

Mutual Fund Investors' Views on Shareholder Reports: Reactions to a Summary Shareholder Report Prototype

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Background

In an ongoing effort to improve fund disclosure content and investor understanding, the Securities and Exchange Commission (SEC) issued a request in June 2018 for comment on enhancing disclosures by funds. The SEC described the request as the first major step in a long-term initiative to improve the investor experience by updating the design, delivery, and content of fund disclosure for the benefit of individual investors.¹ Presenting more than 100 questions on a wide range of topics, the SEC wrote, “Specifically, we are seeking comment to learn how investors, like you, use these disclosures and how you believe funds can improve disclosures to help you make investment decisions.”²

The SEC has invested substantial time and resources in continual efforts to improve mutual fund disclosure over nearly four decades. So, it is not surprising that the request for comment echoed remarks made by Michael Piwowar—then an SEC commissioner—in a recent discussion with ICI President and CEO Paul Schott Stevens. Piwowar noted that current disclosures can be very dense and hard to understand. He said, “We’re supposed to be disclosing information that’s valuable to investors....So why don’t we start reaching out to investors and asking them” what information would be useful to them?³

The fund industry has been an active partner in efforts to improve fund disclosure (see Modernizing Disclosure and Informing Investors on page 3). Most recently, and consistent with the SEC’s goal to make the information provided by mutual funds more useful to investors, ICI embarked on research to evaluate investor understanding of the current investment company shareholder report. ICI also launched a member working group that provided further insight into investor preferences and helped design the content of a mutual fund summary shareholder report prototype, modeled on the summary prospectus. The summary shareholder report prototype draws key elements from the current full-length shareholder report to determine what information investors value and to test whether such a summary document can convey key information effectively.

ICI sought to evaluate four broad topic areas with the Summary Shareholder Report Survey:

1. What is the experience of mutual fund investors with the current full-length shareholder report?

The mutual fund investors surveyed were asked whether they recall receiving shareholder reports. Those who recall receiving shareholder reports were asked to evaluate the clarity of the reports and how much of the current full-length reports they read.

2. How do mutual fund investors view specific aspects of the summary shareholder report prototype?

Mutual fund investors were asked to view a summary shareholder report prototype, which has five elements drawn from the full-length shareholder report. The survey asked investors about the relevance of each section of the summary document, soliciting views on the importance of the information contained in the summary.

3. How do mutual fund investors react overall to the summary shareholder report prototype?

The survey asked mutual fund investors whether the summary document provides enough information to learn about a fund's performance, given that additional information is available online or on request; how they would use the summary; and whether the length of the summary prototype is about right.

4. How does the summary shareholder report prototype perform in conveying key financial information?

To test the efficacy of the prototype, the survey asked mutual fund investors to use the prototype to answer questions related to fund holdings, fund expenses, and fund returns.

This report presents findings from the survey across these four broad topic areas. Appendix A provides detail on the survey methodology as well as additional information on the mutual fund investors surveyed. Appendix B describes the process by which ICI created the summary shareholder report prototype and includes the summary prototype document used in the testing.

MODERNIZING DISCLOSURE AND INFORMING INVESTORS: ICI'S RESEARCH RECORD

Research supporting the development and testing of a summary shareholder report prototype builds on decades of work by regulators and experts in the fund industry. Three prior ICI studies of investors' needs and preferences for information, in addition to an annual survey of mutual fund–owning households conducted by ICI, informed the current research effort exploring the possible content and usability of a summary shareholder report.

ICI Annual Mutual Fund Shareholder Tracking Survey

The ICI Annual Mutual Fund Shareholder Tracking Survey finds that 95 percent of mutual fund–owning households had internet access in mid-2017, that many factors shaped their opinions of the mutual fund industry, that they are willing to take investment risk and often invest in equities,⁴ and that they factor in fund performance and fees when selecting a mutual fund.⁵

ICI Testing of Elements of the SEC's Summary Prospectus

The 2008 survey work yielded both a very broad positive assessment of the SEC's proposed summary prospectus and information regarding specific ways to present various pieces of information.⁶ Respondents generally agreed on the importance of elements within the SEC's proposed summary prospectus document. Respondents expressed distinct preferences when provided with alternative approaches to the presentation of particular elements of the proposed summary prospectus.

ICI Research Exploring Investor Preferences for Information

The 2006 research paper *Understanding Investor Preferences for Mutual Fund Information* focused on investor preferences about the content and form of disclosure documents.⁷ Given the push toward alternative document delivery, this survey also included several questions about internet use.

The Profile Prospectus: An Assessment by Mutual Fund Shareholders

Work along this track began in 1996 with developing and testing what was then called the “profile prospectus.”⁸ Surveying investors, the project targeted the type, amount, and format of information presented in disclosure documents.

Key Findings

The ICI Summary Shareholder Report Survey collected responses from 1,233 mutual fund investors from late July to mid-August 2018. First, the survey asked mutual fund investors about their experience with current shareholder reports and the extent to which they read the reports. Second, the survey presented a summary shareholder report prototype and gathered mutual fund investors' reactions to the prototype, including investor preferences for each of five key elements that make up the summary prototype. Third, respondents were asked about the usefulness and length of the summary prototype overall. Finally, as a test of the efficacy of the summary prototype, investors were asked to use the summary prototype to answer questions related to fund holdings, fund expenses, and fund returns relative to a benchmark index.

Mutual Fund Investors' Experience with Current Shareholder Reports

The survey first asked mutual fund investors whether they recall receiving shareholder reports and questioned those who did about their readership and ease of understanding. Specifically,

- » 81 percent of mutual fund investors surveyed recall receiving shareholder reports;
- » 67 percent of mutual fund investors who recall receiving current shareholder reports indicate that the reports are difficult to understand; and
- » 63 percent of mutual fund investors who recall receiving current shareholder reports read, at most, very little of them.

Furthermore, readership and difficulty of understanding are related. The survey results demonstrate that mutual fund investors who find the current reports difficult to understand are less likely to read them.

Mutual Fund Investors Offer Positive Impressions of the Summary Shareholder Report Prototype

The next section of the survey presented mutual fund investors with an electronic copy of a summary shareholder report prototype, which they could view as often and for as long as they wanted in a separate window. The summary prototype is for the "ABC Equity Fund" (see Appendix B). The survey asked mutual fund investors to rate the importance of keeping each of the five elements included in the summary prototype, as well as their views on the usability of the summary prototype overall, to enable them to stay informed and compare funds. Respondents were informed that the longer and more detailed shareholder report would still be produced and would still be available free of charge.

Most mutual fund investors indicate that each of the five elements in the summary shareholder report prototype is important.

- » **Performance highlights.** Eighty-three percent of mutual fund investors find the performance highlights important, with 60 percent indicating this element is very important.
- » **Total return and expenses.** Eighty-eight percent of mutual fund investors find the total return and expenses chart important to keep, with 68 percent indicating this summary graph is very important.
- » **Graphical representation of holdings.** About eight in 10 mutual fund investors indicate that the graphical representation about the fund's portfolio is important.
- » **Average annual total return.** About eight in 10 mutual fund investors indicate that the average annual total return table is important.
- » **Fund expense example.** Seventy-two percent of mutual fund investors find the fund expense example table to be important.

Overall, the summary shareholder report prototype is well received.

- » Ninety-five percent of mutual fund investors agree that the summary document is enough to keep investors informed about their mutual fund investments, as long as the longer and more detailed document is available on request, free of charge.
- » Ninety-two percent agree that they would be more likely to read such a summary document.
- » Ninety-two percent agree that such a summary document will make it easier to compare different funds.

Summary Shareholder Report Prototype Successfully Communicates Content

The survey next asked mutual fund investors to locate information in the summary shareholder report prototype and answer content-related questions to see how well the summary conveyed important information. A majority of mutual fund investors answered each content-related question correctly using the summary shareholder report prototype.

- » Seventy-six percent of mutual fund investors correctly identified the largest holding of the mutual fund.
- » Fifty-four percent correctly identified the share class with the lowest annualized expense ratio.
- » Sixty-four percent correctly identified the share class that had a higher total return than the S&P 500 index (the fund's benchmark).

Majority of Mutual Fund Investors Find the Summary Shareholder Report Prototype Is About the Right Length

After mutual fund investors had the opportunity to review and use the summary shareholder report prototype, the survey asked about its length.

- » More than three-quarters (77 percent) of mutual fund investors indicate that the summary shareholder report prototype is “about the right length.”

Mutual Fund Investors’ Experience with Current Shareholder Reports

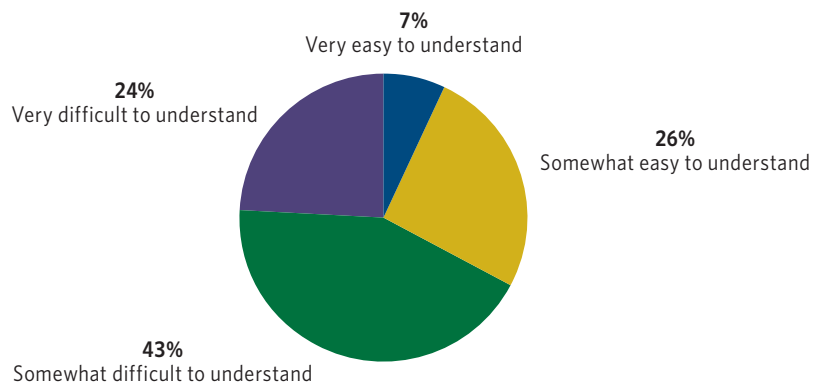
The goal of the first section of the ICI Summary Shareholder Report Survey is to ascertain mutual fund investors’ overall reaction to current shareholder reports. Among the 1,233 mutual fund investors surveyed, 81 percent recall receiving shareholder reports. Given the variety of channels through which mutual fund investors hold funds—ranging from employer-sponsored retirement plans, to financial advisers and financial planners, to discount brokers, to directly with mutual fund companies—investors’ experience with shareholder reports could vary.⁹

The survey first asked mutual fund investors who recall receiving shareholder reports to rate their own experience with such reports, rating the ease or difficulty in understanding these reports. Two-thirds (67 percent) of these mutual fund investors find current shareholder reports difficult to understand, with 24 percent indicating that the reports are “very difficult to understand” and 43 percent indicating they are “somewhat difficult to understand” (Figure 1). Another 26 percent of mutual fund investors who recall receiving shareholder reports indicate they are “somewhat easy to understand,” and 7 percent indicate they are “very easy to understand.” Responses vary only somewhat with mutual fund investor age or household income (see Figure A4).

FIGURE 1

Two-Thirds of Mutual Fund Investors Say Current Shareholder Reports Are Difficult to Understand

Percentage of individuals owning mutual funds who recall receiving shareholder reports, 2018



Note: Eighty-one percent of individuals owning mutual funds recall receiving shareholder reports.

Source: ICI tabulation of GfK KnowledgePanel® OmniWeb survey data (summer 2018)

ABOUT THE ICI SUMMARY SHAREHOLDER REPORT SURVEY

ICI conducted the Summary Shareholder Report Survey to gather information on mutual fund investors' experience with shareholder reports and their reactions to and use of a summary shareholder report prototype developed by ICI. The survey was conducted in late July to mid-August 2018 using the KnowledgePanel®, a probability-based, web-enabled panel designed to be representative of the US population. The KnowledgePanel® was designed and administered by GfK, an online consumer research company. Of the total sample of 3,000 representative US adult individuals surveyed, 1,233 individuals owned mutual funds. The overall standard error for the 2018 sample of individuals owning mutual funds is ± 2.8 percentage points at the 95 percent confidence level.

See Appendix A for additional detail on the survey methodology and Appendix B for the development of the summary shareholder report prototype, which includes the document used in testing.

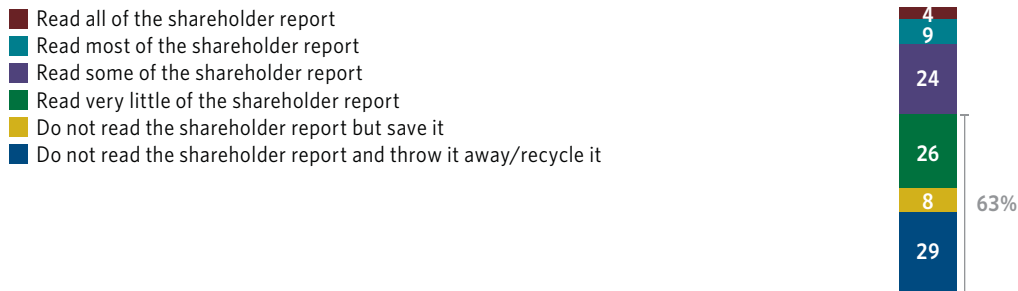
Mutual fund investors who recall receiving shareholder reports were also asked to indicate, in general, how much of current shareholder reports they read. More than six in 10 (63 percent) of these mutual fund investors indicate that they read, at most, very little of current shareholder reports (Figure 2). Twenty-nine percent do not read the report and throw it away or recycle it, while another 8 percent do not read it but save it for later. Twenty-six percent read “very little” of the shareholder report, and 24 percent read “some.” A minority—the remaining 13 percent—read most (9 percent) or all (4 percent) of the full-length current shareholder report. Responses vary only somewhat with mutual fund investor age or household income (see Figure A5).

FIGURE 2

More Than Six in 10 Mutual Fund Investors Indicate They Read, at Most, Very Little of Current Shareholder Reports

Percentage of individuals owning mutual funds who recall receiving shareholder reports, 2018

Amount of current mutual fund shareholder reports read



Note: Eighty-one percent of individuals owning mutual funds recall receiving shareholder reports.

Source: ICI tabulation of GfK KnowledgePanel® OmniWeb survey data (summer 2018)

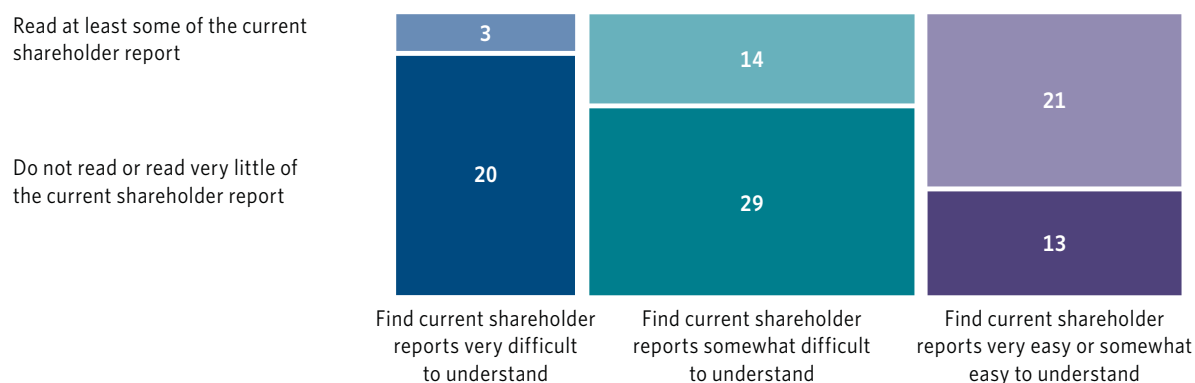
The survey results demonstrate that readership and difficulty of understanding are related—those who report finding current reports difficult to understand are less likely to read them. About half of mutual fund investors who recall receiving shareholder reports read very little of, and have difficulty understanding, them (Figure 3). Specifically, 20 percent of mutual fund investors who recall receiving shareholder reports indicate that they do not read or read very little of current shareholder reports and that they find the reports “very difficult to understand.” Another 29 percent of these mutual fund investors indicate that they do not read or read very little of current shareholder reports and that they find them “somewhat difficult to understand.”

These findings support the idea that a summary of the full shareholder report—one that is shorter and simpler to navigate—might have a better rate of engagement among mutual fund investors.

FIGURE 3

About Half of Mutual Fund Investors Read Little of, and Report Difficulty Understanding, Current Shareholder Reports

Percentage of mutual fund investors who recall receiving shareholder reports, 2018



Note: Eighty-one percent of mutual fund investors recall receiving shareholder reports.

Source: ICI tabulation of GfK KnowledgePanel® OmniWeb survey data (summer 2018)

Mutual Fund Investors Offer Positive Impressions of the Summary Shareholder Report Prototype

The next stage of the survey provided respondents with an electronic copy of the summary shareholder report prototype developed by ICI (see Appendix B for the summary shareholder report prototype document used in the testing). Respondents were informed that the longer and more detailed shareholder report would still be produced and would still be available free of charge. Against this backdrop, respondents were asked to rate the importance of each element of the summary shareholder report prototype, given the goal of including key information while keeping the document short to engage investors. Mutual fund investors also were asked to evaluate the usefulness of the summary shareholder report prototype overall.

Majority of Mutual Fund Investors Rate Each Element of the Summary Shareholder Report Prototype Important

Following the logic of the SEC's summary prospectus,¹⁰ the summary shareholder report prototype contains five elements (see Appendix B), selected from the full-length shareholder report and presented in this order:¹¹

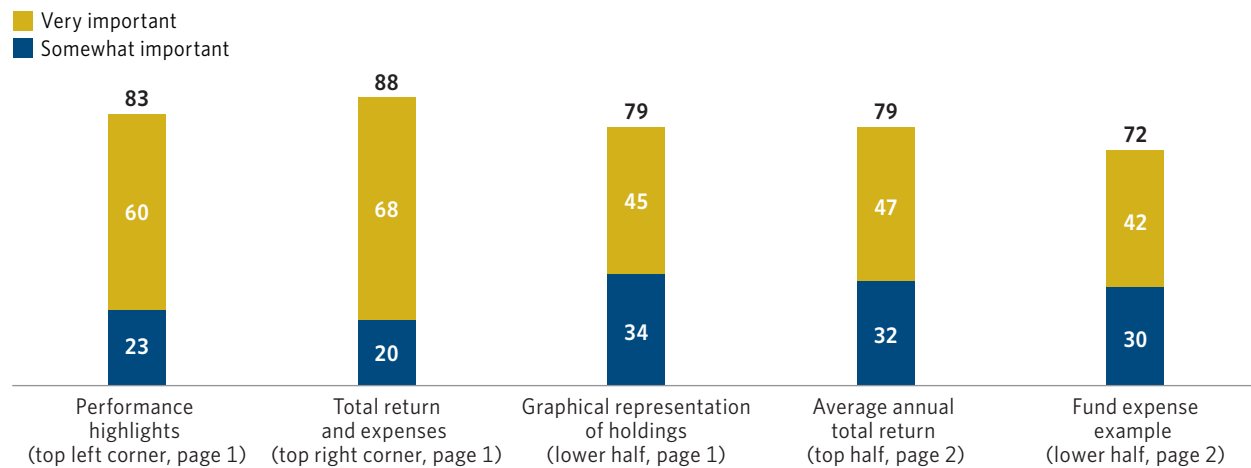
- 1. Performance highlights.** The ICI summary shareholder report prototype provides the fund's total return and the total return for the benchmark index for the reporting period. It also includes a brief discussion of the markets in which the fund invests and the factors that affected the fund's performance during the reporting period.¹² (This element is in the top left corner on page 1 of the summary prototype.)
- 2. Total return and expenses.** The prototype includes a bar chart that plots the fund's total return for the most recent fiscal period¹³ and the relevant benchmark for the fund,¹⁴ in addition to reporting the fund's expense ratio.¹⁵ (This element is in the top right corner on page 1.)
- 3. Graphical representation of holdings.** The prototype is for an equity mutual fund and includes graphical representation of holdings appropriate to an equity mutual fund—for example, tables and charts labeled “Asset Allocation,” “Industry Allocation,” and “Ten Largest Holdings.”¹⁶ (This element is in the lower half of page 1.)
- 4. Average annual total return.** The prototype includes a table of returns (with and without sales charge, as applicable) for one-, five-, and 10-year periods, along with index performance for the same periods.¹⁷ (This element is in the top half of page 2.)
- 5. Fund expense example.** The prototype contains a fund expense example table that includes expenses paid for the most recent fiscal half year portrayed based on actual returns and a \$1,000 investment, and the annualized expense ratio.¹⁸ (This element is in the lower half of page 2.)

Survey respondents were directed to open the document so that they could review and use it to answer survey questions. Most mutual fund investors agree that each of the five elements is important to include in a summary shareholder report (Figure 4).

FIGURE 4

Mutual Fund Investors Indicate Each Component of the Summary Shareholder Report Prototype Is Important

Percentage of individuals owning mutual funds finding each section of the summary shareholder report important, 2018



Note: The figure reports the percentage of mutual fund-owning individuals who find each section “very important, need to keep in summary document” or “somewhat important, keep if space available.” The remaining mutual fund investors find each section “useful, but having the information available online or by request is sufficient” or “not important, don’t need to keep.” Respondents were informed that the longer and more detailed shareholder report would still be produced and would still be available, free of charge. The sample is 1,233 mutual fund investors.

Source: ICI tabulation of GfK KnowledgePanel® OmniWeb survey data (summer 2018)

Performance Highlights

Eighty-three percent of mutual fund investors surveyed think that the performance highlights are important to include in the summary shareholder report (Figure 4). Support for this element is high, with 60 percent indicating this element is “very important, need to keep in summary document” and 23 percent indicating it is “somewhat important, keep if space available.” Although support is high across all age groups, younger mutual fund investors are more likely to indicate the performance highlights are important to keep (87 percent of mutual fund investors younger than 35) compared with older mutual fund investors (78 percent of mutual fund investors aged 65 or older) (Figure 5). Support for the performance highlights also is high across all income groups, although higher-income mutual fund investors are more likely to indicate this element is important to keep (88 percent of those with household incomes of \$150,000 or more) than lower-income mutual fund investors (76 percent of those with household incomes less than \$50,000).

FIGURE 5

Mutual Fund Investors' Views on the Components of the Summary Shareholder Report Prototype

Percentage of individuals owning mutual funds finding each section of the summary shareholder report prototype important by investor age or household income, 2018

	Investor age				
	All	Younger than 35	35 to 49	50 to 64	65 or older
Performance highlights	83	87	85	81	78
Total return and expenses	88	89	90	87	83
Graphical representation of holdings	79	81	84	76	76
Average annual total return	79	79	82	79	75
Fund expense example	72	75	74	71	70
<i>Number of respondents</i>	1,233	261	316	397	259

	Household income				
	All	Less than \$50,000	\$50,000 to \$99,999	\$100,000 to \$149,999	\$150,000 or more
Performance highlights	83	76	80	84	88
Total return and expenses	88	83	85	89	92
Graphical representation of holdings	79	71	76	83	83
Average annual total return	79	71	77	80	83
Fund expense example	72	67	71	74	75
<i>Number of respondents</i>	1,233	186	410	302	335

Note: The figure reports the percentage of mutual fund-owning individuals who find each section “very important, need to keep in summary document” or “somewhat important, keep if space available.” The remaining mutual fund investors find each section “useful, but having the information available online or by request is sufficient” or “not important, don't need to keep.” Respondents were informed that the longer and more detailed shareholder report would still be produced and would still be available, free of charge. The sample is 1,233 mutual fund investors.

Source: ICI tabulation of GfK KnowledgePanel® OmniWeb survey data (summer 2018)

Total Return and Expenses

Mutual fund investor support of the inclusion of total return, a benchmark, and expenses on the first page of the summary is very high. Eighty-eight percent of mutual fund investors indicate it is important to include this graphical representation of these three key measures in the summary shareholder report (Figure 4). Sixty-eight percent of mutual fund investors indicate this element is very important, and 20 percent indicate it is somewhat important. Support for this element is high across mutual fund investors in all age and income groups, although a smaller share of older mutual fund investors indicate this element is important to keep (83 percent of mutual fund investors aged 65 or older) compared with investors younger than 50 (about nine in 10) (Figure 5). Support for this element is high across income groups, rising from 83 percent of mutual fund investors with household incomes less than \$50,000 to 92 percent of mutual fund investors with household incomes of \$150,000 or more.

Graphical Representation of Holdings

Seventy-nine percent of mutual fund investors surveyed think that the graphical representation of holdings (asset allocation, industry allocation, and ten largest holdings) is important to include in the summary shareholder report (Figure 4). Forty-five percent indicate this element is “very important, need to keep in summary document,” and 34 percent indicate it is “somewhat important, keep if space available.” Support for including the graphical representation is highest among mutual fund investors aged 35 to 49 (84 percent) and among mutual fund investors with household incomes of \$100,000 or more (83 percent) (Figure 5).

Average Annual Total Return Table

The summary shareholder report prototype includes a table with average annual total returns on the top half of the second page. Mutual fund investors generally indicate it is important to include this element in a summary report (79 percent), with 47 percent indicating it is very important and needs to be kept and 32 percent indicating it is somewhat important and should be kept if space is available (Figure 4). Support for this element varies little by investor age, ranging from 75 percent of mutual fund investors aged 65 or older indicating it as important to 82 percent of mutual fund investors aged 35 to 49 (Figure 5). Support for this element rises with household income, ranging from 71 percent of mutual fund investors with household incomes less than \$50,000 to 83 percent of investors with household incomes of \$150,000 or more.

Fund Expense Example

The summary shareholder report prototype includes a fund expense example on the lower half of the second page. More than seven in 10 mutual fund investors agree that this element is important to include in a summary report (Figure 4). Forty-two percent indicate this element is “very important, need to keep in summary document,” and 30 percent indicate it is “somewhat important, keep if space available.” Support for this element is highest among younger mutual fund investors (three-quarters of those younger than 35 indicate this element is important), and among higher-income mutual fund investors (three-quarters of those with household incomes of \$150,000 or more indicate this element is important) (Figure 5).

Support for Summary Shareholder Report Prototype Elements Also Is Strong Among Less-Engaged Mutual Fund Investors

Because many mutual fund investors indicate that the full-length current shareholder report is difficult to understand or little read, exploring these mutual fund investors' views on the summary shareholder report prototype provides insight into the ability of such a summary document to reach less-engaged investors. Support for each element also is high among mutual fund investors who are currently less engaged with shareholder reports—those who read, at most, very little of them and those who find the current full-length shareholder reports difficult to understand (Figure 6). For example, about two-thirds of mutual fund investors indicate the second element—the total return and expenses chart—is very important and needs to be kept in the summary document, even if they read, at most, very little of the current full shareholder report or find it difficult to understand. Similar patterns of support for each element of the summary shareholder report prototype seen across all mutual fund investors occur across these subgroups.

FIGURE 6

Less-Engaged Mutual Fund Investors Also Strongly Support Elements of the Summary Shareholder Report Prototype

Percentage of individuals owning mutual funds finding each section of the summary shareholder report prototype important, 2018

	All mutual fund investors ¹		Mutual fund investors who read, at most, very little of the current shareholder report ²		Mutual fund investors who indicate the current shareholder report is difficult to understand ³	
	Important ⁴	Needed ⁵	Important ⁴	Needed ⁵	Important ⁴	Needed ⁵
Performance highlights	83	60	82	58	82	60
Total return and expenses	88	68	86	67	87	68
Graphical representation of holdings	79	45	78	44	79	45
Average annual total return	79	47	77	46	77	45
Fund expense example	72	42	69	40	70	42

¹ These numbers also are reported in Figure 4.

² Sixty-three percent of mutual fund investors indicate they read, at most, very little of current shareholder reports (see Figure 2).

³ Sixty-seven percent of mutual fund investors find current shareholder reports very or somewhat “difficult to understand” (see Figure 1).

⁴ This column reports the percentage of mutual fund-owning individuals who find each section “very important, need to keep in summary document” or “somewhat important, keep if space available.” The remaining mutual fund investors find each section “useful, but having the information available online or by request is sufficient” or “not important, don’t need to keep.”

⁵ This column reports the percentage of mutual fund-owning individuals who found each section “very important, need to keep in summary document.”

Note: Respondents were informed that the longer and more detailed shareholder report would still be produced and would still be available, free of charge.

Source: ICI tabulation of GfK KnowledgePanel® OmniWeb survey data (summer 2018)

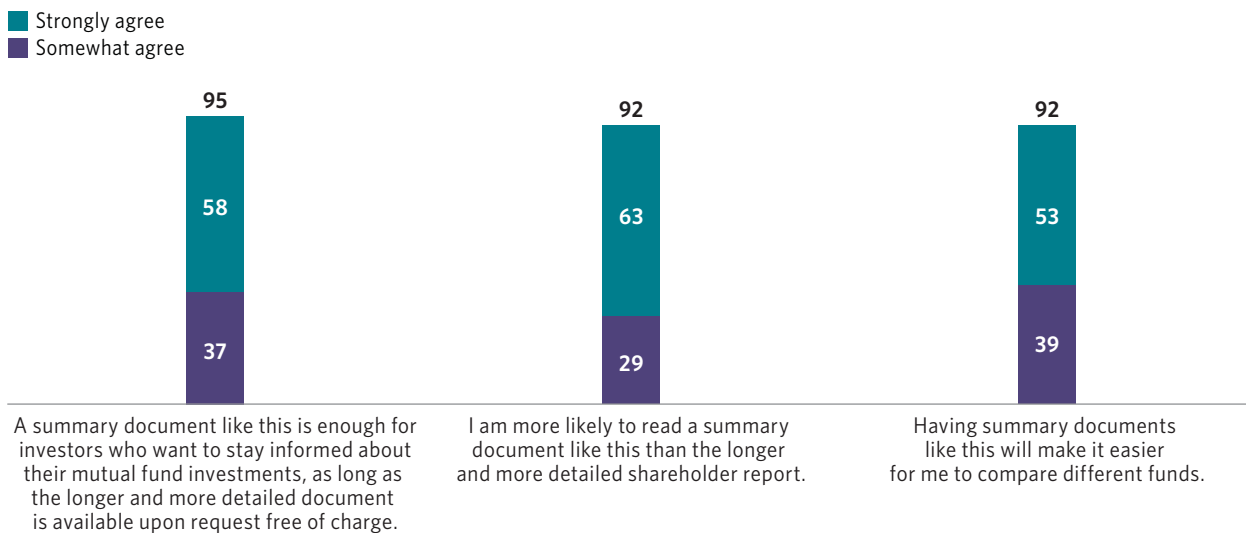
Mutual Fund Investors Are Overwhelmingly Positive Regarding the Summary Shareholder Report Prototype

After considering and strongly supporting each element of the summary shareholder report separately, respondents are surveyed for their thoughts on the summary prototype overall. Mutual fund investors overwhelmingly reacted positively to the summary shareholder report overall. A striking majority, 95 percent of mutual fund investors, indicate the summary shareholder report prototype is enough to keep investors informed about their mutual fund investments, as long as the full report remains available to them free of charge (Figure 7). In addition, 92 percent of mutual fund investors agree that they are more likely to read such a summary document, and 92 percent indicate such a summary would help them compare funds more easily.

FIGURE 7

Mutual Fund Investors Favorably View the Overall Summary Shareholder Report Prototype

Percentage of individuals owning mutual funds agreeing with each statement, 2018



Note: The figure reports the percentage of mutual fund-owning individuals who “strongly agree” or “somewhat agree” with each statement. The remaining mutual fund investors “somewhat disagree” or “strongly disagree” with each statement.

Source: ICI tabulation of GfK KnowledgePanel® OmniWeb survey data (summer 2018)

Support for the summary document is high across all age and income groups (Figure 8)—the percentage agreeing that the document provides sufficient information ranges from 93 percent of mutual fund investors younger than 35 to 96 percent of mutual fund investors aged 50 to 64. A higher percentage of older respondents say they would be more likely to read the summary report—94 percent of mutual fund investors aged 50 or older agree, compared with 89 percent of mutual fund investors younger than 35. About nine in 10 mutual fund investors younger than 50 agree that such a summary document will help them compare different mutual funds, and 94 percent of those aged 50 or older agree. Similar patterns are observed across income groups.

FIGURE 8

Approval of Overall Summary Shareholder Report Prototype Is High Across Mutual Fund Investors of All Ages and Incomes

Percentage of individuals owning mutual funds agreeing with each statement by investor age or household income, 2018

	Investor age				
	All	Younger than 35	35 to 49	50 to 64	65 or older
A summary document like this is enough for investors who want to stay informed about their mutual fund investments, as long as the longer and more detailed document is available upon request free of charge.	95	93	95	96	95
I am more likely to read a summary document like this than the longer and more detailed shareholder report.	92	89	92	94	94
Having summary documents like this will make it easier for me to compare different funds.	92	91	90	94	94
<i>Number of respondents</i>	1,233	261	316	397	259

	Household income				
	All	Less than \$50,000	\$50,000 to \$99,999	\$100,000 to \$149,999	\$150,000 or more
A summary document like this is enough for investors who want to stay informed about their mutual fund investments, as long as the longer and more detailed document is available upon request free of charge.	95	92	95	96	95
I am more likely to read a summary document like this than the longer and more detailed shareholder report.	92	89	91	93	96
Having summary documents like this will make it easier for me to compare different funds.	92	93	91	92	94
<i>Number of respondents</i>	1,233	186	410	302	335

Note: The figure reports the percentage of mutual fund-owning individuals who “strongly agree” or “somewhat agree” with the statement. The remaining mutual fund investors “somewhat disagree” or “strongly disagree” with each statement.

Source: ICI tabulation of GfK KnowledgePanel® OmniWeb survey data (summer 2018)

Approval of Overall Summary Shareholder Report Prototype Also Is High Among Less-Engaged Mutual Fund Investors

Support for the summary document also is high among mutual fund investors who are less engaged with current shareholder reports—those who read, at most, very little of the current full-length shareholder reports and those who find them difficult to understand (Figure 9). Those groups showed similar levels of agreement with the summary’s ability to keep investors informed and to make it easier to compare different funds. Interestingly, more of these groups agree that they would be more likely to read a summary document than the longer report: 69 percent of mutual fund investors who read, at most, very little of the full shareholder report and 67 percent of those who find the current shareholder report difficult to understand strongly agree that they are more likely to read the summary, compared with 63 percent of mutual fund investors overall. This result suggests that a shorter summary document could engage more shareholders.

FIGURE 9

Less-Engaged Mutual Fund Investors Also Agree the Summary Shareholder Report Prototype Could Inform Them About Their Mutual Funds

Percentage of individuals owning mutual funds, 2018

	All mutual fund investors ¹		Mutual fund investors who read, at most, very little of the current shareholder report ²		Mutual fund investors who indicate the current shareholder report is difficult to understand ³	
	Agree ⁴	Strongly agree ⁵	Agree ⁴	Strongly agree ⁵	Agree ⁴	Strongly agree ⁵
A summary document like this is enough for investors who want to stay informed about their mutual fund investments, as long as the longer and more detailed document is available upon request free of charge.	95	58	96	62	95	59
I am more likely to read a summary document like this than the longer and more detailed shareholder report.	92	63	93	69	93	67
Having summary documents like this will make it easier for me to compare different funds.	92	53	91	55	93	54

¹ These numbers also are reported in Figure 7.

² Sixty-three percent of mutual fund investors indicate they read, at most, very little of current shareholder reports (see Figure 2).

³ Sixty-seven percent of mutual fund investors find current shareholder reports very or somewhat “difficult to understand” (see Figure 1).

⁴ This column reports the percentage of mutual fund-owning individuals who “strongly agree” or “somewhat agree” with each statement. The remaining mutual fund investors “somewhat disagree” or “strongly disagree” with each statement.

⁵ This column reports the percentage of mutual fund-owning individuals who “strongly agree” with each statement.

Note: Respondents were informed that the longer and more detailed shareholder report would still be produced and would still be available, free of charge.

Source: ICI tabulation of GfK KnowledgePanel® OmniWeb survey data (summer 2018)

Summary Shareholder Report Prototype Successfully Communicates Content

While the prior section of the survey collected mutual fund investors' views on each of the components and the overall summary, the next set of questions in the survey were included to discern whether respondents could use the prototype to locate valuable facts about a fund. Specifically, this section of the survey asked respondents to report facts from the summary shareholder report prototype related to the hypothetical fund's holdings, fees, and performance. A majority of mutual fund investors answered each content-related question correctly, which suggests that the document showcases key information well.

To test the efficacy of the prototype, the survey asked mutual fund investors three questions about important fund attributes (fund holdings, fund expenses, and fund returns):

- » What is the largest holding of this mutual fund?
- » Which class of shares has the lowest annualized expense ratio?
- » Which class of shares had a higher total return than the S&P 500 index over the year ended June 30, 2017?

In each case, the set of answer choices included opportunities to respond “none of the above” and “don't know.”

Using the Summary Shareholder Report Prototype, Significant Numbers of Mutual Fund Investors Correctly Answer Content-Related Questions

A majority of mutual fund investors answered each question correctly. Specifically,

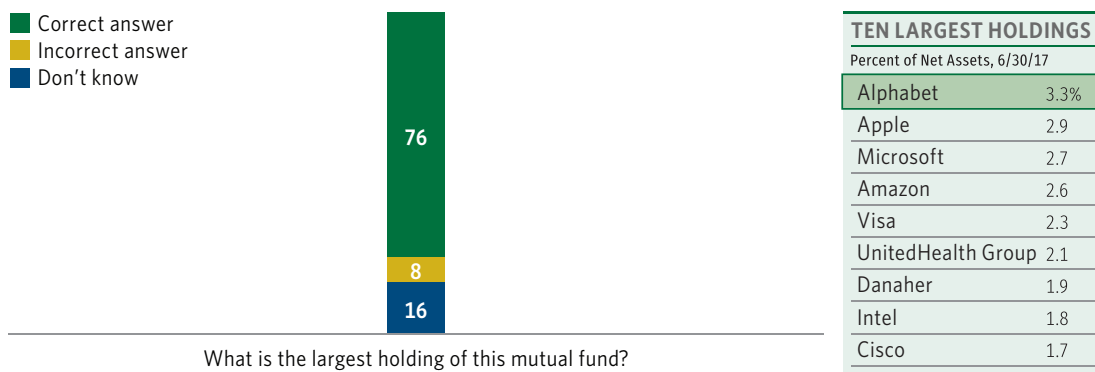
- » 76 percent correctly identified the largest holding of the mutual fund (Figure 10);
- » 54 percent correctly identified the share class with the lowest annualized expense ratio (Figure 11); and
- » 64 percent correctly identified the share class that had a higher total return than the S&P 500 index (the fund's benchmark) (Figure 11).

Ability to answer the questions correctly using the summary report prototype varies little by age or household income (Figure 11). Slightly higher percentages of the oldest mutual fund investors (aged 65 or older) indicated that they did not know compared with younger mutual fund investors. It should be noted that older mutual fund investors are more likely to indicate that they rely on a financial adviser to look over such disclosures.¹⁹ With regard to the pattern of correct answers, on the lowest expense question, almost six in 10 mutual fund investors aged 35 to 64 answered correctly, compared with about half of older or younger mutual fund investors. Similarly, on the benchmark return comparison question, 64 percent of mutual fund investors aged 35 to 49 and 70 percent of mutual fund investors aged 50 to 64 answered correctly, compared with six in 10 of the youngest or oldest mutual fund investors.

FIGURE 10

About Three-Quarters of Mutual Fund Investors Correctly Identify the Sample Fund's Largest Holding Using the Summary Shareholder Report Prototype

Percentage of individuals owning mutual funds, 2018



TEN LARGEST HOLDINGS	
Percent of Net Assets, 6/30/17	
Alphabet	3.3%
Apple	2.9
Microsoft	2.7
Amazon	2.6
Visa	2.3
UnitedHealth Group	2.1
Danaher	1.9
Intel	1.8
Cisco	1.7
Bank of America	1.4

Source: ICI tabulation of GfK KnowledgePanel® OmniWeb survey data (summer 2018)

Slightly higher percentages of lower-income mutual fund investors (household incomes less than \$50,000) indicated that they did not know, and they were slightly less likely to answer the question correctly (Figure 11). However, it should be noted that these lower-income mutual fund investors are more likely to indicate that they rely on a financial adviser to look over such disclosures.²⁰

FIGURE 11

Significant Numbers of Mutual Fund Investors Answer Each Content-Related Question Correctly Using the Summary Shareholder Report Prototype

Percentage of individuals owning mutual funds by investor age or household income, 2018

	Investor age				
	All	Younger than 35	35 to 49	50 to 64	65 or older
What is the largest holding of this mutual fund?					
Correct answer	76	78	78	77	69
Incorrect answer	8	11	8	6	10
Don't know	16	11	14	17	21
Which class of shares has the lowest annualized expense ratio?					
Correct answer	54	49	57	58	50
Incorrect answer	21	24	23	20	17
Don't know	25	27	20	22	33
Which class of shares had a higher total return than the S&P 500 index over the year ended June 30, 2017?					
Correct answer	64	61	64	70	60
Incorrect answer	11	12	11	11	9
Don't know	25	27	25	19	31
	Household income				
	All	Less than \$50,000	\$50,000 to \$99,999	\$100,000 to \$149,999	\$150,000 or more
What is the largest holding of this mutual fund?					
Correct answer	76	68	72	80	81
Incorrect answer	8	10	12	6	6
Don't know	16	22	16	14	13
Which class of shares has the lowest annualized expense ratio?					
Correct answer	54	44	52	55	62
Incorrect answer	21	27	21	21	19
Don't know	25	29	27	24	19
Which class of shares had a higher total return than the S&P 500 index over the year ended June 30, 2017?					
Correct answer	64	49	63	69	70
Incorrect answer	11	15	12	8	10
Don't know	25	36	25	23	20

Note: The sample is 1,233 individuals owning mutual funds. See Figure 8 for sample sizes by investor age or household income.

Source: ICI tabulation of GfK KnowledgePanel® OmniWeb survey data (summer 2018)

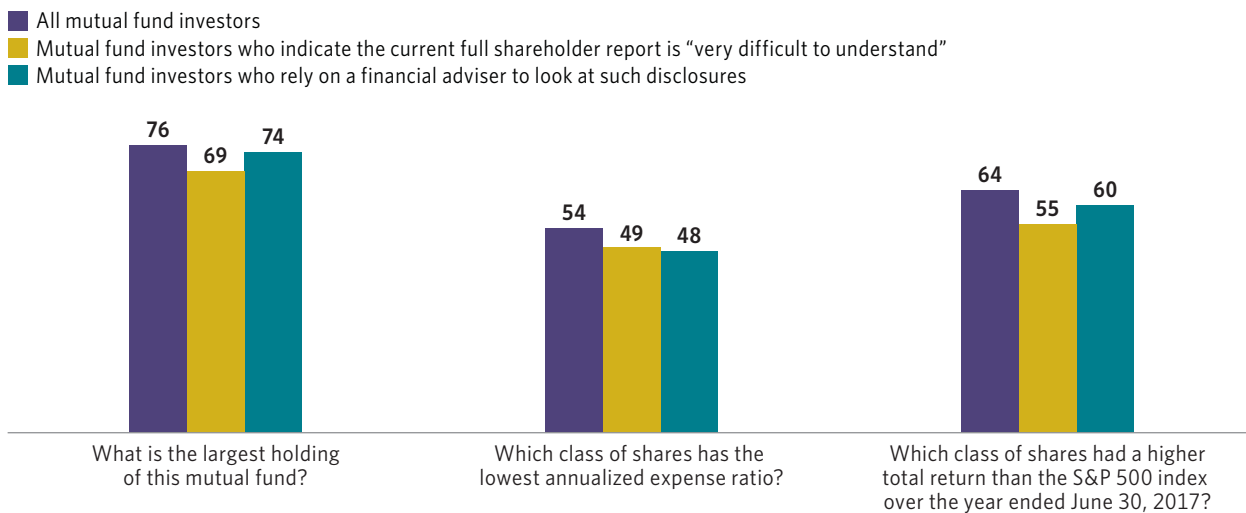
Less-Engaged Mutual Fund Investors Only Slightly Less Likely to Answer Correctly

The summary prototype also was successful at communicating with less-engaged mutual fund investors—survey results demonstrate that these investors were only slightly less likely to use the prototype to correctly answer the content-related questions. Mutual fund investors who reported finding current full-length shareholder reports “very difficult to understand” were somewhat less likely to answer correctly (Figure 12). Sixty-nine percent of these mutual fund investors answered the largest holding question correctly, compared with 76 percent of mutual fund investors overall. Almost half of these mutual fund investors correctly found the share class with the lowest annualized expense ratio, compared with more than half (54 percent) of mutual fund investors overall. Fifty-five percent of these mutual fund investors correctly answered the benchmark comparison question, compared with 64 percent of mutual fund investors overall. Similarly, mutual fund investors who indicate that they rely on their financial adviser or broker to look at these sorts of documents, and thus are getting professional financial advice to manage their investments, were somewhat less likely to answer correctly. Nevertheless, a majority of these groups correctly answered the largest holding and benchmark comparison questions using the summary shareholder report prototype.

FIGURE 12

Using Summary Shareholder Report Prototype, Significant Numbers of Less-Engaged Mutual Fund Investors Correctly Answer Content-Related Questions

Percentage of individuals owning mutual funds answering correctly, 2018



Note: Twenty-four percent of mutual fund investors find current shareholder reports “very difficult to understand” (see Figure 1) and 48 percent agree that “I rely on my financial adviser or broker to look at these sorts of documents.”

Source: ICI tabulation of GfK KnowledgePanel® OmniWeb survey data (summer 2018)

Other Factors May Have Affected Use of the Summary Shareholder Report Prototype

While the results above indicate strong mutual fund investor support for the summary shareholder report prototype and high degrees of success in using the prototype to answer questions, it is possible that an actual summary shareholder report for a mutual fund currently owned by an investor would produce even stronger results. Three points support this assertion: (1) the salience of a hypothetical fund in a survey; (2) the file format of the prototype used in the survey; and (3) the device used to view the prototype and take the survey.

- » **Salience.** As with any survey, respondents may be less engaged because the survey does not involve something in which they have a deep or vested interest. In this case, the “ABC Equity Fund” in the summary shareholder report prototype is not a fund that the mutual fund investor owns, has owned, or will own, and thus it is not as salient as a mutual fund they actually own.
- » **Prototype file format.** ICI provided the survey vendor with a high-quality JPEG image of the summary shareholder report prototype. Survey respondents were directed to click a button icon to view the document in a separate window or tab. Respondents could enlarge and page through the document, but instructions on how to do so were not provided because these instructions would vary by device.
- » **Device used to take the survey.** Financial services firms often format website postings to adjust to the device being used to view them, which increases readability for users, but such technology was not embedded in ICI’s summary shareholder report prototype. Within the sample of mutual fund investors surveyed, 51 percent used a traditional desktop or laptop computer, another 13 percent used a tablet, and the remaining 36 percent used a smartphone to read the prototype and answer questions in the survey. Though the prototype was not specifically designed to perform on a smartphone, mutual fund investors using smartphones were only slightly less likely to answer the content-related questions correctly.

Majority of Mutual Fund Investors Find That the Summary Shareholder Report Prototype Is About the Right Length

After using the summary prototype shareholder report, mutual fund investors were asked their views on the length of the document. Placing this question last allowed respondents to consider it after using the prototype and at the time when they were most familiar with it. Seventy-seven percent of mutual fund investors indicate it is “about the right length”—at the two pages provided. Another 17 percent of mutual fund investors indicate the summary shareholder report prototype is “a bit too long” (12 percent) or “much too long” (5 percent), and the remaining 6 percent of mutual fund investors indicate it is “much too short” (1 percent) or “a bit short” (5 percent). A higher percentage of mutual fund investors who find the current shareholder report difficult to understand (18 percent) indicate the summary shareholder report is too long, compared with mutual fund investors who indicate the current shareholder report is easy to understand (11 percent).

Appendix A: Survey Methodology

Research Design

The Summary Shareholder Report Survey was designed by ICI research staff and administered by the GfK Group using the KnowledgePanel®, a proprietary, probability-based web-enabled panel of more than 50,000 individuals from randomly sampled households. The panel is designed to be representative of the US population. Initially, participants are chosen scientifically by a random selection of telephone numbers and residential addresses. Persons in selected households are then invited by telephone or by mail to participate in the web-enabled KnowledgePanel®. For those who agree to participate but do not already have internet access, GfK provides a laptop and ISP connection at no cost. People who already have computers and internet service are permitted to participate using their own equipment. Panelists then receive unique log-in information for accessing surveys online and are sent emails throughout each month inviting them to participate in research. ICI has used the KnowledgePanel® for other research,²¹ and the Federal Reserve has used the KnowledgePanel® for several years.²²

The Summary Shareholder Report Survey was conducted over three weekends from late July to mid-August 2018, surveying about 1,000 US adult individuals in each weekend. Of the total sample of 3,000 US adult individuals surveyed, 1,233 owned mutual funds. This white paper reports weighted sample counts, which are representative of the US population of adults aged 18 or older. This analysis is based on these mutual fund investors' responses to the survey. All completed interviews were weighted to ensure accurate and reliable representation of the total US population aged 18 or older. ICI used the weights provided by GfK, which weighted the sample of individuals on several variables, including age, sex, education, race and ethnicity, household income, metropolitan versus nonmetropolitan status, internet status, and geographic region. The overall standard error for the 2018 sample of individuals owning mutual funds is ± 2.8 percentage points at the 95 percent confidence level.

The Summary Shareholder Report Survey first sought to identify mutual fund investors. Mutual fund investors were asked whether they recall receiving shareholder reports and those who did were asked to evaluate their experience with those reports as well as the extent to which they read them. A button then appeared directing respondents to open a separate window to view the summary shareholder report prototype (see Appendix B). Respondents answered questions about the summary shareholder report prototype and then were asked to use the prototype to answer content-related questions.

Additional Data on Mutual Fund Investors from the Summary Shareholder Report Survey

The mutual fund investors surveyed own mutual funds through a variety of sources. Eighty percent of individuals holding mutual funds held them inside inside employer-sponsored retirement plan accounts (Figure A1), which include defined contribution plans (such as 401(k), 403(b), or 457 plans) and employer-sponsored individual retirement accounts (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs). Sixty-three percent of individuals owning mutual funds held funds outside employer-sponsored retirement plan accounts. Among mutual fund–owning individuals, 37 percent invested in mutual funds solely inside employer-sponsored retirement plans, 20 percent owned funds solely outside these plans, and 43 percent held funds both inside and outside employer-sponsored retirement plans.²³

Individuals owning mutual funds outside employer-sponsored retirement plans primarily purchase their funds through investment professionals (64 percent of those owning outside), with the most common outside source being financial planners or financial advisers (41 percent of those owning outside) (Figure A1). Thirty-six percent of mutual fund investors owning funds outside employer-sponsored retirement plans purchase those funds directly through mutual fund companies or discount brokers, with 23 percent going directly to the mutual fund company.

FIGURE A1

Mutual Fund Investors Purchase Funds Through a Variety of Channels

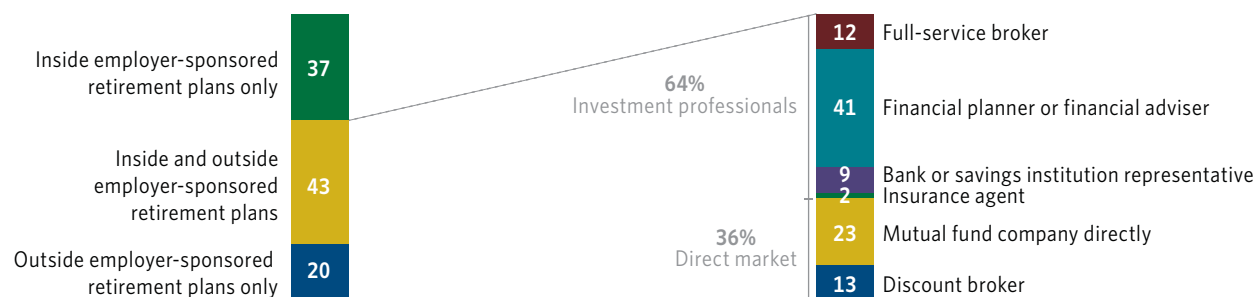
2018

Sources of mutual fund ownership

Percentage of individuals owning mutual funds

Primary sources for individuals owning mutual funds outside employer-sponsored retirement plans

Percentage of individuals owning mutual funds outside employer-sponsored retirement plans



Note: Employer-sponsored retirement plans include DC plans (such as 401(k), 403(b), or 457 plans) and employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs). Investment professionals include registered investment advisers, full-service brokers, independent financial planners, bank and savings institution representatives, insurance agents, and accountants. Less than 0.5 percent of individuals owning mutual funds outside of employer-sponsored retirement plans indicated their primary outside purchase source was an accountant. The sample is 1,233 individuals owning mutual funds in 2018.

Source: ICI tabulation of GfK KnowledgePanel® OmniWeb survey data (summer 2018)

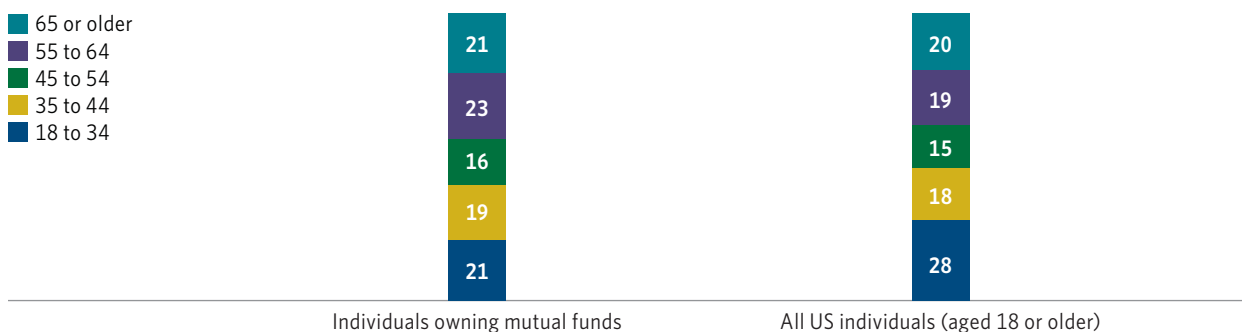
Individuals of all ages and income levels own mutual funds, but ownership is concentrated among individuals in their prime earning and savings years. The majority (58 percent) of mutual fund investors were between the ages of 35 and 64 at the time of the survey (Figure A2). By comparison, among all US adults, 52 percent were between the ages of 35 and 64. Nearly half (48 percent) of mutual fund investors had household incomes of less than \$100,000 (Figure A3). Household incomes among mutual fund investors tended to be somewhat higher than those of the typical US adult. Fifteen percent of mutual fund investors had household incomes of less than \$50,000, while 35 percent of all US adults had household incomes of less than \$50,000. More than half (52 percent) of mutual fund investors reported incomes of \$100,000 or more, compared with 34 percent of US adults overall.

FIGURE A2

Most Mutual Fund Investors Are Between Ages 35 and 64

Percent distribution of individuals owning mutual funds and all US individuals by age, 2018

Age



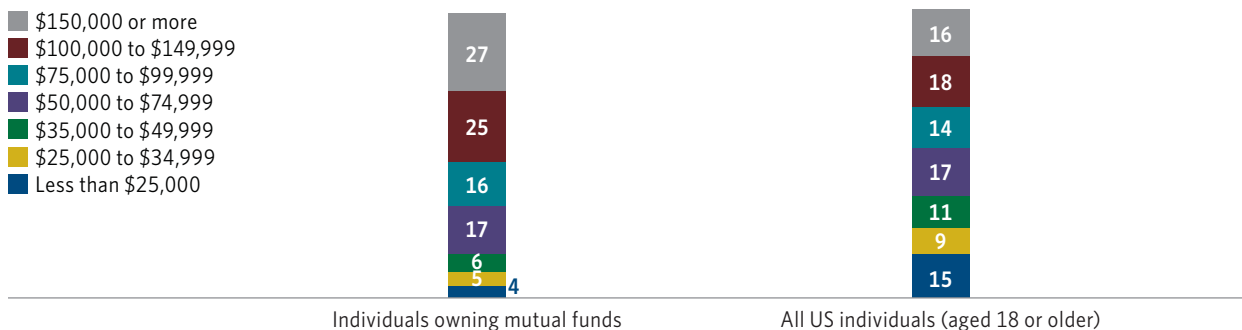
Source: ICI tabulation of GfK KnowledgePanel® OmniWeb survey data (summer 2018)

FIGURE A3

Mutual Fund Investors Represent a Full Range of Household Incomes

Percent distribution of individuals owning mutual funds and all US individuals by household income, 2018

Household income



Source: ICI tabulation of GfK KnowledgePanel® OmniWeb survey data (summer 2018)

Ease or difficulty in understanding current shareholder reports varies only somewhat by mutual fund investor age or household income (Figure A4). Readership also varies only somewhat by mutual fund investor age or household income (Figure A5).

FIGURE A4

Mutual Fund Investors' Reported Ease or Difficulty Understanding Current Shareholder Reports by Investor Age or Household Income

Percentage of individuals owning mutual funds who recall receiving shareholder reports by investor age or household income, 2018

Reported ease of understanding of current mutual fund shareholder reports	All	Investor age			
		Younger than 35	35 to 49	50 to 64	65 or older
Very easy to understand	7	8	8	8	5
Somewhat easy to understand	26	25	31	24	25
Somewhat difficult to understand	43	46	39	44	44
Very difficult to understand	24	21	22	24	26
<i>Number of respondents</i>	990	158	248	350	234

Reported ease of understanding of current mutual fund shareholder reports	All	Household income			
		Less than \$50,000	\$50,000 to \$99,999	\$100,000 to \$149,999	\$150,000 or more
Very easy to understand	7	9	7	5	8
Somewhat easy to understand	26	20	31	28	23
Somewhat difficult to understand	43	39	38	48	47
Very difficult to understand	24	32	24	19	22
<i>Number of respondents</i>	990	137	331	235	287

Source: ICI tabulation of GfK KnowledgePanel® OmniWeb survey data (summer 2018)

FIGURE A5

Amount of Current Shareholder Report Read by Investor Age or Household Income

Percentage of individuals owning mutual funds who recall receiving shareholder reports by investor age or household income, 2018

Amount of current mutual fund shareholder reports read	Investor age				
	All	Younger than 35	35 to 49	50 to 64	65 or older
Read all of the shareholder report	4	4	6	4	1
Read most of the shareholder report	9	9	7	8	11
Read some of the shareholder report	24	25	19	24	29
Read very little of the shareholder report	26	28	23	30	23
Do not read the shareholder report but save it	8	14	9	5	7
Do not read the shareholder report and throw it away/recycle it	29	20	36	29	29
<i>Number of respondents</i>	990	158	248	350	234

Amount of current mutual fund shareholder reports read	Household income				
	All	Less than \$50,000	\$50,000 to \$99,999	\$100,000 to \$149,999	\$150,000 or more
Read all of the shareholder report	4	6	4	4	2
Read most of the shareholder report	9	13	7	10	7
Read some of the shareholder report	24	25	26	24	21
Read very little of the shareholder report	26	17	32	24	26
Do not read the shareholder report but save it	8	12	6	11	7
Do not read the shareholder report and throw it away/recycle it	29	27	25	27	37
<i>Number of respondents</i>	990	137	331	235	287

Source: ICI tabulation of GfK KnowledgePanel® OmniWeb survey data (summer 2018)

Appendix B: Summary Shareholder Report Prototype

ICI strongly believes that investors benefit from clear and concise summary disclosure of key information, and also supports providing investors with access to more detailed information that they can reference if they so choose. Given this commitment to enhancing disclosure for fund shareholders, ICI sought to develop a summary shareholder report prototype (see pages 28 and 29).

To develop a summary shareholder report prototype, the Institute worked with several practitioner groups, including legal and fund operations groups, over several months. ICI legal, operations, and research staff extensively engaged with this member working group consisting of a variety of fund firms (e.g., small funds, large funds, broker-sold, and direct-sold funds) represented by a combination of legal, operations, and accounting and financial reporting professionals. ICI surveyed the working group on the content of the current shareholder report to ascertain, on the basis of their experience, the information that fund shareholders consider most relevant. With the same goal in mind, ICI reviewed an array of information on fund websites, including fund fact sheets and prior ICI research on investor preferences for receiving information.²⁴ Several independent fund directors also provided feedback on the summary shareholder report prototype developed.

ICI's summary shareholder report prototype pulls critical information from the existing shareholder report, mirroring the SEC's design of the summary prospectus.²⁵ ICI's recommended summary shareholder report would require the information to be presented in a specific order, also following the model of the summary prospectus. This approach facilitates the ability of investors to compare funds. In particular, ICI's recommended summary shareholder report has five elements:

- » Performance highlights (top left corner, page 1)
- » Total return and expenses (top right corner, page 1)
- » Graphical representation of holdings (lower half, page 1)
- » Average annual total return (top half, page 2)
- » Fund expense example (lower half, page 2)

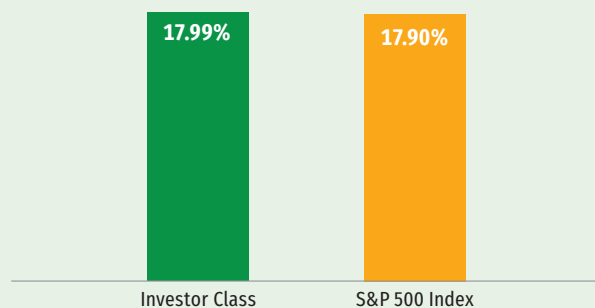
Additionally, the summary shareholder report would contain information on how to access the full report.

PERFORMANCE HIGHLIGHTS

- The combination of accelerating global growth and robust corporate earnings fueled substantial gains for equity markets in the annual period ended June 30, 2017.
- ABC Equity Fund Investor Class returned 17.99% during the period, compared with the 17.90% return of its benchmark, the S&P 500 Index.
- The fund's overweight positions in information technology and healthcare relative to the benchmark benefited fund performance. The fund's overweight positions in consumer discretionary detracted from fund performance.
- Leading individual contributors to fund performance included Alphabet, Microsoft, Intel and UnitedHealth Group.
- Among the largest detractors to fund performance were Nike, McDonalds, and Williams-Sonoma.

TOTAL RETURN¹ AND EXPENSES

Year Ended June 30, 2017


Expense Ratio² 0.67%

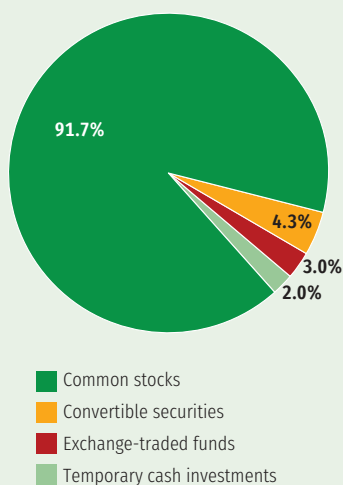
Performance and expense information for other share classes is available in the "Average Annual Compound Total Return" and "Fund Expense Example" tables below.

¹Total return reflects the rate that an investor would have earned on an investment in the fund during each period, excluding the effects of any sales charges and assuming reinvestment of all distributions.

²The expense ratio is the annual percentage of average net assets used to pay fund expenses. The expense ratio reflects expense limitations, if any, and expenses may vary.

ASSET ALLOCATION

Percent of Net Assets, 6/30/17


INDUSTRY ALLOCATION

Percent of Net Assets, 6/30/17

Information technology	12.2%
Consumer discretionary	11.3
Biotechnology	10.4
Healthcare	9.5
Financials	8.6
Energy	7.8
Manufacturing	6.9
Consumer durables	5.2
Media and entertainment	4.3
Other	23.8
Total	100.0%

TEN LARGEST HOLDINGS

Percent of Net Assets, 6/30/17

Alphabet	3.3%
Apple	2.9
Microsoft	2.7
Amazon	2.6
Visa	2.3
UnitedHealth Group	2.1
Danaher	1.9
Intel	1.8
Cisco	1.7
Bank of America	1.4

AVERAGE ANNUAL COMPOUND TOTAL RETURN*

Period Ended June 30, 2017

	1 Year		5 Years		10 Years	
	without sales charge	with sales charge	without sales charge	with sales charge	without sales charge	with sales charge
Investor Class	17.99%	N/A	12.96%	N/A	6.22%	N/A
Class A	17.71	10.95%	12.68	11.35%	5.96	5.34%
Class R	17.37	N/A	12.39	N/A	5.69	N/A
S&P 500 Index	17.90	N/A	14.62	N/A	7.18	N/A

*Assumes reinvestment of all distributions and payment of the maximum applicable sales charge. Investment results reflect applicable fees and expenses. When applicable, investment results reflect expense waivers, without which results would have been lower.

Returns do not reflect taxes that the shareholder may pay on fund distributions or the redemption of fund shares. Current performance may be higher or lower than the quoted past performance, which cannot guarantee future results. Updated performance information is available through abcfunds.com.

FUND EXPENSE EXAMPLE

The following example is intended to help you understand your ongoing costs (in dollars) of investing in the fund.¹ The example is based on an investment of \$1,000 invested at the beginning of the most recent six-month period and held for the entire period.

	Beginning Account Value 1/01/17	Ending Account Value 6/30/17	Expenses Paid During Period ² 1/01/17 to 6/30/17	Annualized Expense Ratio ³
Investor Class	\$1,000.00	\$1,089.40	\$3.47	0.67%
Class A (without sales charge)	1,000.00	1,088.20	4.76	0.92
Class R	1,000.00	1,086.60	6.05	1.17

¹Expenses shown in the table highlight only ongoing costs and do not reflect any transaction costs, such as redemption fees or sales charges. To the extent a fund charges transaction costs, however, the total cost of owning that fund is higher.

²Expenses are equal to the class's annualized expense ratio for the 6-month period, multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year (181), and divided by the days in the year (365) to reflect the half-year period.

³The expense ratio is the annual percentage of average net assets used to pay fund expenses. The expense ratio reflects expense limitations, if any, and expenses may vary.

Notes

- ¹ See US Securities and Exchange Commission 2018.
- ² Ibid.
- ³ “Regulatory Session: A Conversation with SEC Commissioner Michael S. Piwowar,” interview with Paul Schott Stevens, ICI General Membership Meeting, May 24, 2018, video, 45:12. These remarks occur from 7:30 to 9:48. Available at http://gmm.ici.org/gmm/2018/18_videos#piwowar.
- ⁴ See Holden, Schrass, and Bogdan 2017a. ICI’s summary shareholder report prototype is for a hypothetical equity mutual fund.
- ⁵ See Holden, Bogdan, and Schrass 2018. ICI’s summary shareholder report prototype includes performance and fee information.
- ⁶ See Sabelhaus 2008.
- ⁷ See West and Leonard-Chambers 2006.
- ⁸ See Investment Company Institute 1996.
- ⁹ Figure A1 reports where the mutual fund investors surveyed hold their mutual funds and the primary purchase source outside of retirement plans at work.
- ¹⁰ See US Securities and Exchange Commission 2010 for a description of the summary prospectus.
- ¹¹ For a complete discussion of ICI’s reasoning behind selecting these elements from the full shareholder report for inclusion in the summary shareholder report prototype and how they relate to current SEC rules governing disclosure, see Investment Company Institute 2018.
- ¹² This performance commentary is currently required only in the annual shareholder report, and ICI therefore recommends that this content should be included only in the annual summary shareholder report.
- ¹³ This chart would include total return and expense ratio figures for only one share class—the same class that the fund selects for the summary prospectus’s bar chart of annual total returns. Further details about additional share classes’ performance and expenses are provided later in the summary report, in the average annual total return table and fund expense example.
- ¹⁴ The benchmark plotted would be the same appropriate broad-based securities market index that the fund selects for the line graph of performance in the annual shareholder report’s Management’s Discussion of Fund Performance (MDFP).
- ¹⁵ See note 13.
- ¹⁶ SEC rules currently allow flexibility for funds to select tables and charts relevant to the fund’s investment objective for inclusion in their shareholder reports. The SEC currently requires a fund’s annual and semiannual shareholder reports to provide one or more tables, charts, or graphs depicting the portfolio holdings of the fund by reasonably identifiable categories (e.g., type of security, industry sector, geographic regions, credit quality, or maturity) showing the percentage of net asset value or total investments attributable to each. The SEC also requires funds to format the information in a manner reasonably designed to depict clearly the types of fund investments.
- ¹⁷ The SEC currently requires a fund’s annual (but not semiannual) shareholder report to provide a table of returns for one-, five-, and 10-year periods for each class in a multi-class fund. ICI recommends requiring each summary shareholder report (both annual and semiannual) to include a table of returns (with and without sales charge, as applicable) for one-, five-, and 10-year periods along with index performance for the same periods.
- ¹⁸ The SEC currently requires a fund’s annual and semiannual shareholder reports to include an expense example, using a hypothetical \$1,000 account, that shows the dollar amount of expenses paid for the most recent fiscal half year using actual returns and a hypothetical 5 percent return. This item also requires extensive narrative disclosure. ICI recommends simplifying the current disclosure in two respects for the summary shareholder report: expenses paid for the most recent fiscal half year would be portrayed using actual returns only, and the narrative disclosure before the table would be condensed into one sentence of disclosure.
- ¹⁹ Nearly six in 10 (57 percent of) mutual fund investors aged 65 or older agree that “I rely on my financial adviser or broker to look at these sorts of documents.”
- ²⁰ Nearly six in 10 (58 percent of) mutual fund investors with household incomes less than \$50,000 agree that “I rely on my financial adviser or broker to look at these sorts of documents.”
- ²¹ See Holden, Schrass, Seligman, and Bogdan 2018.
- ²² See US Federal Reserve Board 2014, 2015, 2016, 2017, and 2018.
- ²³ These patterns of ownership by individual mutual fund investors are remarkably similar to the patterns of household mutual fund ownership in the ICI Annual Mutual Fund Shareholder Tracking Survey. See Holden, Schrass, and Bogdan 2017a and 2017b, and Schrass and Bogdan 2017.
- ²⁴ This research is listed under “Mutual Fund Shareholders’ Use of Information,” available at www.ici.org/research/investors/information.
- ²⁵ This manner of design facilitates compliance by requiring funds to review and condense existing disclosure rather than creating new disclosure from scratch.

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