January 4, 2021

VIA E-MAIL

Ms. Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
rule-comments@sec.gov

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 Ms. Countryman:

This letter presents the comments of John Hancock Investment Management LLC and John Hancock Variable Trust Advisers LLC (collectively, "John Hancock") with respect to the U.S. Securities and Exchange Commission's ("Commission") proposed rule and form amendments to the disclosure framework for open-end management investment companies (the "Proposal").[1] John Hancock is a premier asset manager representing one of America's most trusted brands, with a heritage of financial stewardship dating back to 1862, and it is an indirect wholly-owned subsidiary of Manulife Financial, a publicly traded company based in Toronto, Canada. We provide investment management services to the John Hancock Group of Funds, a family of 195 registered funds with approximately $184.97 billion in assets.[2] Given the number of funds for which we prepare shareholder reports and other disclosure documents annually, we have had the opportunity to consider the impact of the Proposal on a large fund complex with various products, investment strategies, and client types.

We appreciate the opportunity to comment on the Proposal, and we support the Commission's efforts to modernize methods of effective communication with shareholders and allow fund complexes to better leverage current technology. We also commend the Commission's push to promote more digestible, tailored disclosure that fund shareholders can access and use effectively and meaningfully. However, we believe certain aspects of the Proposal may undermine these objectives by introducing new elements that are accretive and will add confusion with limited marginal benefit to shareholders. We also believe certain aspects of the Proposal are too prescriptive and should be replaced with principles-based guidelines that strike a better balance between investor protection and fund discretion. These comments, and others, are discussed in greater detail below.

[1] *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*, Investment Company Act Release No. 33963. 85 Fed. Reg. 70716 (November 5, 2020) ("Proposing Release").
[2] Information regarding the John Hancock Group of Funds is as of June 30, 2020.

I. SHAREHOLDER REPORT DELIVERY

a. Exclusion of Open-End Funds from Rule 30e-3

Although we fully endorse the Commission's efforts to modernize methods of shareholder communication, we believe amending the scope of Rule 30e-3 to exclude open-end funds would be antithetical to this goal, contrary to recent trends to leverage technology to reduce fund costs, and would represent a step backward from the future of fund document delivery. Specifically, we believe the exclusion of open-end funds from Rule 30e-3 would limit the effectiveness of the "layered" disclosure framework around which the Proposal is designed. Direct delivery of shareholder reports to investors would effectively limit shareholder access to additional information that may otherwise be provided exclusively on the fund's website. Moreover, sending additional paperwork to shareholders increases the risk that the report will be mis-identified or ignored. By contrast, periodic delivery of a Rule 30e-3 notice of internet availability would encourage shareholders to access not only the online shareholder report, but also additional detailed disclosures and interactive and other features on the website.

In the Proposing Release, the Commission noted that if a fund were permitted to rely upon both Rule 30e-3 and proposed rule 498B, shareholders in such a fund would no longer directly receive shareholder reports *or* annual prospectus updates, and thus would not be sent any periodic regulatory disclosure documents.[3] Although we agree that shareholders would by default no longer *directly* receive regulatory disclosure documents in paper or via e-mail, shareholders *would* continue to be periodically prompted to access these regulatory disclosure documents via the Rule 30e-3 notice and would still receive periodic notifications of any material fund changes. In addition, shareholders would retain the ability to request delivery of disclosure documents in paper at any time.

With respect to semi-annual reports, funds should be allowed to fulfil their regulatory transmission obligations by filing them with the SEC, posting them on the fund's website, and delivering them upon request to shareholders in a manner consistent with the shareholder's delivery preference. We believe this is consistent with the Commission's objective of giving investors access to information they need in order to keep informed about their fund investments in a manner they prefer.

The industry has already invested two years and significant resources to prepare for early implementation of notice and access delivery under Rule 30e-3, and has been providing notices to shareholders what to expect as a result of the pending changes. John Hancock, along with many other complexes, intends to rely on Rule 30e-3 as of January 1, 2021. As such, shareholders will begin receiving notices in lieu of shareholder reports well before the adoption of the amendments in the Proposal. Requiring fund complexes to revert back to delivering shareholder reports would be burdensome and is likely to lead to significant investor confusion regarding the availability of fund documents. We believe this would exacerbate the complexity and potential for shareholder apathy that the Commission's Proposal explicitly seeks to address. In addition, shareholders will ultimately bear the costs incurred by fund complexes that have to re-implement legacy shareholder report delivery processes.

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[3] *Proposing Release* at 70828.

We therefore urge the Commission to permit open-end funds to continue to rely on Rule 30e-3 in concert with the amendments in the Proposal. In addition, we believe that the semi-annual shareholder report transmission requirement should be fulfilled once the report is filed with the SEC, posted on the fund's website, and delivered upon request to shareholders. We believe this modernized framework for shareholder communication will benefit investors by providing a single, easily and constantly accessible electronic location where all fund disclosure documents can be reviewed on a "24/7" basis.

b. Separate Shareholder Reports for Individual Funds

Pursuant to the Proposal, every mutual fund must prepare and file a standalone shareholder report, in order to avoid the "length and complexity" of shareholder reports that cover multiple series. As a general matter, we agree that shareholder reports should be short, concise and easy to review. However, we also believe there are instances where it would be appropriate to continue to use combined disclosure materials, both due to cost savings that can be passed on to shareholders and to reduce the amount of repetitive information received by shareholders. As such, we believe fund complexes should be permitted to use a multi-series shareholder report for certain types of funds where the manager believes a combined presentation would be more useful to shareholders. Fund shareholders have been receiving combined financial reports and prospectuses for years now and will likely have become familiar with navigating their format and content.

For example, John Hancock uses multi-series reports for mutual funds that are: (i) sold as underlying investment options for variable annuity and variable life contracts; (ii) sold exclusively as underlying funds for other mutual funds, and not sold to retail investors; and (iii) target date funds designed to provide differing allocations within a common set of investment strategies based on target retirement dates. With respect to mutual funds that are sold as underlying investment options for variable annuity and variable life contracts, it is helpful and useful for contract owners to receive a single document containing information regarding all of the investment options available through the separate account. In addition, the insurance companies that offer funds as investment options sometimes request that certain reports be combined rather than separated into multiple reports. With respect to underlying funds that are not sold to retail investors, there would be no benefit to separating these shareholder reports, as there are no retail investors to benefit from the shorter, more concise document. With respect to target date portfolios, the individual funds often track the same strategies and hold the same investments at different allocation amounts (*i.e.*, 60-40% or 80-20% splits between equity and fixed-income securities), resulting in disclosure that is often broadly applicable to all funds within the portfolio.

The John Hancock fund complex currently includes over fifty mutual funds that are each a separate series of the John Hancock Variable Insurance Trust and sold only to insurance companies and their separate accounts as the underlying investment option for variable annuity and variable life insurance contracts, over a dozen additional mutual funds that are owned exclusively by affiliated funds and not publicly sold, and several suites of retirement target date portfolios that are each comprised of a dozen or more individual funds. For each of these groups of funds, John Hancock has historically produced combined shareholder reports that contain unique sections for each fund, as well as a tailored set of combined disclosures applicable to all funds. Though these reports are longer than a typical shareholder report, we continue to

believe these combined reports are more useful to shareholders, due to the types of investors and nature of the funds.

In each of these cases, the burdens of preparing separate shareholder reports would far exceed any minimal benefit that could be derived by the delivery of separate, shorter reports. In addition, for funds not offered to retail investors, the funds would incur additional costs associated with the preparation of separate reports with no associated benefit.

c. Notice of Material Changes

The Proposal would require that shareholders receive notice of a material change within three business days of either the effective date of the fund's post-effective amendment filing or the filing date of the prospectus supplement. We believe this period is insufficient from a practical perspective and that, in general, specifying a particular number of days is overly prescriptive. Rather than focusing on disseminating material information to investors as soon as possible, fund complexes will be put in the position of attempting to synchronize a filing with the operational aspects of notifying shareholders in a compressed time frame, which could result in delays in filing to ensure the timely delivery of notices to shareholders. While we understand the Commission's purpose is to ensure shareholders receive timely disclosure, this requirement in practice may create significant inadvertent, non-material rule violations based on notices that are delivered on day four or five after the filing of a prospectus supplement, rather than within the specified three-day period. We believe a more reasonable, principles-based standard would be a requirement to deliver the notice "as soon as reasonably practicable." This standard would achieve the Commission's desired result (*i.e.*, ensuring timely delivery of notices) while avoiding unnecessary procedural rule violations.

II. SHAREHOLDER REPORT CONTENT

a. Broad-Based Securities Market Index Definition

The Proposal would revise the definition of an "appropriate broad-based securities market index" to reflect the Commission's position that all funds should compare their returns to the overall applicable domestic or international equity or debt markets, as appropriate. An index tied to a particular sector, industry, geographic location, asset class, or strategy, including commonly used "growth" and "value" indexes would not be considered an appropriate broad-based securities market index. The Form N-1A instructions would permit funds to include a narrow index that better reflects the market segments in which the fund invests, but only as a secondary benchmark.

As a general matter, we believe the Commission's guidance with respect to fund benchmarks should be in the form of principles-based guidelines that allow fund managers to retain discretion regarding the selection of a fund's primary benchmark in order to avoid potential misunderstandings by investors. We believe the proposed definition is overly prescriptive and would ultimately result in primary benchmarks for many funds that are overbroad, not representative of funds' investment strategies, and ultimately not useful tools for investors to assess fund performance. For example, the John Hancock Emerging Markets Debt Fund uses the J.P. Morgan Emerging Markets Bond Global Index as its benchmark. Comparing this fund's

performance to the wider international debt market, which would include the performance of developed non-U.S. countries, would not provide shareholders with relevant information on which to judge the fund's performance, and may even give investors the mistaken impression that this fund is managed in a manner similar to the broader benchmark. If the Commission does not revert back to a more principles-based approach, we believe the instructions to Form N-1A should permit fund managers to include the overall market index as a fund's *secondary* benchmark, if a narrower index would—in the fund manager's view—serve as a more appropriate *primary* benchmark for the fund.

Fund performance comparisons to indexes are also commonly used during the annual review of advisory agreements performed by a fund's board of trustees as required by Section 15(c) under the Investment Company Act of 1940, as amended (the "1940 Act"). Fund complexes often present trustees with performance information that aligns with a fund's shareholder disclosure. Trustees presented with comparisons against primary benchmarks representative of the overall market may not find the information sufficient to review advisory agreements for funds that are more narrowly targeted than a broad-based securities market index and would likely focus their review on the secondary benchmark, if provided, or request additional comparisons against more appropriately tailored indices.

b. Definition of Material Changes

Under the Proposal, a fund would be required to describe in its annual report any material changes that fall within an enumerated list of items (*e.g.*, ongoing annual fees, transaction fees, maximum account fees, change in portfolio manager, change in investment objective, etc.). We believe the provision of an enumerated list of material changes is unnecessarily prescriptive and may ultimately result in over-disclosure. While a principles-based approach has historically led to some variation in disclosure across fund complexes, industry standards and individual fund discretion allow for pragmatic decision making that does not flood shareholders with information that is not useful. In addition, we are unaware of any widespread industry issues involving a failure to properly disclose a material change.

Utilizing a principles-based approach in this instance is further supported by the Commission's recently adopted amendments to modernize the description of business and legal proceedings under Items 101 and 103 of Regulation S-K. In those amendments, the Commission reinforced the use of a principles-based approach by replacing an enumerated list of required disclosures with a non-exclusive list of disclosure topic examples. In the adopting release for these amendments, the Commission noted that "a more flexible principles-based approach is more likely to elicit the appropriate disclosures."[4]

In addition, the use of the terminology "material change" in this instance raises questions with respect to the Proposal's impact on Rule 485(a) filings. Specifically, it is not clear in the Proposal whether funds will be expected to make a Rule 485(a) filing for every "material change" (based on the enumerated list) that is disclosed in the shareholder report. For example, a portfolio manager change would likely not be viewed as a change that warrants a Rule 485(a) filing but would be considered a material change that necessitates disclosure in the shareholder report. To mitigate potential confusion, the Commission should replace the

[4] *Modernization of Regulation S-K Items 101, 103, and 105*, Securities Act Release No. 10825, 85 Fed. Reg. 63726 at 106 (Oct. 8, 2020) ("Regulation S-K Release").

prescriptive list of material changes with principles-based guidelines that give fund managers greater discretion to determine when a change (i) requires disclosure in the shareholder report; and/or (ii) requires a 485(a) filing.

III. PROSPECTUS DELIVERY

John Hancock strongly supports the Commission's proposal to make Rule 498B a permissive rule rather than a mandatory rule for all funds. Consistent with the approach under current Rule 498, we believe funds should have flexibility to determine whether reliance on Proposed Rule 498B is in the best interests of their shareholders. In addition, as noted above, we believe it is critical for fund complexes to retain a level of discretion and flexibility with respect to communications with shareholders. Consequently, we believe Rule 498B should be adopted as proposed.

IV. PROSPECTUS CONTENT

a. Fee Tables

i. Prospectus Fee Summary and Fee Table

Although we generally support the Commission's "layered" approach to disclosure, we believe the proposed fee summary and full fee table overcomplicate the prospectus and do not add new and meaningful information that benefits shareholders, or increases their understanding of fund costs. Consistent with the current fee table and expense example requirements, the proposed fee summary would provide the fund's expense ratio (before and after the effect of any waivers or reimbursements) and apply the expense ratio to a hypothetical $10,000 investment. However, this information would now be presented with less context and applicable detail. As such, two funds could show the same ongoing annual fees in the fee summary but arrive at these totals in materially different ways. To locate the detailed fee disclosures, such as whether the two funds charge different management fees, shareholders would have to expand their search beyond the summary prospectus to locate the full fee table. In addition, the proposed fee summary would remove much of the information currently available to shareholders when comparing different classes of the same fund (*e.g.*, Rule 12b-1 Fees, service plan fees, etc.).

The Proposing Release highlights that, based on a number of surveys, shareholders typically spend only a matter of minutes reviewing shareholder reports.[5] If shareholders spend a similar amount of time reviewing prospectuses, it is possible (even likely) that a majority of shareholders may never see the disclosure in the full fee table. As such, we believe shareholder interests would be better served if the full fee table is retained in the summary prospectus. This format better serves shareholder interests by providing all relevant fee information upfront in a single, easily accessible location.

[5] *Proposing Release* at 707221, and at footnote 42.

ii. 10% Threshold for Acquired Fund Fees and Expenses

We strongly support the proposed fee table change that would permit a fund that invests 10% or less of its total assets in acquired funds to omit acquired fund fees and expenses ("AFFE") from its ongoing annual fees and remove the fee table line item in the statutory prospectus. We agree with the alignment of AFFE with the statutory limits on funds' investments in other funds under Section 12(d)(1)(A)(iii) of the 1940 Act, and believe this disclosure change will more clearly differentiate funds of funds that invest in excess of the Section 12(d)(1) limits from funds with more limited investments in other investment companies.

We further agree with the omission of money market funds from the 10% calculation, given that such investments are generally made for cash management purposes rather than in pursuit of a fund's investment objective. However, we believe the Commission should clarify that certain other non-money market fund products used as cash sweep vehicles (such as those described in Rule 12d1-1(b)(2) under the 1940 Act), and not as investment products, should also be excluded from the 10% calculation. Such products are similar to money market funds, in that they are used for cash management purposes and not for purposes of pursuing a fund's investment objective or strategy. If non-money market fund products such as cash sweep vehicles are not excluded from the 10% calculation, conflicts of interest could arise where managers are compelled to utilize a money market fund rather than an alternative cash management product with potentially higher yields because of the potential impact on fee disclosure for a fund.

iii. Exclusion of Investing-Related Expenses from Expense Ratio

The Proposing Release requests comment on whether investing-related expenses such as interest expense and dividends paid on short sales should be disclosed in the prospectus fee table. For the reasons outlined below, we believe these expenses should be disclosed in a fund's Statement of Additional Information and financial statements rather than in the "other expenses" line item of the prospectus fee table and agree with the prior comments in support of this approach noted by the Commission.[6]

Specifically, we believe the prospectus fee table should focus on ongoing operating expenses. We further believe that excluding interest and dividend expenses would provide a more stable measure of ongoing operating expenses given that interest and dividend expenses can vary widely over time based on market conditions. In addition, the exclusion of interest and dividend expenses, which are investing-related costs rather than operating expenses, would be consistent with the treatment of other investing-related expenses such as brokerage costs. Finally, we agree with the concept that including interest and dividend expenses in the fee table highlights them as an expense without providing the necessary context that these costs are often generated by an investment strategy that may also generate higher returns.

In order to mitigate any concerns that investors may not be aware of these expenses if excluded from the fee table, simple narrative disclosure could be included that notes the existence of additional fees and expenses not reflected in the fee table, including interest and dividend expenses.

b. Risk Disclosures

[6] *Proposing Release* at footnote 590.

i. 10% Threshold for Principal Risk Disclosure

The Proposal would require funds to disclose only "principal" risks in the prospectus, based on a 10% threshold, and would explicitly preclude a fund from disclosing non-principal risks. Although this bright-line rule provides clarity regarding the risks the Commission would expect to be included in a prospectus, we believe it is too prescriptive as proposed, and does not provide managers with necessary flexibility to tailor disclosures to the investment objectives and strategies of a particular fund. In our view, the relevance of a particular risk does not depend solely on the percentage of a particular investment in a fund's portfolio (or the estimated percentage impact on the fund), and this threshold could ultimately prevent funds from fully informing current shareholders and prospective investors about the nature of their investment. For example, a "balanced" fund that invests 100% of its assets in U.S. equities and investment grade fixed-income securities would have prospectus risk disclosures substantially identical to a "balanced" fund that invests over 80% of its assets in such securities, but also invests in mortgage-backed securities, high yield bonds, and emerging market equities just below the 10% standard. A shareholder reviewing the prospectuses for both of these funds would be unable to accurately compare and understand the differences between the funds' respective risk profiles.

The 10% threshold could also result in over-disclosure of risks that a fund manager does not believe are material to a fund's investment strategy. For example, a large cap equity fund's portfolio could vary widely between 5% and 15% in six distinct sectors over a one-year period without the manager intending investments in any one of those sectors to be a material piece of the fund's strategy. Under the Proposal, the fund would be required to include distinct risk factors for all six of those sectors, which could dwarf other important risk disclosures.

In addition to the above, it is unclear from the Proposal what impact the Commission intends the proposed risk factor changes to have on funds' principal investment strategies. For example, if a fund's principal investment strategies are also subject to the 10% threshold, there would effectively be no way to discern the difference in strategy and risks between the two balanced funds discussed above, without careful review of disclosures in the funds' respective Statements of Additional Information. However, if the 10% threshold is *not* applied to a fund's principal investment strategies, it is likely that the principal investment strategy disclosure will diverge (possibly significantly) from the risk disclosure, because not all investments discussed in the strategy disclosure will meet the 10% threshold for risk factor disclosure. Neither of these outcomes is preferable, and we ask that the Commission provide necessary clarity on this point.

ii. Methodology for Ordering Prospectus Risks

Under the Proposal, funds would be required to describe principal risks in order of importance (with most significant risks appearing first) and would be expressly prohibited from listing risks alphabetically. We believe this requirement exposes funds to significant risks of liability in the event that the investment manager does not "accurately" rank a risk that ultimately results in large losses. This concern is even greater given the constant evolution and volatility of the markets, which could impact a fund's risk-ranking system on a monthly, weekly, or even daily basis. For example, a pandemic risk factor would have been ranked very differently by a fund updating its prospectus in February 2020 versus April 2020.

In addition, the Proposal would create unnecessary variance across the industry by requiring risks to be ordered by importance, but leaving funds to develop their own internal methodology and criteria to determine what makes a particular risk more "important" than another. As a result, shareholders would not be able to accurately compare risks among funds that use different risk ranking methodologies. While we agree that weighing the importance of various risk factors for different funds should ultimately be a discretionary decision made by fund managers who understand best how each risk affects their funds, we believe that—if the Commission retains this requirement—it should provide additional principles-based guidelines regarding the criteria that should be considered. For reasons similar to those discussed above, we do not believe a purely objective approach with specifically designated thresholds would be appropriate. For certain risks, such an assessment may be practically impossible and would not be useful in practice. For instance, a vast majority of funds could be required to list "market risk" first as this risk generally affects 100% of a portfolio's assets. Nonetheless, additional guidance is needed to ensure relative consistency across the industry.

The risk-ranking requirement is also inconsistent with the SEC's recently adopted amendments to modernize risk factor disclosures under Item 105 of Regulation S-K, which does not require registrants to prioritize the order in which they discuss their risk factors, and only requires that such risk factors be "organized logically." In the adopting release, the Commission stated that the amendments to Regulation S-K: "should afford registrants flexibility to determine the order to most effectively present the material risks that make an investment in the registrant or offering speculative or risky… Retaining this flexibility should also help address concerns expressed by some commenters that it could be difficult to evaluate and rank often equally significant and evolving risk factors."[7] We fully agree with this position.

V. Investment Company Advertising Rules

We support the proposed changes to the investment company advertising rules set forth in Rules 482, 156, and 433 under the Securities Act of 1933, as amended, and Rule 34b-1 under the 1940 Act. The Proposal generally promotes transparency and consistency with respect to the presentation of fee and expense figures across the industry by requiring certain standardized figures and reasonably current information. Consequently, we believe shareholders will benefit from better comparability and uniformity of advertisements across open-end mutual funds, ETFs, registered closed-end funds, and business development companies.

VI. Compliance Date

The Proposal indicates that all shareholder reports for funds registered on Form N-1A would have to comply with Item 27A of Form N-1A if they are transmitted to shareholders 18 months or more after the effective date. These funds also would have to comply with the amendments to rule 30e-1 and Form N-CSR no later than 18 months after the effective date by, among other things, meeting the website availability requirements for the new Form N-CSR items. We respectfully suggest an implementation period of 24

[7] *Regulation S-K Release* at 63746.

months in order to ensure that all technology and operational enhancements needed to comply with the final rule have been implemented and thoroughly tested.

VII. Overall Impact and Economic Analysis

Although we strongly support many aspects of the Proposal, as highlighted above, we nonetheless believe that the Proposal in its current form will significantly burden fund complexes with additional disclosure and reporting requirements without a corresponding proportionate benefit to investors. Compliance with the current elements of the Proposal will require fund complexes to expend significant resources to create the new, streamlined shareholder report, which includes new content, disclosures, and a full redesign to incorporate graphic and text features. In addition, fund complexes will need to continue to prepare the schedule of investments and other financial statements, which will be issued and posted electronically. In addition to resources dedicated to the shareholder report itself, fund complexes that have already expended resources redesigning their websites in light of Rule 30e-3 (*e.g.*, creating appropriate landing pages, adding links for portfolio holdings, etc.) would need to allocate additional resources to further redesign their websites to align with the requirements in the Proposal. Therefore, although the Proposal *would* allow fund complexes to save on mailing costs, it does not otherwise ease, simplify, or remove any disclosure or reporting obligations. We believe the Proposal, in its final form, should better balance the benefits of new forms of reporting and disclosure for shareholders with the associated burdens imposed on funds.

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John Hancock appreciates the opportunity to comment on the Proposal and hopes that the Commission finds these comments helpful and constructive. Please contact us if you wish to discuss these comments further or if we can provide any additional assistance.

Sincerely,

Andrew G. Arnott
President and Chief Executive Officer
John Hancock Investment Management LLC
John Hancock Variable Trust Advisers LLC

cc: The Honorable Jay Clayton
The Honorable Caroline A. Crenshaw
The Honorable Allison Herren Lee
The Honorable Hester M. Peirce
The Honorable Elad L. Roisman
Dalia Blass, Director, Division of Investment Management