



December 30, 2020

Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Tailored Shareholder Reports, Treatment of Annual Prospectus Updates for Existing Investors, and Improved Fee and Risk Disclosure for Mutual Funds and Exchange-Traded Funds; Fee Information in Investment Company Advertisements (File No: S7-09-20)

Dear Secretary Countryman,

Donnelley Financial Solutions (“DFIN”) appreciates the opportunity to comment and strongly supports the Commission’s efforts to propose a new tailored shareholder report that will provide access of “concise and visually engaging shareholder reports” to investors. Based on the details of the rule, DFIN believes the Proposed Rule has many benefits, including:

- Promoting investor equality-ESG inclusion/ADA compliance
- Improved information and disclosure—risk, returns, data comparison
- Enhanced e-delivery options over and beyond PDF format; changes in technology and investor demographics make new forms of digital transmission of disclosures a more viable option
- Interactive and educational investor experience, leveling the playing field for all investors
- Broader investment availability—expanding access to private markets

The entirety of the rule covers these points quite well in our opinion. Diversity, age, education, technical acumen and capabilities of investors are evermore present and addressable, more so than at any point in modern history. The regulators, investors and information providers are uniquely positioned to leverage recent and continuing disclosure improvements to provide investors with more interactive and understandable investment information.

Additionally, as regulators continue to improve disclosure and more meaningful information to investors, introducing and leveraging modern technologies allow new regulations to be more easily implemented in a cost-efficient manner for the funds and the investor. Facilitating cost efficiencies allowing investment companies to reduce costs of operations, reduce fees and improve information delivery can be facilitated through changes in the distribution model.

DFIN agrees with the layered disclosure approach set forth in the Proposed Rule. Layered disclosure, first mandated by the successful mutual fund summary prospectus ruling, and enhanced over the decade by FAST Act, 30e-3 and Rule 498A, has standardized the document linking and navigation approach to increase the intuitiveness and effectiveness of electronic delivery.

To further reinforce DFIN's support for the Proposed Rule, we recently conducted a survey of current customers and an overwhelming majority are fully supportive of the Proposed Rule.

Per the request of the Commission, DFIN would like to provide some detailed feedback on the following topics.

Tailored Shareholder Reports

The Commission has asked for feedback around the preparation and delivery of tailored shareholder reports by Series. DFIN would agree that preparing individual reports for each Series benefits the shareholder experience and results in a report that is easier to navigate and understand. Many registrants today prepare annual reports for multiple Series, which results in documents containing hundreds of pages. For a shareholder to find all the information (holdings, returns, expenses, etc.) for an individual Series, the shareholder must navigate practically every page in these large documents. Historically, registrants prepared shareholder reports by aggregating many Series into a single document to reduce the overall burden on repeating common disclosure language, thus streamlining the review process and reducing the overall number of pages to be created, printed and mailed. However, these burdens may not pose as great of an impact with the tailored shareholder report because the financial statements, financial highlights and other aspects of the current annual report will not be included in the tailored shareholder report. Additionally, the use of modern technology and content management systems has reduced the burden of maintaining common content and data to ensure accuracy across multiple Series and filings.

The Commission has already moved toward Series-only disclosures with the Summary Prospectus Rule, which DFIN believes has resulted in greater readership and comprehension by investors. Furthermore, the standardization the Proposed Rule mandates has provided a solid blueprint for other regulatory changes over the decade and has enabled the successful launch of additional technologies like XBRL and iXBRL. DFIN is supportive of continuing the trend to require information to be delivered to shareholders by Series.

The Commission has asked for feedback about whether registrants can continue to prepare single annual reports that cover multiple Series. In this regard, the Commission could allow for a single delivery (either paper or electronic) of tailored shareholders reports; however, the Commission could require that the delivery be customized for each shareholder to the Series in which the shareholder invests. Further, the Commission could require that all the information for each Series is contained together, thus eliminating the need for the reader to navigate the entire document to find all the information on a single Series. These guidelines would ensure that shareholders are receiving investor-specific information that is relevant to them, ensure all content for a Series is contained together and allow registrants to reduce the number of deliveries sent to shareholders that invest in multiple Series.

Additionally, the Proposed Rule will allow registrants to submit the required information on Form N-CSR for more than one Series. DFIN is supportive of this proposal as well. The preparation of content for Form N-CSR is already well established and registrants have existing processes and procedures to create and file a single Form N-CSR for multiple Series. Requiring registrants to submit Form N-CSR per Series would create additional burden and changes to existing processes and controls.

The Commission has asked for feedback regarding the use of graphics or text features to present key factors to help promote understanding and consistency among annual reports. Overall, DFIN supports the Commission’s goal to create clear and specific guidance for tailored shareholder reports and feels doing so promotes consistency and equality of disclosures across Series. DFIN feels the standardization of disclosure increases the overall level of comprehension for investors.

User Experience / Investor Equality

The Commission asked if there are other requirements that should be included to assist investors with the readability of shareholder reports. Helping investors to understand the content and simplifying the complexities of information that is important to average investors—such as performance, comparison, risk and fees—affords new and multigenerational investors, in any geography, simpler access to data otherwise requiring specific infrastructure or technology to evaluate.

DFIN feels that offering a range of available information, from print to interactive mobile experiences to app delivery, should be included as a range to ensure the accommodation of all investor preferences. To that, the overlap or “inclusion” of some or all current 30e-3 and 498A regulations should be considered so asset management firms in partnership with service providers can leverage the infrastructure created for the adherence to these recent rules. The Commission could consider mandating the availability of the tailored shareholder report, while allowing for varying options of delivery or notice of availability. Moreover, elimination of the tailored shareholder report for semi-annual reports would reduce the investor disclosure communication delivery to once per year, assuming that 498B is adopted as is, which could reduce the overall engagement of investors and restrict information.

As the investor community ages, there is an increase in vision-related disabilities, including macular degeneration, diabetes and low vision. Additionally, as discussed herein, many of the regulations of the past decade are driving investors to the internet to obtain disclosure. In fact, the visually pleasing aspect of the tailored shareholder report, perhaps relying on color alone in charts to denote meaning, could result in comprehension issues in individuals with color blindness. In 2019, over 10,000 federal accessibility lawsuits were filed, a trend that is increasing each year, with website and mobile app accessibility trending.¹ The technology exists today to allow PDFs to be read out loud, enable website navigation via alternate approaches and provide alternate accessible formats. Many of DFIN’s clients are considering risks, rewards, cost and process implications of ADA compliance, and we encourage the Commission to consider ADA compliance to ensure all investors, including individuals with vision issues or those lacking the dexterity to use a mouse, can consume and enjoy financial disclosure in their preferred delivery channel.

Hyperlinking and Layered Disclosure

The Commission has requested feedback on the use of a website address and/or QR code requirements for referenced material. Currently rule 498A contains a similar requirement that any online referenced material contain active hyperlinks because “...a key component to a layered disclosure approach,

¹ Seyfarth Shaw LLP, “ADA Title III Litigation: A 2019 Review and Hot Trends for 2020,” ADA Title III, January 6, 2020, available at <https://www.adatitleiii.com/2020/01/ada-title-iii-litigation-a-2019-review-and-hot-trends-for-2020/>

enabling access to that information is fundamental to the framework.”² As such, DFIN would agree with the Commission that it is appropriate to requiring active hyperlinks in electronic versions of its annual report and for reports delivered in paper to include similar means of facilitating access to the information.

The Commission has requested feedback on the proposal to revise Form N-1A to permit funds to incorporate by reference their financial highlights from Form N-CSR into the prospectus. Using modern financial reporting tools, most funds have built automation into processes to disclose the financial highlights in the annual report and prospectuses. The current burden on funds to provide the information in the Form N-CSR and the prospectuses would be minor and does not represent a change from current requirements. However, as the Commission is looking to advance the layered disclosure approach, it would make sense that funds be allowed to create content singularly and incorporate that content by reference. DFIN agrees with permitting funds to take this approach but keeping it optional as some funds may want to continue using existing processes or feel it valuable to include the financial highlights in the prospectus and not incorporate the financial highlights by reference. The Commission has also requested feedback on removing the financial highlights information from Form N-CSR and only presenting the information in the prospectus. It is DFIN’s experience that, operationally, the financial highlights are prepared alongside the financial statements that are presented as part of Form N-CSR and certified semi-annually as part of the filing. By including the financial highlights in the annual report allows the schedule to be audited and then be a part of the audit opinion, which gives the shareholder confidence not only on the numbers themselves but on the controls relied upon to produce the schedule. In addition, readers of the financial statements will expect to find the financial highlights prepared within the same filing. Therefore, DFIN recommends requiring funds to include their financial highlights in the Form N-CSR filing.

Convenient for Reading and Printing

The Commission has requested comment on the appropriateness of the “convenient for reading and printing” provisions of the Proposed Rule. The Commission has recognized that “a fund could comply with the proposed requirement by presenting the online fund documents on a website in a format that is convenient for reading online, and, separately, making these same documents available on the website in a format that is convenient for printing on paper.” Additionally, the Commission notes that “funds commonly use this approach in complying with rule 498.” DFIN supports the Proposed Rule and thinks this provision is appropriate. The Proposed Rule recognizes that registrants may take advantage of online tools on the website or electronic delivery and lays out guidelines to utilize technology beyond presenting information in a static PDF. On the heels of the e-delivery rule, the Proposed Rule has taken additional steps in the direction to improve the investor’s digital experience on consuming annual report data. It should be noted that, while PDF printing yields predictable results, printing of HTML and other interactive formats may be more challenging. Nevertheless, DFIN agrees with the Commission’s stance on the “convenient for reading and printing” provisions.

² Securities and Exchange Commission, “Updated Disclosure Requirements and Summary Prospectus for Variable Annuity and Variable Life Insurance Contracts,” page 151, available at <https://www.sec.gov/rules/final/2020/33-10765.pdf>

Consent Management

The Commission has requested a provision be incorporated into the Proposed Rule that would permit investors the option to notify the fund (or the shareholder's financial intermediary) of their wishes to receive paper copies of reports on a going forward basis be incorporated into the Proposed Rule. DFIN believes the addition of ability for shareholders to request paper copies of reports on a going forward basis should be incorporated into the final rule. The inclusion helps protect certain investors that continue to want to receive paper copies and the technology already exists to cost-effectively track investors preferred means of communication.

Summary

The new generation of investors has come to expect a high level of personalized digital interaction across all aspects of their lives in the platforms they use every day. Investment companies must meet these standards to provide a richer, more modern experience and anticipate investors' needs. According to the *Los Angeles Business Journal*, FinTech and investing apps are reporting a rise in user activity among young investors amid the market volatility during the Covid-19 pandemic.³ There is no doubt that the 2020 pandemic has accelerated the digitization of everyday products and services, and DFIN believes allowing for enhanced, app-based disclosure delivery options, in addition to websites, email and print, is a step in the right direction. Giving investors the right content, when they want it and in the distribution channels they prefer, can turn compliance obligations and disclosure checklists into a meaningful value proposition.

In DFIN's view, the Proposed Rule will be beneficial for the shareholder. The creation of a more visually engaging shareholder report will lead to increased understanding and the requirement to deliver the report instead of a notice of availability will lead to increased readership of funds' annual reports and disclosure materials.

DFIN is the largest filer in the U.S., and we have a unique perspective on the process and what is required to operationalize regulatory requirements and make the adoption of new regulations efficient and effective for all stakeholders. We appreciate the Commission's commitment to work with investors and industry participants to improve the investor experience with better disclosures. The Tailored Shareholder Reports, Treatment of Annual Prospectus Updates for Existing Investors, and Improved Fee and Risk Disclosure for Mutual Funds and Exchange-Traded Funds; Fee Information in Investment Company Advertisements Rule is a "forward-focused" proposal, and we hope our recommendations are consistent with your vision. Thank you for the opportunity to comment.

We are eager to continue discussions about how DFIN can contribute to the Commission's objective of creating a modern disclosure framework and delivery channels that promote better investor comprehension and inclusiveness.

³ Jennifer Sor, "Young Investors Drive Increased Use of Investing Apps," *Los Angeles Business Journal*, August 3, 2020, available at <https://labusinessjournal.com/news/2020/aug/03/young-investors-drive-increased-use-investing-apps/>

Sincerely,

A handwritten signature in black ink, appearing to read "Eric J. Johnson". The signature is written in a cursive style with a large, stylized initial "E".

Eric J. Johnson

President, Global Investment Companies

DFIN