Re: File #: S7-09-20

Commissioners:

I generally support the tailored Shareholder Report rulemaking. However, I believe investor testing is needed to assess whether the disclosures are effective and whether the right information is being captured. I also think the Commission should consider consolidating the summary prospectus and summary shareholder report into a one-stop solution for investors (and that satisfies the informational requirement on the 1933 and 1940 Acts). In my view, this makes sense because much of the information is similar between the 2 documents and because I do not believe that new and current fund investors have different information needs.
I would also like to take this opportunity to provide some general commentary on fund disclosure rules and fund disclosure reviews. This may come across as harsh and perhaps I have just been locked in an apartment for 6 months with my cat, but there is no other mechanism to provide this sort of feedback.

Investment Company Disclosure Rulemaking:

The recent changes to the fund disclosure regime seem to be cobbled together and ever-changing without a big picture in mind. It also seems to be full of contradictions and inconsistencies.

- You adopt rule 3e-3, and on the eve of the effectiveness date you propose to replace it with something else (all under the same Chairman and IM Division director).
- Why is 30e-3 inappropriate for open-end funds (and should be replaced), but still the right answer for closed-end funds? Why propose a shorter annual report for open-end funds, all when 5 months prior you added significant content to the full length annual for closed-end funds?
- Purchasing an ETF requires prospectus delivery, but purchasing a traded closed-end fund does not. Why is this?
- For mutual funds and ETFs, you created a summary prospectus that describes fees, strategies and risk for investors because if they are to receive anything, they should at least get this basic information delivered to them. For large traded closed-end funds (seasoned issuers), you must send a prospectus that is <u>not</u> required to include fees, strategies and risks; instead that information can be in some other document posted on a website and not delivered to new investors. Why is this?
- Why propose that open-end funds provide notice of material changes as they occur, but closed-end funds (relying on rule 8b-16) can wait until the annual report to get any notice (and it is buried in a very long document)?

The Rulemaking Office/Commission should publish a request for comment on a 5 year plan to rationalize fund disclosures (a strategic plan) and then take the necessary steps to carry out those changes. The goal should be to timely inform investor of relevant information with more nuance available to those that want it. Rulemaking is not a costless exercise for funds and investors and therefore the Commission should be deliberate in the steps it takes.

Investment Company Disclosure Review:

I believe that the disclosure review staff often takes positions contrary to the purposes intended by the Commission and SEC rules/forms and as other have put it, are a significant source of disclosure creep. Suppose there is a fund with the following item 4 strategies disclosure. Now, suppose item 9 has significant additional detail explaining how the fund selects investments and how the fund complies with the Names Rule (including with respect to derivatives holdings).

> **FIAT U.S. Large Cap SWOT Fund**
> **Principal Strategies:** The fund invests substantially all of its assets in large U.S. companies. The fund selects its investments from among the 750 largest publicly traded U.S. companies. The Fund selects a diversified pool of investments by considering factors relating to each company's strengths, weaknesses, opportunities and threats as compared to the company's peers. As part of its analysis, the fund may also consider each company's financial position, commitment to ESG principles, and may avoid industries that the adviser believes may be out of favor with investors.
> The fund may also invests in other instruments (such as derivatives) that have economic characteristics similar to U.S. large cap securities when it may be more appropriate and efficient for the management of the fund.

Below are the staff comments the fund would likely receive on this item 4 disclosure based on my experience with the staff. These comments will turn 3 short paragraphs into 3 pages of disclosure on a relatively simply and clear strategy. The staff's changes if applied, will also overstate the funds focus on ESG and derivatives. All this to say, the staff needs to be more cognizant of the purpose of a layered disclosure system and stop pushing more and more disclosure into the summary.

- Include an 80% test in U.S. large cap companies.
- Disclose what criteria the fund considers form a company to be considered a U.S. company.
- Define the term "SWOT".
- Provide the current market cap for the 750 largest U.S. companies. Also, explain to the staff why you think the top 750 companies is an appropriate measure for a large-cap fund.
- Explain how derivatives are counted for purposes of the Names Rule.
- Describe the fund's ESG criteria, whether it uses a screen and whether it considers ESG factors for every investment. How does it weigh the 3 ESG factors? Does it use a third party ESG rating organization; if so, disclose the identity of the provider and the factors it considers.
- Describe the specific types of derivatives and other financial instruments the funds may use and provide greater specificity as to when these instruments may be used.
- What factors does the adviser consider in determining if an industry is out of favor? Also, disclose any significant sectors the fund may currently avoid.
- Explain what you mean by "appropriate and efficient for the fund".

Please reign in the disclosure staff and have them carry out the Commission's intended purpose of the layered disclosure regime. I am not sure any of these comments would be necessary or appropriate.

Thanks,
Don