



May 25, 2004

Mr. Jonathan G. Katz
Secretary
Securities and Exchange Commission
450 Fifth Street, NW
Washington, D.C. 20549-0609

Re: Release Nos. 33-8396; 34-49398; IC-26383; File No. S7-12-04

Dear Mr. Katz:

The Asset Managers Forum (the “AMF”) appreciates this opportunity to comment on the rule proposals described in the above-captioned Releases. These proposals apply to disclosure requirements regarding portfolio managers of registered management investment companies. Should the Commission so desire, representatives of the AMF would be willing to meet again with SEC officials to discuss their views regarding this matter.

These comments were formulated by members of the AMF’s Chief Operating Officers Group (the “COO Group”). The COO Group is a new undertaking at the AMF. Participants in the COO Group, who are responsible for running asset management organizations, desire through the AMF to offer practical insights concerning new mutual fund rules from the standpoint of how these rules would affect the overall business of an asset manager. Mutual funds typically constitute only a portion (often a minority) of the total business mix of asset managers that are member firms of the AMF.

Our comments are primarily directed toward those parts of the Releases that propose disclosure regarding multiple accounts managed by portfolio managers, and are based on the following principles:

- That the adoption of meaningful disclosure regulations at this time concerning portfolio managers would be beneficial to ultimate investors.
- That the “talent drain” problem that would result under a prohibition of side-by-side management (i.e., the flight of qualified managers to less regulated environments) would be harmful to investors and costly to asset managers.
- That disclosure of portfolio managers’ investments in their own portfolios must be balanced against practical privacy considerations and directed to those persons best able to assess potential conflicts.

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DISCLOSURE OF SIDE-BY-SIDE MANAGEMENT

Most importantly, the COO Group supports the Securities and Exchange Commission's proposed disclosure rule for addressing potential or perceived conflicts of interest. We believe that a prohibition of side-by-side management would have negative consequences for both investors and the industry. Small asset management firms could be negatively affected by a ban insofar as they might not have the resources to have separate managers for distinct accounts. Indeed, this situation could hamper competition.

Prohibiting side-by-side management could also be detrimental to investors. If a ban were enacted, the best mutual fund managers might well choose to manage other, more intellectually challenging and lucrative accounts, thereby creating a "talent drain" which would deprive investors access to talented managers and be costly to asset management firms. The talent drain would occur because qualified portfolio managers generally want to be professionally challenged; accordingly, they would be inclined to accept positions with hedge funds or similar institutional investor entities where a sophisticated skill set might be needed to manage more complex portfolios.

We do feel that the Commission's proposed disclosure requiring a description of "any conflict of interest" attributable to management of all types of accounts is unnecessarily broad and should be confined to material potential conflicts of interest.

ADDITIONAL DISCLOSURE CONCERNING MANAGERS

The COO Group believes that disclosing the identity of an entire management team might affect the fluidity of the fund management business by hampering the ability of senior executives to efficiently allocate the best suited talent to the most appropriate fund based upon changing circumstances and other factors. Subsequently, this could create inefficiencies that would harm ultimate investors. Further, by disclosing a complete list of management names, the Commission's proposal could have the unintended consequence of encouraging headhunters to aggressively pursue management individuals, thus increasing turnover and costs. For this reason, we recommend that only the lead manager's identity (i.e., the individual who is "primarily" responsible for managing a fund) be disclosed.

The Commission is currently examining the possibility of requiring a fund to provide disclosure in its SAI regarding the compensation structure (not actual salaries) of its portfolio managers. The AMF would recommend that disclosure of compensation structure could be beneficial to investors so long as the reporting by funds is achieved in a uniform and cost effective fashion, but cautions that excessive detail could have the same kind of "headhunter" effects as described in the prior paragraph.

MANAGERS' INVESTMENTS AND PRIVACY

The COO Group is opposed to rules that would require a fund to disclose the ownership of securities of each portfolio manager with respect to each account managed by the portfolio manager. We also oppose disclosure of ownership in other accounts managed by the investment manager.

The rationale for the above position regarding managers' investments is based on two fundamental considerations. First, we believe that overly detailed disclosure of managers' investments in their own portfolios would in some cases be a disincentive that would make it difficult for funds to retain talented investment professionals. Second, disclosure of managers' investments in their funds would

be misleading in the sense that all investors (including managers) vary their investments based on their individual financial situations, age, income, and risk aversions. In addition, for most managers, their largest single financial asset is the present value of their future stream of earnings, which is directly correlated to the performance of the portfolios under their management.

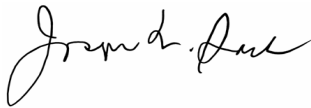
CONCLUSION

In general, and subject to our suggested changes in the proposed rules, the AMF COO Group believes that the Commission has correctly assessed the needs of investors and the industry from a regulatory standpoint in the area of disclosure relating to portfolio managers. Nonetheless, we would further recommend initiating a process to monitor the effectiveness of any regulations adopted under these SEC proposals. The COO Group would be pleased to work with the staff of the Commission in this regard. As you would expect, we want to achieve a revised regulatory structure that will protect investors and, in a practical sense, also give asset managers enhanced tools that will result in additional efficiencies in our business activities.

Once again, on behalf of The Asset Managers Forum (which is an independent affiliate of The Bond Market Association), I would like to thank the Commission for the opportunity to share our views and comments concerning this matter.

Should there be any follow-up questions, my direct line is 646-637-9265. Finally, for your information, a list of the member firms of the AMF is attached hereto.

Very truly yours,

A handwritten signature in black ink, appearing to read "Joseph W. Sack". The signature is fluid and cursive, with a large initial "J" and a stylized "S".

Joseph W. Sack
Executive Director, AMF COO Group

Attachment