

## Disclosure Simplification to Enhance Investor Understanding of Mutual Funds, March 1998

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**Washington, DC, March 10, 1998** - "Millions of American investors will benefit from the U.S. Securities and Exchange Commission's decision today to improve mutual fund disclosure," according to Investment Company Institute President Matthew P. Fink. "SEC Chairman Arthur Levitt is to be commended for spearheading the reforms that will simplify the mutual fund prospectus. The SEC's decision will make it easier for investors to understand the key elements and investment risks of a mutual fund."

"Mutual funds already provide investors with the best disclosure of any financial product in the world," Mr. Fink noted. "Under the rules the SEC adopted today, mutual fund prospectuses will become even clearer and more informative." [Additional comments](#) from Mr. Fink are available in audio format.

The rule amendments, [proposed](#) a year ago, are designed to improve the mutual fund prospectus by, among other things, focusing the document on essential information about the particular fund.

Among the significant features of the new prospectus:

- a standardized summary containing information about a fund's investment objectives, principal strategies, risks, performance, and fees,
- a bar chart to graphically illustrate the volatility of the fund's total returns over the past 10 years and a table comparing the fund's return figures to those of an appropriate broad-based securities market index, and
- narrative risk disclosure focusing on the fund's portfolio as a whole, rather than the risks associated with individual types of portfolio securities.

In addition to reforming the full prospectus, the SEC authorized optional use by mutual funds of the profile, a concise, new disclosure document designed by the Commission to convey information essential to an investment decision. If a fund uses a profile, investors would have the choice of basing their investment decision on it, or the full prospectus, or both. Whether or not investors use the profile for purchasing a fund's shares, every fund will be required to provide the full prospectus no later than when it provides the statement confirming the purchase.

Over the years, the mutual fund industry has supported the Securities and Exchange Commission's efforts to simplify and clarify disclosure, Mr. Fink noted. "Taken together, the package of improvements adopted today—the simplified prospectus and the new profile—are the most significant disclosure reforms in the history of U.S. mutual funds."

The Investment Company Institute is the national association of the American investment company industry. Its membership includes 6,896 open-end investment companies ("mutual funds"), 436 closed-end investment companies, and 10 sponsors of unit investment trusts. Its mutual fund members have assets of about \$4.505 trillion, accounting for approximately 95% of total industry assets, and have over 62 million individual shareholders.