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Enhanced Disclosure Can Help Shareholders Better Understand Directors' Annual Review of the Fund's Advisory Contract

Washington, April 26, 2004 – The Investment Company Institute today expressed its support for the SEC proposal requiring mutual funds to disclose the fund board's basis for evaluating and approving an investment advisory contract.

"Making this information more readily available to shareholders may help them better understand one of the most important responsibilities of fund directors," wrote Acting ICI General Counsel Amy Lancellotta in a [letter](#) submitted to the SEC today. "In addition, the extent of disclosure currently required regarding board approval of advisory contracts has not been entirely clear, and we support the Commission's efforts to clarify the requirements."

The ICI offered suggestions with respect to the proposal. Among these, the ICI recommended that the disclosed information be provided in summary form in fund prospectuses, with more detailed disclosure in the Statement of Additional Information. The SEC proposal recommended that the disclosure appear in a fund's shareholder reports. According to the ICI's letter, the prospectus is a more appropriate location because it is "delivered at the time of an investment and is specifically intended to serve as the basis for an investment decision." In contrast, the ICI letter notes shareholder reports are sent to existing shareholders on a semi-annual basis and are not "particularly well-suited for the purpose of assisting investors in choosing among funds."