



# Enhanced Notice Approach to Proposed Rule 30e-3

April, 2018

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## Overview

Broadridge is working with investment companies, broker-dealers, and investor advocates to improve the investor experience in accessing and using regulatory disclosures, while also reducing the costs of printing and postage.

On December 7, 2017 the SEC's Investor Advisory Committee ("IAC") recommended an enhanced notice approach for the internet availability of annual and semiannual mutual fund reports. The IAC recommended layered disclosure giving investors key information in an easily digestible format and making detailed information available on websites or by request. Such disclosures should be delivered by mail or e-mail depending on each investor's delivery preference. The recommendation provides an optional delivery alternative for investment companies. It would provide greater cost savings and encourage greater enrollment in e-delivery than the approach outlined originally in the SEC's proposed rule 30e-3 ("Investment Company Reporting Modernization").

Broadridge has analyzed these recommendations and the enhanced notice approach. We believe it could be executed with visually engaging content in a standard one-page format that allows shareholders to easily access and view important information that is "investor friendly" (i.e., in charts and graphs). Access to complete reports can be provided on the internet. Shareholders could request a mailed copy of the full report at no cost, and sign up for e-delivery.

The enhanced notice method offers the potential for significant annual savings for investment companies and their investors.

- Broadridge estimates cost savings\* in printing, postage, and forms of approximately \$110M.
- In addition, because investors would be provided with key information without having to take extra steps, there would be additional one-time savings of \$70M from the elimination of extra mailings associated with the original proposal's "implied consent" feature.

Please find additional details in the **FAQ** section below including an illustration of the enhanced notice.

\*Savings based on analysis of estimated printing costs and actual costs for postage and forms for CY2016 mailings of all annual and semiannual fund reports to beneficial shareholders.

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## Frequently Asked Questions

### **Q1. What is the enhanced notice and how is it different from the original 30e-3 proposal?**

The SEC's proposed rule 30e-3 (*"Investment Company Reporting Modernization," May, 2015*) aimed to provide investment companies with the option of mailing a simple notice of the internet availability of annual and semiannual shareholder reports instead of the full reports. The proposal was supported by investment companies but opposed by investor advocates and others.

At the suggestion of former SEC Chair Mary Jo White, Broadridge has been working with interested parties (including investment companies, broker-dealers, and investor advocates) to develop suggestions to improve the approach. Hence, the enhanced notice. The costs and benefits of the enhanced notice approach have been analyzed in detail. It was tested with individual investors and they indicated a strong preference for it.

The enhanced notice differs from the simple notice in that it contains key information from the fund report (e.g., performance, expenses, top portfolio holdings, etc.) and can be executed at a lower cost.

The results of the analysis show that the enhanced notice method:

1. Improves the investor experience by providing key information that is easily accessible and "investor friendly" – information that investors say they most want to see
2. Saves costs on printing, postage, and forms
3. Encourages sign up for e-delivery as investors are more likely to look at the notice

The enhanced notice method provides shareholders with the ability to:

- View and read key information without having to request it
- Access the full report through a URL contained on the notice
- Request a printed copy at no cost
- Sign up for e-delivery

### **Q2. Is the enhanced notice similar to a summary prospectus?**

Unlike the Summary Prospectus, the enhanced notice is not a legal short form of the statutory annual or semiannual report - it is a notification of the availability of the full report. It contains some of the report's key content. Investors who are currently enrolled in e-delivery would receive similar information via email.

### **Q3. What are the cost savings of the enhanced notice method?**

**Overall, our estimates show the benefits of an enhanced notice approach would be far greater than the original 30e-3 proposal.**

Broadridge is fully supportive of industry efforts to reduce printing and postage costs. Based on distributions from broker-dealers, we estimate that the printing, postage, and forms costs of sending full reports is approximately \$200M. Under the enhanced notice method, this cost would decrease by \$110M.

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Our estimates are based on:

- **Printing costs** – estimated printing costs (at a job level) for CY 2016 distributions based on external print quotes, document finish sizes, volumes, and number of pages.
- **Postage and form costs** - Actual postage and forms costs for full reports; estimates for enhanced notice based on CY 2016 USPS rates.

In addition, we believe we can execute at a lower fee for enhanced notice than was approved by the NYSE. Our estimates show that after netting out a lower NYSE fee for enhanced notices, the fund industry and shareholders would save \$90M. Approximately 75% of fund families would see an overall net cost savings of 20% or greater on printing, postage and forms.

The lower fee estimate for the enhanced notice method is based on achieving efficiencies and economies of scale through functional changes to the 30e-3 approach including, for example, the following assumptions:

- Elimination of the “implied consent” reduces added development and processing work.
- Use of a standard print-on-demand format (with fund and broker branding) creates processing efficiencies.
- Elimination of insertions (forms and envelopes).
- Utilization of a self-mailer type document leverages existing technology infrastructure for proxy notice & access.
- Full adoption by funds (in comparison to the original proposal).
- 5% of beneficial shareholder accounts elect to receive full reports.

Please reach out to your Account Manager if you would like to understand the estimated cost savings for your particular firm.

#### **Q4. Who will create the enhanced notice?**

Broadridge, as an agent for broker-dealers, can work with funds and their agents to compose and create the enhanced notice by extracting information from the annual and semiannual report filings and adding it to the enhanced notice.

#### **Q5. Under this revised approach will all shareholders of a participating fund complex get the enhanced notice?**

Shareholders who receive mailed reports would be sent the enhanced notice at each fund’s option. Shareholders who have already opted for e-delivery will continue to receive emails. Shareholders can opt-in to e-delivery through a variety of means. Their preferences are captured and maintained for future distributions. A unique control number, on the enhanced notice, will be used to identify the shareholder and manage his or her delivery preferences.

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### **Q6. What's the status of e-delivery in the fund industry today and how does the enhanced notice method improve e-delivery rates?**

Over the past decade, Broadridge has invested hundreds of millions of dollars to help funds save billions of dollars in postage, printing, and forms costs by facilitating the adoption of e-delivery and other mail suppression methods. In the 12 month period ending June 2017, on the beneficial side (for accounts held in street name), 65% of physical mailings were eliminated through these means consistent with investor preferences.

By comparison on the direct-held side, while the mail suppression levels vary by fund, we find that they are much lower than the beneficial side. For some large fund complexes, e-delivery rates are 15-20% for direct-held accounts.

We believe that the enhanced notice will improve e-delivery rates, because shareholders who receive the enhanced notice are more likely to read it and, therefore, to enroll in e-delivery using the easy methods provided with enhanced notice.

E-delivery is the most cost efficient method of delivery. It can also lead to greater levels of engagement and interaction.

### **Q7. What should I do next?**

1. Contact your Broadridge account manager to understand specific savings for your firm.
2. If you want to find out more about the enhanced notice, please contact us [mediarelations@broadridge.com](mailto:mediarelations@broadridge.com)

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Notice as originally proposed (illustration of front page)

<b>IMPORTANT NOTICE REGARDING THE INTERNET AVAILABILITY OF SHAREHOLDER REPORTS</b>		
<b>&lt;ISSNAME1&gt;</b>		
<b>BROKER NAME</b>		
ONE MAIN STREET ANY TOWN, NY 12345	Information enclosed regarding your investment	
	A/C 00000123456789ABC01	
JOHN DOE 123 CENTRAL AVENUE ANY TOWN, NY 12345	➔ <table border="1"><tr><td>F 1234 2678 9012</td></tr></table>	F 1234 2678 9012
F 1234 2678 9012		
<p>You are receiving this notice because you consented to receive notifications of the availability of shareholder reports on the Internet. Shareholder reports contain important information about your mutual funds and exchange traded funds investments, including performance information and portfolio holdings.</p>		
<p>A new shareholder report is now available on the Internet for your review.</p>		
<p><b>See the reverse side for instructions on how to access shareholder report.</b></p>		

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Notice as originally proposed (illustration of back page)

## How to Access the Shareholder Report

### Materials available to view:

ANNUAL REPORT

### How to view online:

You may now access the <issname1> shareholder report online at [www.fundreports.com](http://www.fundreports.com)\*

As an alternative, if you would like to further reduce your fund's printing costs, you can consent to receive all future investor communications including shareholder reports electronically via e-mail. To sign up for electronic delivery, please follow the instructions on the following website.

**[www.investordelivery.com](http://www.investordelivery.com)**

**\* NOTE: Fund Notice & Access will necessitate the use of control numbers, or their functional equivalent, for several reasons.** For example, control numbers make it easier for recipients of a mailed notice to view a report by typing in a relatively limited number of characters on a familiar centralized site. In a recent sample of fund URLs sent as links contained in email messages, we found that URLs ranged from 20 characters to over 100 characters in length! Under a mailed notice option, these lengthy URLs would need to be typed into a browser. User of a control number or its functional equivalent would eliminate this practical impediment for many investors.

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## Enhanced Notice (illustration)





**Your shareholder report contains important information about your investments, including performance, expenses and portfolio holdings. Your fund has filed a new shareholder report, which is now available online and in print by request. You can:**



Access the full report at [www.fundreports.com](http://www.fundreports.com)



Request a mailed copy at no charge by calling **800 555 1111**



Sign-up for e-delivery at [www.fundreports.com](http://www.fundreports.com)

→ 7086 5222 4115 4280 

### Notice of Availability of Annual Shareholder Report

DECEMBER 31, 2017

**Real Estate Fund | Annual Report**



Learn how to read a mutual fund shareholder report here:  
[www.sec.gov/investor/alerts/ib\\_readmfreport.pdf](http://www.sec.gov/investor/alerts/ib_readmfreport.pdf)

### Top 10 Holdings (% OF NET ASSETS)

Holding	% of Net Assets
Simon Property Group Inc	11.21%
Public Storage	8.42%
Equity Residential	7.13%
Avalon Bay Communities Inc	5.90%
EV Cash Reserves Fund	5.06%
Essex Property Trust Inc	4.01%
Federal Realty Investment Trust	3.90%
Boston Properties Inc	3.75%
Ventas Inc	2.91%
Welltower Inc	2.80%

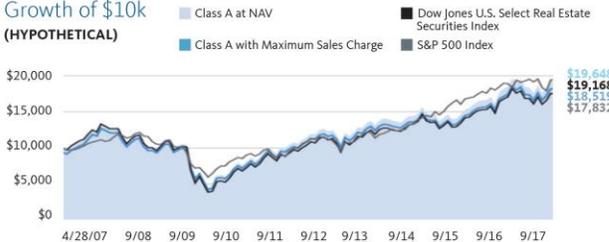
### Portfolio Composition SECTOR ALLOCATION (%)

Multifamily REITs	22.5%
Malls and Factory Outlets REITs	15.6%
Office REITs	11.0%
Strip Centers REITs	10.8%
Diversified, Specialty & Other REITs	9.1%
Self Storage REITs	7.9%
Health Care REITs	7.4%
Industrial REITs	6.3%
Hotels & Resorts REITs	4.1%
Hotels, Restaurants & Leisure	2.6%
Other	0.8%

### Fund Expense Example ILLUSTRATION OF \$1,000 INVESTMENT

	Beginning Account Value (7/1/17)	Ending Account Value (12/31/17)	Expenses Paid During Period* (7/1/17-12/31/17)	Annualized Expense Ratio
<b>Actual</b>				
Class A	\$1,000.00	\$1,117.20	\$6.67**	1.25%
Class I	\$1,000.00	\$1,119.30	\$5.34**	1.00%
<b>Hypothetical</b>				
(5% return per year before expenses)				
Class A	\$1,000.00	\$1,018.90	\$6.36**	1.25%
Class I	\$1,000.00	\$1,020.20	\$5.09**	1.00%

### Growth of \$10k (HYPOTHETICAL)



### Historical Returns (%)

% Average Annual Total Returns	Class Inception Date	Performance Inception Date	Six Months	One Year	Five Years	Ten Years
Class A at NAV	06/09/2011	04/28/2007	8.78%	21.53%	11.69%	7.63%
Class A with 5.75% Maximum Sales Charge	--	--	2.54	14.55	10.38	7.00
Class I at NAV	04/28/2007	04/28/2007	8.84	21.83	11.98	7.78
Dow Jones U.S. Select Real Estate Securities Index	--	--	10.79%	22.72%	12.16%	6.75%
S&P 500 Index	--	--	3.84	3.99	12.09	7.42

### Fund Expense Example

\*Expenses are equal to the Fund's annualized expense ratio for the indicated Class, multiplied by the average account value over the period, multiplied by 182/366 (to reflect the one-half year period). The Example assumes that the \$1,000 was invested at the net asset value per share determined at the close of business on September 30, 2017.  
\*\* Absent an allocation of certain expenses to an affiliate, expenses would be higher.  
Past performance is no guarantee of future results. Returns are historical and are calculated by determining the percentage change in net asset value (NAV) or offering price (as applicable) with all distributions reinvested. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Performance less than or equal to one year is cumulative. Performance is for the stated time period only; due to market volatility, the Fund's current performance may be lower or higher than quoted. Returns are before taxes unless otherwise noted.

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