INVESTORTOOLS, INC.
Institutional Investment Systems

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OFFICE OF THE SECRETARY

Mr. Jonathan G. Katz, Secretary
Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549-0609

Re. File No. S7-26-03
Proposed Rule: Disclosure Regarding Market Timing and Selective Disclosure of Portfolio Holdings

Dear Mr. Katz:

Investortools, Inc. ("Investortools") appreciates the opportunity to send this letter in response to the invitation by the Securities and Exchange Commission (the "Commission") for comments on the above-referenced Proposed Rule. Investortools is a provider of institutional investment software systems and related services to money managers and securities dealers located in the United States. Investortools' principal products are its Perform and Smart portfolio management systems and its CreditScope credit analysis system, which are available via monthly subscriptions. Currently our systems are used mostly with municipal securities.

Most aspects of the Commission's Proposed Rule seem to be laudable responses to recent allegations of mutual fund impropriety. However, the Proposed Rule and its accompanying text regarding "Selective Disclosure of Portfolio Holdings" are written so generally that, if adopted without selective revisions, they could adversely affect the transparency and liquidity of the municipal securities market. The market for municipal securities, because of its hundreds of thousands of unique CUSIPs, many of which do not trade for years at a time, is the least efficient of all of the major securities markets.

We assume that the Commission would not want unintentionally to restrict the ability of municipal securities mutual fund managers to make current or recent portfolio holdings systematically available to dealers serving them. By increasing transactional market efficiencies, systematic communication of portfolio holdings benefits mutual fund shareholders. Examples of transactional market efficiencies through communicating holdings are (1.) informing multiple competing dealers about securities that may be sale candidates and (2.) attracting offerings of securities that match or are similar to those already held.

This communication of portfolio holdings is dramatically different from "The selective disclosure by some fund managers of their funds' portfolio holdings in order to curry favor with large investors." [Quotation is the third bullet point of the Commission's Proposed Rule's "INTRODUCTION AND BACKGROUND"] We hope that the Commission's Final Rule will make a distinction between such "selective disclosure" and arrangements, at least for municipal securities funds, for communicating portfolio

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holdings to large numbers of securities dealers.

In our opinion, it would be most beneficial to shareholders of municipal mutual funds if the Proposed Rule and/or its accompanying text were changed to clarify that arrangements, by a mutual fund to make current or recent portfolio holdings REGULARLY AVAILABLE TO A MAJORITY OF THE DEALERS REGULARLY SERVING IT, would not be considered "selective disclosure". This seems to be the most direct way for the Commission not to impinge on the ability of municipal securities mutual fund managers to make current or recent portfolio holdings systematically available to dealers serving them. Because such systematic arrangements increase municipal bond market liquidity and corresponding mutual fund management efficiency, these arrangements have an important business purpose and materially benefit municipal mutual fund shareholders.

In the event that the Commission might not agree explicitly to exclude such arrangements from being considered "selective disclosure", we believe that it still would be in the interests of municipal fund shareholders for the Commission to encourage such communication arrangements -- by having the Final Rule and/or its accompanying text specify that such arrangements are deemed not to involve confidential information and therefore would not need to be subject to confidentiality agreements or trading restrictions or trading prohibitions. This would be consistent with the basic purpose of such arrangements to encourage competitive trading with a relatively large number of dealers for the ultimate benefit of fund shareholders.

Sincerely,

Paul R. Daniels

INVESTORTOOLS, INC.
By Paul R. Daniels, President

Biographical note: The writer of this letter was a founder and is now President of Investortools, Inc. He holds C.F.A. and C.P.A. certificates and is a past President of both the Society of Municipal Analysts and the Chicago Municipal Analysts Society. He was the first portfolio manager of the Nuveen Municipal Bond Fund (a mutual fund; Nuveen's first managed fund) and for more than a decade managed Nuveen's Research and Advisory Services group which encompassed that firm's Research Department and portfolio management of all of its managed funds. It is relevant to this comment letter that he recalls that one of his most significant strategies, as manager of the Nuveen Municipal Bond Fund, was providing recent portfolio holdings to virtually any interested investment dealer. This communication benefited the fund shareholders as suggested in this comment letter, and during the time that he personally managed the fund, its total return performance was significantly above the average for similar mutual funds.

Note re. Investortools, Inc. This provider of institutional investment systems adds an element of efficiency to the municipal bond market through its electronic Investortools File Exchange ("IFX"). The IFX allows Investortools' money manager clients to post portfolio holdings for transmission to its investment dealer clients. Systematic transmission of portfolio holdings to dealers, through the IFX or otherwise, allows portfolio managers to communicate more efficiently with dealers serving them. The communication efficiencies ultimately benefit fund shareholders. These communication efficiencies are most relevant in the municipal securities market, because of the illiquidity of that extremely fragmented market.