* Briefly set forth characteristics of an investor for whom the fund might be expected to be an appropriate and/or inappropriate investment (e.g., time horizon, willingness to tolerate fluctuations in principal, material tax consequences).

5. *Fees and Expenses.* Include the fee table from Item 2(a)(i) of Form N-1A, with all items including the hypothetical example. Provide a brief explanation of the difference between shareholder-level and fund-level expenses. In accordance with Form N-1A, if expenses have been waived, include disclosure of what the expenses would have been absent the waiver.

6. *Past Performance.*

(a) *Bar Graph* -- Include a bar graph showing the annual total returns of the fund for each of the last 10 calendar years, or the life of the fund if less than 10 years. The graph must include disclosure of the yearly returns in numerical form.

Compute total returns without regard to any front-end or deferred sales charges; however, if the fund assesses any such charges, the fact that these charges are not reflected must be disclosed. Only include returns for full years (i.e., no stub periods).

As an option, funds may include in the bar graph a graphical comparison to an appropriate broad-based securities market index, such as the index used for purposes of complying with Item 5A(b) of Form N-1A.

(b) *For money market funds only* -- Include (i) the fund's 7-day yield, current as of the end of the most recent calendar quarter and (ii) a toll-free number where investors can obtain the current 7-day yield.

For all other funds -- Include the standardized 1, 5, and 10 year total return data and, at the option of the fund, the fund's SEC yield, each as of the end of the most recent calendar quarter.

Do not provide other performance numbers in response to this item. The fact that past performance is no guarantee of future results must be disclosed.

(c) *Disclosure Concerning Investment Strategy* -- Funds may consider including a brief discussion of the manner in which the fund has been seeking to achieve its stated objectives, similar to the information provided in response to Item 5A(a) of Form N-1A.

7. *Investment Adviser.* Identify the fund's investment adviser. Funds also should consider identifying their subadvisers (if any) and/or providing disclosure similar to the information provided in response to Item 5(c) of Form N-1A, by identifying the portfolio manager and summarizing the portfolio manager's length of service and prior business experience. Funds generally should consider disclosure concerning a subadviser who manages a material portion of the fund's portfolio.

8. *Purchases.* Briefly describe how to purchase shares. Include any minimum investments. Where available, note variations in sales loads.

9. *Redemptions.* Briefly describe how to redeem shares.
10. *Distributions.* Disclose when and how (e.g., cash, reinvestment) distributions are made.
11. *Other Services.* Briefly describe other services available to investors (e.g., exchange privileges, telephone transactions).