30e-3 Transition Period

Preference Management Election Capture
Summary of Rule 30e-3

Key aspects of Rule 30e-3

• Rule 30e-3 allows, but does not mandate, mutual funds to use a ‘Notice & Access’ method to deliver Annual Reports (ARs) and Semi Annual Reports (SARs) instead of mailing a full paper report.

• Funds can mail a notice of the availability of shareholder reports on the internet, starting January 1, 2021, but not before.

• Existing e-delivery consents will continue to be applied and are not impacted by 30e-3

• Investors who have not opted for e-delivery will receive a paper notice in the mail that has:
  – Details of website where they can read the full report
  – Instructions for requesting a full paper report by mail, on an adhoc basis or permanently
  – Instructions for e-delivery sign-up

• The rule allows funds to use enhanced content from their shareholder reports in the notice

• Notice & Access Fee
  – Incremental NYSE N&A fee to apply for all mailed notices
  – N&A fee cannot be charged on any accounts for which fund pays preference management fee
Requirements of Transition Period

• Rule is optional and effective January 1, 2019, with notice distribution not starting before January 1, 2021.

• Extended transition period starts January 1, 2019
  – need to provide two years of notification to shareholders if using notice before January 1, 2022.
  – Funds have to include prescribed disclosure language on the front page of prospectuses, Annual Reports (ARs), and Semi-Annual Reports (SARs)

• Shareholders allowed to communicate their preferences for full paper reports immediately after receiving first notification
  – Nominees and funds should be ready to capture preferences starting January 1, 2019
Preference Capture

An industry solution for preference capture needs to account for various factors:

1. The SEC has prescribed notification language in ARs/SARs and Prospectuses but has left it to Funds to include **specific instructions** for direct-held and beneficial shareholders on how to change delivery preferences
   - Funds will not be able to print nominee-specific instructions for 800+ nominees, thus an industry solution is necessary
   - However, printing something like “contact your intermediary” will create challenges for many nominees who may not be equipped to capture preferences on their own, especially by January 1, 2019

2. The above mentioned notification language will be in all mailed documents, as well as all online and emailed copies.

3. Today, through Broadridge, funds distribute mailed interim reports to shareholders via multiple distribution types, which don’t all allow for a secure, custom buckslip with a control number (which is the case for proxy), thus making preference capture (including for e-delivery) more challenging
   - Paperwrap - 195M or 55% of distributions
   - Window envelopes - 80M or 23% of distributions
   - Inkjet (self-mailer & non-window envelopes) - 77M or 22% of distributions
Delivery Methods: Post January 1, 2019

Paperwrap

HEXTONE
PO BOX 9142
FARMINGDALE, NY 11735

Choose paperless, notice or full report
Select how you want to receive mutual fund reports.
Go to FundReports.com, call +1 866 460 9497 or scan below.

DOE HOUSEHOLD
1 MAIN STREET
NEW YORK, NY 12345
Delivery Methods: Post January 1, 2019

Window Envelopes

Information enclosed regarding your investment

A/C 123456789

We have been requested to forward the enclosed information regarding your investment in HEXTONE FUNDS
Which is held in your account at:

Make your choice now! Choose paperless, notice or full report. Select how you want to receive mutual fund reports. Go to FundReports.com, call 1 866 460 3497 or scan below.
Delivery Methods: Post January 1, 2019

Inkjet
Broadridge’s technology platform and distribution solution

Key elements of the solution

• **FundReports.com** – a central preference capture website that shareholders can use to elect their delivery preferences for full reports or e-delivery

• **1800 toll free number** – where shareholders can use an IVR to record their delivery preferences for full reports or notice

• **Unique ID** – Shareholders will need a unique enrollment ID to identify and authenticate themselves on the website and toll free number. This ID will be included in distributions mailed by Broadridge on behalf of nominees and funds, over the next 2-3 years, and with notices after that.

• **Link to e-delivery sign-up** – The website will direct shareholders to the appropriate website for consent capture, if they wish to sign up for e-delivery.

• **Direct preference capture** – Processes already exist to transfer preferences captured by the nominee/fund to Broadridge; processes will be expanded to integrate with preferences captured by Broadridge.

This solution can be applied across both direct held and street held shareholders, so there is a single integrated solution for the fund.
Disclosure language should be clear to tell target shareholders what to do without being so specific that it might cause confusion for non-target shareholders

Recommended disclosure language on the cover page of all fund reports and prospectuses

Beginning on [date], as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of the Fund’s shareholder reports like this one will no longer be sent by mail, unless you specifically request paper copies of the reports from the Fund [or from your financial intermediary, such as a broker-dealer or bank]. Instead, the reports will be made available on a website, and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the Fund electronically by [insert instructions]. If you own these shares through a financial intermediary, [you may contact your financial intermediary].

You may elect to receive all future reports in paper free of charge. You can inform the Fund that you wish to continue receiving paper copies of your shareholder reports by [insert instructions]. If you own these shares through a financial intermediary, [you may contact your financial intermediary or follow instructions included with this disclosure to elect to continue to receive paper copies of your shareholder reports]. Your election to receive reports in paper will apply to all funds held with [the fund complex or your financial intermediary].

Language on the paperwrap/buckslip/insert (based on user testing):

Make your choice now!
Go paperless, notice or full report.
Select how you want to receive mutual fund reports
Go to www.fundreports.com or
Call +1 866 460 9497

1. SEC Release Nos. 33-10506; 34-83380; IC-33115; File No. S7-08-15, June 5, 2018
Wireframes
Mutual Fund Reports – register your preferences here

Important Information

WHAT HAS CHANGED

New rules by the U.S. Securities and Exchange Commission (SEC) permit mutual funds and Exchange Traded Funds (ETFs) to mail you a notice of the availability of your annual and semiannual reports (beginning January 1, 2021) instead of a full paper report. This notice will provide a website address where you can view the full report.

WHAT YOU NEED TO DO

NO COST

EXISTING ELECTRONIC DELIVERY

As an investor, you have options for how mutual fund reports are received. Make your choice here - it's a simple three step process:

Step 1:
Locate the 20 digit unique ID located above or below your mailing address

01245 67891 23456 78912

Step 2:
Enter unique ID

NEXT
**Mutual Fund Reports – register your preferences here**

**Important Information**

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**WHAT YOU NEED TO DO**

**NO COST**

**EXISTING ELECTRONIC DELIVERY**

**Step 3:**

Choose one of the following options:

- **Go Paperless**
  
  Click here to enroll

- **Paper Reports**
  
  Receive Notice (by default) or request a full report for all future fund reports associated with the account number(s) linked to this unique ID.

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OR

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WHAT YOU NEED TO DO

NO COST

EXISTING ELECTRONIC DELIVERY

Step 3:

Choose one of the following options:

- Go Paperless
  Click here to enroll

OR

- Paper Reports
  Receive Notice (by default) or request a full report for all future fund reports associated with the account number(s) linked to this unique ID.

Submit
Mutual Fund Reports – register your preferences here

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WHAT YOU NEED TO DO

NO COST

EXISTING ELECTRONIC DELIVERY

Your Document Preferences have been saved!

Do you have another package?

Enter new unique ID

Paper Reports

Receive Notice (by default) or request a full report for all future fund reports associated with the account number(s) linked to this unique ID.

View Full Report

Submit

CANCEL