

2006

ANNUAL REPORT TO MEMBERS

The Investment Company Institute (ICI) is the national association of U.S. investment companies. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers.

ICI members include 8,821 open-end investment companies (mutual funds), 654 closed-end investment companies, 234 exchange-traded funds, and four sponsors of unit investment trusts. Mutual fund members of ICI have total assets of approximately \$9.468 trillion (representing 98 percent of all assets of U.S. mutual funds); these funds serve approximately 94 million shareholders in more than 53.8 million households.

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Letter to Members



ICI PRESIDENT PAUL SCHOTT STEVENS AND ICI CHAIRMAN MARTIN L. FLANAGAN

FUND SHAREHOLDERS can take great satisfaction in developments over the past 12 months. Through landmark pension and tax legislation, in particular, policymakers in Washington took major steps to encourage and facilitate the efforts of millions of Americans who save and invest in funds for retirement, education, and other long-term purposes. Many elements of this legislation represent the culmination of literally years of effort to broaden the reach and improve the effectiveness of defined contribution retirement plans, an imperative for the nation and a longstanding objective of the Institute. All our investment company membership—whether mutual funds, exchange-traded funds, closed-end funds, or unit investment trusts—can be proud of the role that the fund industry and ICI have played in helping to shape these and other public policies that serve fund investors well.

The Institute's 2006 Annual Report details our efforts over the past year to:

- » **Create a Stronger Savings Culture.** ICI continued to serve as a vocal advocate for savers and saving. Our industry expertise and unique analytical support were instrumental in helping win passage of pension and tax reforms that will result in greater savings opportunities and incentives for investors in 401(k) plans, IRAs, 529 plans, and other savings vehicles.
- » **Improve Mutual Fund Regulations.** ICI worked closely with the SEC and other regulators on numerous fronts to ensure that regulations preserve the fundamental virtues of mutual fund investing for funds and their shareholders alike. Of particular note is our ongoing response to SEC Chairman Christopher Cox's initiative to improve fund disclosure and harness the power of the Internet for the benefit of fund investors.
- » **Assist Fund Directors.** Now in its third year, the Independent Directors Council (IDC), with ICI's strong support, continued to develop and broaden its outstanding array of services to independent directors. The work of the IDC is of vital importance in promoting a strong fiduciary partnership between fund boards and advisers to serve the interests of fund investors.

“ ICI MEMBERS TRADITIONALLY HAVE COME TOGETHER TO POOL THEIR EXPERTISE AND FORGE CONSENSUS ON A PUBLIC POLICY AGENDA THAT IS GUIDED VITALLY BY THE INTERESTS OF FUND INVESTORS. ”

» **Address Research Needs and Operational Challenges.**

ICI research garnered increasing attention for its timeliness, quality, and relevance to national policy concerns as it continued to shed light on mutual funds, fund investors, industry economics, and the U.S. retirement market. ICI's operations program played a major role in bringing funds together with distributors and other fund service providers to implement regulatory initiatives—on XBRL, redemption fees, and breakpoints, among others—that significantly impact fund operations and shareholder services.

The Institute's ability to advance these and other key objectives depends upon many things. Fundamentally, it depends upon the trust our industry must earn day by day as stewards for \$10 trillion on behalf of about 55 million American households. It depends also upon maintaining a strong relationship and constructive dialogue with key policymakers, effective

communications with a wide variety of constituencies, and a capable staff organization.

Most important of all, however, is the support and active involvement of ICI members, who volunteer their time and talents to work on behalf of their industry. Fierce competitors in the marketplace, ICI members traditionally have come together to pool their expertise and forge consensus on a public policy agenda that is guided vitally by the interests of fund investors. It is a tradition that has successfully advanced the interests of funds, their advisers, and independent directors alike. This tradition was alive and well in 2006, and we expect it to carry the Institute and the industry to further success in the years ahead.

We thank you for your support of the Institute in these endeavors, and look forward to continuing the outstanding progress that funds and their shareholders enjoyed over the past year.

Martin L. (Marty) Flanagan
Chairman

Paul Schott Stevens
President

November 2006

Fostering a Stronger Savings Culture in America



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IN 2006, POLICYMAKERS TOOK A BIG STEP FORWARD in shaping a culture of savings and investment in America. Legislation adopted this year will help ensure that the nation's tax and pension laws provide Americans with the tools necessary to meet retirement and other long-term savings goals. As Americans assume more responsibility for retirement planning, national policies should continue to encourage the effective use of *all* savings vehicles. Research shows that Americans will save more—through defined contribution plans, IRAs, and investments outside tax-deferred vehicles—with proper incentives, services, and guidance.

In its outreach to policymakers over the years, the Institute consistently has championed the role that effective tax and pension policies play in promoting a stronger savings culture. In FY 2006, ICI advocated a variety of measures to this end:

- » **Two New Laws That Greatly Help Fund Shareholders Save More.** ICI urged enactment of the Pension Protection Act (PPA) and the Tax Increase Prevention and Reconciliation Act (TIPRA), new laws that will encourage investors—young and old—to save more in tax-deferred and taxable investment accounts.
- » **ERISA Reforms That Encourage Participation in Employer-Sponsored Plans.** ICI strongly supported measures in the PPA that promote more effective saving through automatic enrollment, improve default investment options, and increase access to investment advice.
- » **Other Reforms to the Tax and Pension System.** ICI continued to support a variety of other tax and pension policy reforms as well. Among these is The GROWTH Act, which would allow mutual fund shareholders to defer taxation of automatically reinvested capital gain distributions until their fund shares are sold.

“ CONGRESS CLEARLY RECOGNIZES THE IMPORTANCE OF AN EFFECTIVE DEFINED CONTRIBUTION SYSTEM. WE WANT TO WORK WITH YOU TO ENSURE THE DEFINED CONTRIBUTION SYSTEM EFFECTIVELY MEETS THE NEEDS OF MORE AMERICANS. ”

— Institute Chairman Martin L. Flanagan, at ICI’s May 2006 Mutual Fund Leadership Dinner

TWO NEW LAWS WILL GREATLY HELP INVESTORS SAVE MORE

The 2006 enactment of the PPA and the TIPRA will help fund investors and would-be savers meet long-term savings objectives. Both new laws extended savings incentives already included in prior legislation. That sent the right message to an American public increasingly expected to assume more personal responsibility to accumulate assets for retirement—the message that saving today is crucial to their long-term financial security.

Permanence and Certainty for Fund Investors and Other Savers

The PPA makes permanent the updated contribution limits for 401(k) plans and IRAs enacted in 2001, limits that otherwise would have expired after 2010. ICI research spells out how important it was that Congress take this step. Our historical analysis of IRA contributions, for example, indicates that incentives work best when laws and rules are simple, understandable, and predictable. ICI research also shows the positive effect of the updated limits on a saver’s ability to accumulate a retirement nest egg—and the negative impact that would have resulted if the limits had been allowed to revert back to levels under prior law.

The IRA saving incentives in the PPA are particularly crucial for a powerful reason: nearly half of all American workers do not enjoy access to a retirement plan at work. Contributions to IRAs help fill gaps in employer-sponsored plan coverage over the course of a career. Without the relevant PPA provisions, in 2011 the IRA contribution limit would have dropped at least 60 percent—from the 2008 maximum level of \$5,000 to \$2,000 (assuming the contribution limit did not rise even more after 2008 courtesy of inflation indexing).

The “permanence” provisions in the PPA also ensure IRA contribution limits will keep pace with inflation in 2011 and subsequent years, much like the rules governing contribution limits for workplace retirement plans began to do in the mid-1990s. Prior to legislation passed in 2001, the contribution limit for IRAs had been stuck at \$2,000 per year since the early 1980s.

The PPA also allows lower-income taxpayers to take a “Saver’s Credit” of up to \$1,000 each year for any contributions made to defined contribution plans or IRAs; this credit was set to expire in 2006. The loss of the credit would have been significant for lower-income taxpayers, including many young investors just getting on the savings track. In 2004, Americans filed more than 5 million tax returns taking advantage of the credit.



The PPA also makes permanent “catch-up” contributions by individuals age 50 and over—originally set to disappear in 2011—and an incentive that encourages families to save for their children’s college educations by allowing federally tax-free distributions from Section 529 qualified tuition plans.

The “Tax Drag” on Capital Gains and Dividends

The Jobs and Growth Tax Relief Reconciliation Act of 2003 encouraged saving and investing by reducing tax rates on capital gains and dividends. But those savings incentives were set to expire after 2008.

The Institute strongly supported the enactment of TIPRA, which extended the lower tax rates for investors through 2010—continuing a successful savings stimulus. The U.S. Treasury Department estimated that 28 million Americans will save an average of \$989 on their taxes in 2006 as a result of lower tax rates on dividends and capital gains. In addition to boosting workers’ savings, the provisions also contributed to job creation, an enhanced tax base, and better corporate stewardship of investors’ capital.

ERISA REFORMS WILL INCREASE PARTICIPATION IN EMPLOYER-SPONSORED PLANS

ICI strongly supported measures in the PPA that update the regulatory framework under the Employee Retirement Income Security Act (ERISA), and promote more effective saving through automatic enrollment, better default investment options, and readier access to investment advice.

Automatic Enrollment and Default Investment Options

The PPA encourages automatic enrollment of plan participants by providing a safe harbor for plan sponsors from ERISA’s anti-discrimination testing for automatic enrollment programs. ICI’s support for this safe harbor provision in the new law builds on the Institute’s longstanding dialogue with policymakers about ways to encourage and facilitate effective workplace saving.

Drawing on its own research, for example, ICI pointed out that automatic enrollment in 401(k) plans increases participation rates dramatically, particularly among lower-income workers. ICI also noted that its studies demonstrate that the type of default investments selected by employers as part of automatic enrollment programs can have a significant impact on participants’ 401(k) accumulations at retirement.

Helping America Save: The Important Role of Mutual Funds

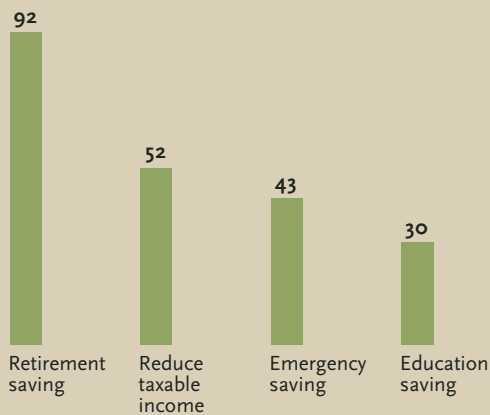
Retirement assets now account for more than one-third of U.S. household financial assets, up from about 23 percent in 1985. This increase reflects the movement toward individual control of retirement assets and the growing role of employer-sponsored defined contribution plans, Individual Retirement Accounts, and mutual funds in our nation's retirement saving strategy.

Today, nearly half of all employer-sponsored defined contribution plan assets and 45 percent of total IRA assets are invested in mutual funds.

MUTUAL FUND INVESTORS ARE LONG-TERM SAVERS

(percent of mutual fund investors with investment goal)*

ICI research finds that retirement security tops the list of savings goals of mutual fund shareholders for their fund investments.



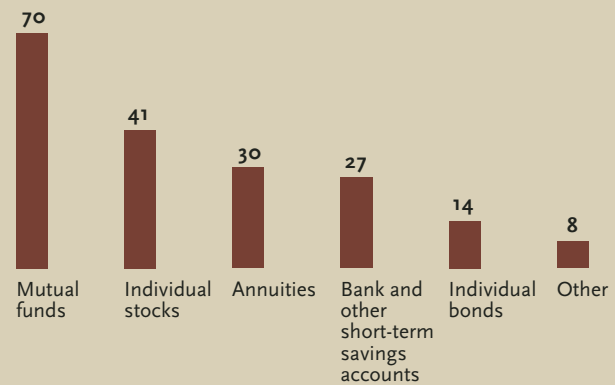
*Multiple responses are included.

SOURCE: Profile of Mutual Fund Shareholders, ICI Research Series (www.ici.org/pdf/rpt_profile04.pdf)

MUTUAL FUNDS PROVE POPULAR AMONG IRA INVESTORS

(percent of U.S. IRA households owning type of asset)*

ICI research finds that 70 percent of IRA households in the United States invest at least a portion of their assets in mutual funds.



*Multiple responses are included.

SOURCE: 2006 Investment Company Fact Book (www.icifactbook.org/o6_fb_sec7.html)

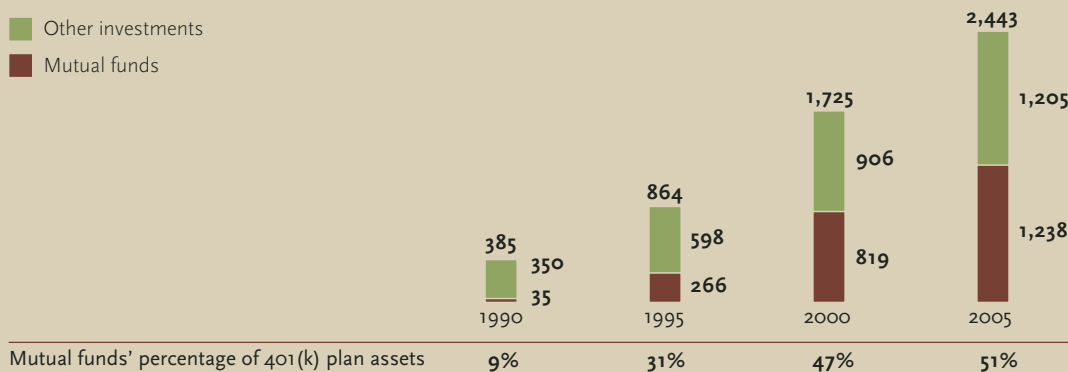
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401(k) PLANS ARE HEAVILY INVESTED IN MUTUAL FUNDS

(billions of dollars, year-end assets)

Mutual funds have become a primary investment vehicle for American workers, and now manage more than half of 401(k) plan assets.

Other investments
Mutual funds



SOURCES: ICI, Federal Reserve Board, and U.S. Department of Labor

A Year of Great Progress for Fund Shareholders and Other Savers

The 109th Congress made great strides on behalf of mutual fund investors, addressing some of the most important areas of concern for an American workforce expected to take on more responsibility for its retirement planning. In our dialogue with policymakers throughout 2006—one of the most productive years in the Institute's history—ICI strongly urged enactment of the Pension Protection Act and the Tax Increase Prevention and Reconciliation Act, new laws that will encourage investors young and old to save more in tax-deferred and taxable investment accounts.

BIPARTISAN ENGAGEMENT WITH CONGRESS

MAY 2006

ICI Chairman Martin L. Flanagan speaks with Sen. Hillary Rodham Clinton (D-NY).



OCTOBER 2006

ICI Vice Chairman Paul G. Haaga, Jr. (r.) and ICI Board Member Gregory Johnson greet Sen. Mitch McConnell (R-KY).



OTHER EVENTS

SAVINGS TOPICS HIGHLIGHT ICI LEADERSHIP DINNER

"I want to note that the savings vehicles of your industry are at the forefront of one of the most important economic goals of any economy—a higher rate of savings. And we want to help you and your customers with that," said Treasury Secretary John W. Snow at the Institute's 2nd annual Mutual Fund Leadership Dinner.



CELEBRATING THE 401(k) ANNIVERSARY

ICI Chairman Martin L. Flanagan, ICI President Paul Schott Stevens, and other ICI Board members celebrate the anniversary of the 401(k) plan by ringing the opening bell for trading to begin on the New York Stock Exchange on June 2, 2006.



“ TOO MANY WORKERS, SOME OVERWHELMED BY INVESTMENT CHOICES OR PAPERWORK, ARE LEAVING RETIREMENT MONEY ON THE TABLE BY NOT SIGNING UP FOR THEIR EMPLOYERS’ DEFINED CONTRIBUTION PLAN. ”

— Department of Labor Secretary Elaine L. Chao, announcing the agency’s September 2006 automatic enrollment and default investment proposal

Investment Advice

ICI supported the PPA provisions permitting qualified “fiduciary advisers” to offer investment advice to help employees manage their 401(k) and other retirement options. The Institute will be engaged actively with the Department of Labor (DOL) as it develops regulations to implement the PPA in a manner consistent with Congress’s goal of expanding opportunities for investors using workplace plans and IRAs.

Cross Trades

The PPA includes an exemption—sought by ICI for 20 years—from ERISA’s prohibited transaction rules to permit cross trading by ERISA plans. ERISA plans have been the only institutional investors prevented from engaging in active cross trades, which allow investment managers to match trades between clients to reduce securities transaction costs for each client.

OTHER NECESSARY REFORMS TO THE TAX AND PENSION FRAMEWORK

ICI continues to call on policymakers to revise mutual fund taxation rules to encourage, rather than hinder, use of mutual funds in personal savings—and do more to equip Americans to manage their retirement accounts.

The Tax Treatment of Mutual Fund Capital Gains

ICI has called on Congress to enact bipartisan legislation that would defer taxation of automatically reinvested mutual fund capital gain distributions until fund shares are sold—rather than taxing these long-term gains every year, as is the current practice.

Passing the GROWTH Act (H.R. 2121/S. 1740 in the 109th Congress) would send a powerful, positive message to investors about saving. The GROWTH Act would assist tens of millions of Americans over the course of their working lives—and make a difference in the retirement readiness of American families. In particular, the GROWTH Act would encourage savings among middle-income taxpayers and those without access to workplace retirement plans.

401(k) Plan Sponsors’ and Plan Participants’ Fee Disclosure

The Institute has long been a proponent of efforts to enhance ERISA standards for the disclosure plan sponsors and participants receive, and has specifically supported fee and expense transparency in connection with 401(k) plans.



In FY 2006, ICI spearheaded a joint effort with other major trade associations to develop a 401(k) plan fee and expense reference tool for plan sponsors and service providers to use in complying with their ERISA responsibilities. This tool lists fee and expense data elements that plan sponsors and service providers should consider before entering into service arrangements. ICI has distributed the model list among members, and has recommended that the DOL make the list available on its website to promote even wider dissemination of this helpful tool.

ICI also testified in FY 2006 on the need to improve the content and delivery of investment product information provided in participant-directed plans. ICI recommended that participants in all self-directed plans receive a concise, meaningful summary of each investment option available under the plan. The Institute also called on the DOL to update its electronic delivery rule to reflect Americans' growing preference to receive financial information via the Internet, and make available online—or in paper copies upon request—more detailed information about investment products.

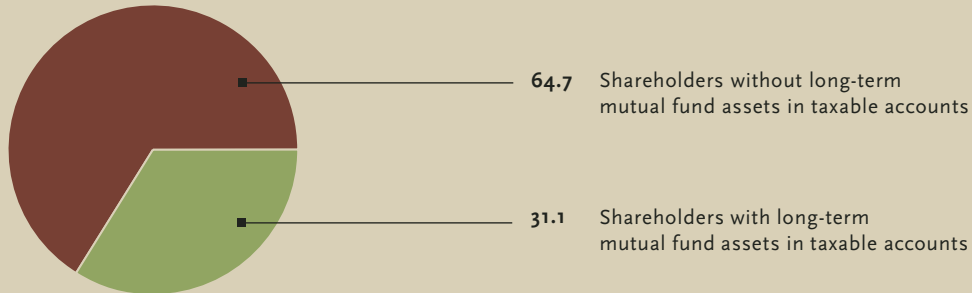
Helping Investors Manage Assets in Retirement

If Congress considers tax incentives to encourage retirees to annuitize their retirement income, they should accord similar treatment to Lifetime Payment Accounts (LPAs). LPAs are systematic withdrawal programs under which retirees draw down assets from their mutual funds over the course of their lifetimes. The withdrawals would be actuarially determined on the basis of a retiree's age and remaining life expectancy.

Future Reforms to the Tax and Pension System

THE GROWTH ACT WOULD BENEFIT 31 MILLION CURRENT MUTUAL FUND SHAREHOLDERS (number of mutual fund shareholders, millions)

Congress should enact legislation that taxes fund shareholders who automatically reinvest their long-term capital gain distributions only when they sell fund shares.



TOTAL MUTUAL FUND SHAREHOLDERS = 95.8 MILLION

SOURCE: Investment Company Institute

ADVOCACY WEBSITE HIGHLIGHTS THE GROWTH ACT AND OTHER SAVINGS CONCERNS

ICI's award-winning Funding Your Future website (www.fundingyourfuture.org) tackles the nation's savings challenges.

ABOUT INVESTMENT COMPANY INSTITUTE ABOUT THIS SITE SEARCH THIS SITE YOUR FEEDBACK

Funding Your Future

retirement. health. education.

CONFRONT THE SAVINGS CRISIS INVESTOR EDUCATION FEDERAL SOLUTIONS NEEDED NOW ONE SENSIBLE SOLUTION YOU CAN MAKE A DIFFERENCE WHAT OTHERS ARE SAYING

THE PERSONAL SAVINGS CRISIS
Life expectancies are rising faster than ever before. Yet many of today's workers are not offered any kind of pension or retirement plan at work. Many rely too heavily on Social Security. Many must pay an increasing share of their health coverage at the same time they're funding their children's education or supporting elderly parents. For all these reasons, it's never been more important to encourage personal savings. **MORE...**

ONE SOLUTION IS ALREADY ON THE TABLE
Congress is already considering a proposal that would encourage more personal savings by allowing investors to keep more dollars invested longer. This proposal would help millions of American savers and "should-be" savers fund their future health, education, and retirement goals. **MORE...**

ACT NOW!
HELP FUND YOUR FUTURE

CASE STUDIES:
How You Would BENEFIT

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Other ICI Websites

- » Public Policy: www.ici.org
- » ICI Members: members.ici.org
- » Fund Directors: www.idci.org
- » Investor Education:
www.investingforsuccess.org and
www.invertirconexito.org (Spanish)
- » Fund Employee Continuing Education:
www.icilearning.org
- » ICI Research: www.icifactbook.org

Improving Fund Regulation



SEC CHAIRMAN CHRISTOPHER COX TESTIFIED before the House Financial Services Committee in May 2006 regarding the need to improve the disclosure that investors receive. Cox noted that a majority of Americans own stock, directly or through mutual funds, and detailed steps the SEC is taking to better match investment disclosure with shareholder needs and preferences.

The Institute shares Chairman Cox's view that a more effective fund disclosure system is a high priority. ICI called on the SEC to consider reforms that will take greater advantage of technology to better inform fund investors.

The efforts to improve fund disclosure highlighted a year in which ICI interacted with the SEC and other regulators on a wide range of matters impacting funds, fund shareholders, and the securities markets in which funds operate.

Highlights from FY 2006 include:

- » **Promoting the Use of Technology to Better Inform Fund Investors.** ICI recommended harnessing the power of the Internet in the development of a clear, concise disclosure document that fund investors will find useful.
- » **Effective Implementation of SEC and Other Regulatory Reform Initiatives.** ICI engaged with the SEC and other regulators on several reform efforts, including fund redemption fee and fund governance rules, soft-dollar guidance, proxy voting, and anti-money laundering rules.
- » **Support for Effective Securities Market Reforms That Affect Funds as Investors.** ICI focused on initiatives to better disclose executive compensation, safeguard the confidentiality of mutual fund trading information, and promote the efficiency of an increasingly global securities market.

“ I AM PLEASED THAT THE INVESTMENT COMPANY INSTITUTE HAS RECENTLY VOLUNTEERED ITS TIME AND TALENT TO COMPLETING THE TECHNICAL WORK NECESSARY TO ALLOW MUTUAL FUND INVESTORS TO ENJOY THE BENEFITS OF INTERACTIVE DATA. ”

— SEC Chairman Christopher Cox, speaking at the Commission’s Interactive Data Roundtable

USING TECHNOLOGY TO BETTER INFORM FUND INVESTORS

The Institute consistently has encouraged efforts to adapt fund disclosure to the needs and preferences of fund investors. In the late 1990s, ICI coordinated fund industry involvement in an effort to simplify fund disclosure and present it in a streamlined format that would promote understanding of fund investment options by an increasingly mainstream investing public.

Over the past two years, the Institute built on these efforts by calling for a new approach to disclosure that would harness the power of the Internet in the development of a clear, concise disclosure document that fund investors will find useful.

Understanding Investor Needs and Preferences

Speaking at a June 2006 SEC roundtable concerning the use of interactive data, ICI President Paul Schott Stevens pointed out the strikingly high level of Internet access among mutual fund investors. Stevens drew on ICI research that examines investor use of fund disclosure documents and separate studies that investigate Internet usage by investors.

Institute studies on Internet access and usage over the years indicate that mutual fund investors, in particular, are comfortable using and relying on Internet technology. In 2005, an ICI survey found that nearly 90 percent of U.S. fund investors

have access to the Internet. Most go online regularly, very often for financial purposes. “Just as important,” Stevens noted, “the Internet can serve as far more than a stand-in for paper documents.”

Supporting the Use of Interactive Data

Relying on this and other research, ICI supported the SEC’s efforts to promote interactive data as a means to inform investors, and encouraged its members to participate in the SEC’s voluntary eXtensible Business Reporting Language (XBRL) filing program. In addition, ICI announced at the SEC’s June roundtable that it had embarked on an initiative to create XBRL tags for the key pieces of information in the risk/return summary required in fund prospectuses. This information is critical to investors and lends itself to fund analyses and comparisons. (For more information on ICI’s efforts with XBRL, see *Developing an XBRL Taxonomy for the Risk/Return Summary*, on page 28.)

Bringing Fund Disclosure into the 21st Century

In addition to supporting the SEC interactive data initiative, ICI urged the Commission to embark on a broader disclosure reform initiative that further embraces the benefits of technology to bring fund disclosure into the 21st century.



ICI research released in 2006—building on similar ICI studies over the past decade—found that a relatively small percentage of investors refer to mutual fund prospectuses or shareholder reports for fund information. Many shareholders view mutual fund prospectuses and shareholder reports as difficult to understand and overburdened with information.

ICI recommended the use of a disclosure document that highlights key information about a fund. Such a document also would prominently advise investors of the availability of additional, more detailed information, either online or upon request in traditional paper form.

This approach would ensure delivery of useful, high-quality disclosure that most investors want and are more likely to use. Meanwhile, making additional, more detailed information available online would represent a significant step forward in acknowledging fund investors' use of the Internet to gather financial information, while ensuring no net loss in the amount of information available to investors and the marketplace at large.

OTHER KEY REGULATORY DEVELOPMENTS

ICI engaged with the SEC on several other initiatives as well, including fund redemption fee and fund governance rules and soft-dollar guidance, and represented funds and their investors before other regulators regarding the corporate proxy voting process and anti-money laundering rule implementation.

Addressing Outstanding 2004 SEC Reforms

ICI worked to ensure that SEC reform initiatives developed in the immediate aftermath of trading abuses involving funds were implemented effectively.

In September 2006, the SEC adopted amendments to its mutual fund redemption fee rule that reduce the rule's burdens on mutual funds and its implementation costs. The amendments, strongly supported by the Institute, clarify the operation of the rule and reduce the number of shareholder information agreements that funds must enter into with their intermediaries. As recommended by the Institute, the Commission also extended the deadline for fund compliance with the final rule, which was originally adopted in March 2005.

Adoption of these amendments represents the culmination of extensive efforts by the Institute and the SEC to address concerns that arose in connection with the discovery of market timing abuses in 2004. The Institute has been actively engaged with its members over the past two years to help funds respond to market timing concerns and begin complying with the new rule (see *Implementing New Regulations*, on page 28).

In April 2006, a U.S. Court of Appeals vacated SEC fund governance rules adopted in July 2004, and provided a 90-day period for the agency to seek additional public comment. In response to the SEC's subsequent request for additional comment, ICI restated its belief that the choice of a chairperson should be left

Bringing Fund Disclosure into the 21st Century

Institute President Paul Schott Stevens, in remarks delivered at the SEC's June 2006 Interactive Data Roundtable, urged the SEC to consider reforms that will "bring fund disclosure into the 21st Century." ICI envisions a disclosure system whereby funds and their intermediaries would deliver a clear, concise disclosure document to investors, much like the fund profile. Most importantly, investors would receive the most important information about a fund in a form far more likely to be used—and still have easy access to the full range of disclosure contemplated under SEC rules.

ICI PARTICIPATION IN SEC INTERACTIVE DATA ROUNDTABLE

ICI President Paul Schott Stevens announces an ICI initiative to link the power of interactive data to the information that mutual fund investors most need and use.



SEC CHAIRMAN AT ICI BOARD MEETING

SEC Chairman Christopher Cox discusses his eXtensible Business Reporting Language (XBRL) initiative at a May 2006 meeting of the Institute's Board of Governors.

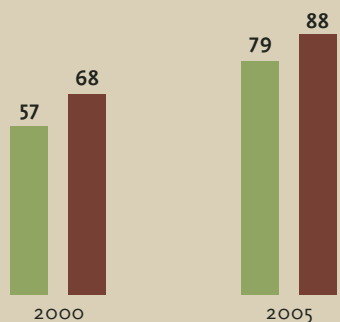


FUND INVESTORS AND THE INTERNET

(percent of all U.S. adults and mutual fund shareholders with Internet access)

ICI research finds that U.S. mutual fund owners are more likely to have Internet access than Americans generally.

- All U.S. adults
- All U.S. mutual fund shareholders



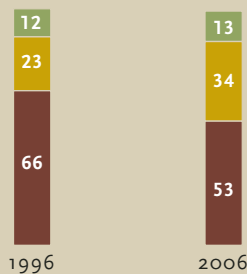
SOURCE: *Mutual Fund Shareholders' Use of the Internet, 2005* (www.ici.org/pdf/fm-v15n2.pdf)

SHAREHOLDER PREFERENCE FOR CONCISE SUMMARIES

(percent of recent fund investors)

ICI research consistently indicates that most mutual fund shareholders prefer to receive fund information in concise summaries rather than lengthy documents.

- Prefer to receive detailed document
- Prefer to receive summary and detailed document
- Prefer to receive summary document



SOURCE: *Understanding Investor Preferences for Mutual Fund Information* (www.ici.org/pdf/rpt_o6_inv_prefs_full.pdf)

“ FOR GROWING MILLIONS OF AMERICANS, THE INTERNET ISN’T JUST A NEWS SUPPLEMENT ... INCREASINGLY, IT’S THE FIRST PLACE THEY TURN FOR INFORMATION—REAL TIME INFORMATION, PERHAPS SEVERAL TIMES A DAY. ”

— Institute President Paul Schott Stevens, in February 2006 remarks at the National Press Club

to the members of the board. ICI expressed continued support for a requirement that two-thirds of a board’s members be independent, rather than 75 percent, in light of the added cost of reaching and maintaining a 75-percent ratio.

The Institute strongly supported SEC interpretive guidance regarding the use of soft dollars, noting that it strikes an appropriate balance, offering strong regulation of soft dollar practices while still permitting soft dollar arrangements that can benefit investors. Foreign regulators likewise are revising their standards in relation to soft dollars, and the Institute is closely monitoring developments outside the United States as well.

Proxy Voting, Anti-Money Laundering Initiatives

The Institute filed comments with the New York Stock Exchange noting the consequences of an NYSE Proxy Working Group recommendation that would no longer permit brokers to vote on behalf of their customers in the election of corporate directors. ICI pointed out that because fund shareholders typically neither understand the proxy process nor participate in voting, funds would have significant difficulties achieving quorums and electing directors. Because of these and other concerns, the NYSE deferred action on this recommendation pending further examination.

The Treasury Department’s Financial Crimes Enforcement Network (FinCEN) granted ICI’s request for an important clarification on its new correspondent account rule, which

requires all mutual funds and other covered financial institutions to adopt specific anti-money laundering policies for accounts held by foreign financial institutions. ICI had stressed the needless duplication of effort by funds and the resulting expenses for fund investors that would have resulted from a contrary interpretation.

Closed-End Fund and Unit Investment Trust Issues

ICI urged the SEC staff to give closed-end funds more flexibility to manage their capital gain distributions to investors. ICI and a group of closed-end fund members underscored the importance of the SEC providing appropriate exemptive relief on this matter for closed-end funds and their shareholders, and addressed SEC staff concerns that had led to a moratorium on exemptive orders for managed distribution plans.

The Institute also interacted with Treasury Department and IRS staff on new reporting requirements for widely held fixed investment trusts (WHFITs). ICI worked to ensure that members could implement the requirements effectively and—in consultation with Institute members, trustee banks, and their counsel—developed safe harbor proposals that recognize the unique nature of UITs.

SECURITIES MARKETS REFORMS AND THE EFFECTS ON FUNDS AS INVESTORS

ICI continued to play an important role in 2006 in support of initiatives and reforms that help keep markets competitive, transparent, and liquid on behalf of fund investors. ICI activities

Important FY 2006 Regulatory Actions Affecting Funds and Their Shareholders

Issue	ICI Position
SEC RULEMAKING	
Mutual fund redemption fees: <i>fund boards determine the appropriateness of redemption fees; funds enter into contracts with intermediaries on shareholder identity, transactions.</i>	Supported amendments; will reduce costs of the rule as originally adopted. Recommended an extended compliance date for execution of shareholder information agreements.
Fund governance: <i>independent chair and 75 percent independence requirements.</i>	Favored a two-thirds supermajority of independent directors; opposed independent chair requirement.
Soft dollars: <i>interpretive guidance clarifies and narrows the permissible uses of soft dollars.</i>	Supported proposed guidance and urged a level playing field for all investment advisers.
Funds of funds: <i>rules govern fund-of-fund arrangements.</i>	Supported additional fund flexibility to enter into these arrangements without obtaining exemptive relief.
Internet proxy materials: <i>would permit funds to furnish proxy materials online.</i>	Supported this effort to harness the Internet to serve investors' information needs.
Executive compensation disclosure: <i>enhanced disclosure of compensation of CEO and other executive officers of public companies.</i>	Supported; will help funds and other investors understand executive pay packages. Opposed non-executive employee compensation disclosure.
OTHER REGULATORY DEVELOPMENTS	
Automatic enrollment regulations (DOL): <i>guidance on appropriate default options in employer-sponsored defined contribution plans.</i>	Supported automatic enrollment and diversified default investment options that achieve long-term appreciation and capital preservation through a mix of asset classes.
Retirement plan reporting (DOL): <i>mandates electronic filing; expands disclosure of the plan service provider's compensation.</i>	Supported electronic filing and transparency with regard to all investment products; considered some changes unclear and overbroad.
Broker voting (NYSE): <i>considering making election of fund directors a "non-routine" matter; may not vote client shares without instruction.</i>	Expressed concern to NYSE because fund shareholders typically choose not to vote, and funds usually cannot effectively solicit shareholder voting.
Mutual fund performance ads (NASD): <i>amended rules to require prominent ad disclosure of expense ratios; including text box in print ads.</i>	Supported; will improve investor awareness of fund costs and facilitate comparisons among funds.
Anti-money laundering rules (Treasury): <i>mutual funds must file suspicious activity reports; rule governs correspondent accounts for foreign financial institutions.</i>	Supported; will combat money laundering but take account of unique fund characteristics.
Roth 401(k) rules (IRS): <i>implements provisions allowing Roth contributions in 401(k) plans.</i>	Supported; asked for clear and comprehensive guidance on distributions from these accounts.

Mutual Funds: A Gateway to the Securities Markets

The Institute continues to play an important role in making U.S. securities markets work more effectively for investors who participate in equity and fixed-income markets through mutual funds. ICI's work with policymakers helps keep capital markets competitive, transparent, and liquid.

In 2006, ICI testified twice before Congress on credit ratings issues, and took action on a number of U.S. securities market issues, including executive compensation, trade information leakage, and market structure issues. On the international front, highlights of ICI's work included efforts to improve shareholder voting rights in Europe, address pertinent investment issues in India's securities markets, and strengthen relationships with IOSCO, an umbrella group of securities regulators from around the world.

SEC MARKET DIVISION CHIEF ON THE CONFIDENTIALITY OF FUND TRADING INFORMATION

Erik R. Sirri, the newly appointed Director of the SEC's Division of Market Regulation, noted the importance of preserving the confidentiality of mutual fund trading information at the Institute's 8th annual Equity Markets Conference.



NYSE CEO ON THE GLOBALIZATION OF THE SECURITIES MARKETS

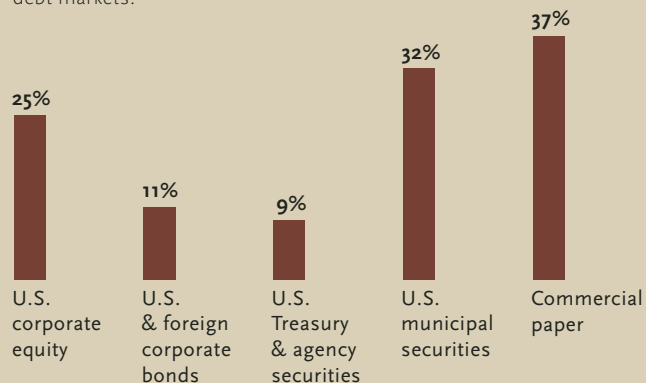
NYSE Group CEO John A. Thain updated Equity Markets Conference attendees on developments at the NYSE, including the proposed merger between the NYSE and Euronext and the launch of the NYSE's "hybrid market."



INVESTMENT COMPANY HOLDINGS OF SELECTED SECURITIES

(share of total market securities held by mutual funds, 2005)

Investment companies hold 25 percent of the outstanding stock of U.S. companies, and play an even larger role in the U.S. municipal debt markets.



SOURCE: 2006 *Investment Company Fact Book* (www.icifactbook.org)

NASDAQ PRESIDENT AND CEO AT ICI CONFERENCE

NASDAQ President and CEO Robert Greifeld answers questions from reporters at ICI's Equity Markets Conference in fall 2005.





focused on initiatives concerning the disclosure of executive compensation, the confidentiality of mutual fund trading information, and the restructuring of the securities markets.

Support for Executive Compensation Proposal

ICI supported efforts in 2006 to improve information about the compensation paid to key executives and directors of public companies. SEC rule amendments adopted during the year reflect a comprehensive and balanced approach that should help funds and other investors better understand the complex and varied executive pay packages that are common in today's corporate environment. ICI pointed out that funds welcome more extensive and meaningful disclosure of executive compensation because it serves as an important component in the critical mix of information that funds analyze in deciding whether to invest in a company or, if already invested, whether to continue to hold the company's stock.

On the issue of compensation paid to a company's non-executive employees, ICI pointed out that this disclosure would not be meaningful to funds and other investors because these employees do not perform policymaking functions for the company. ICI also cautioned that requiring this disclosure could have serious negative implications for public companies, potentially leading to losses in value that would directly impact funds invested in those companies.

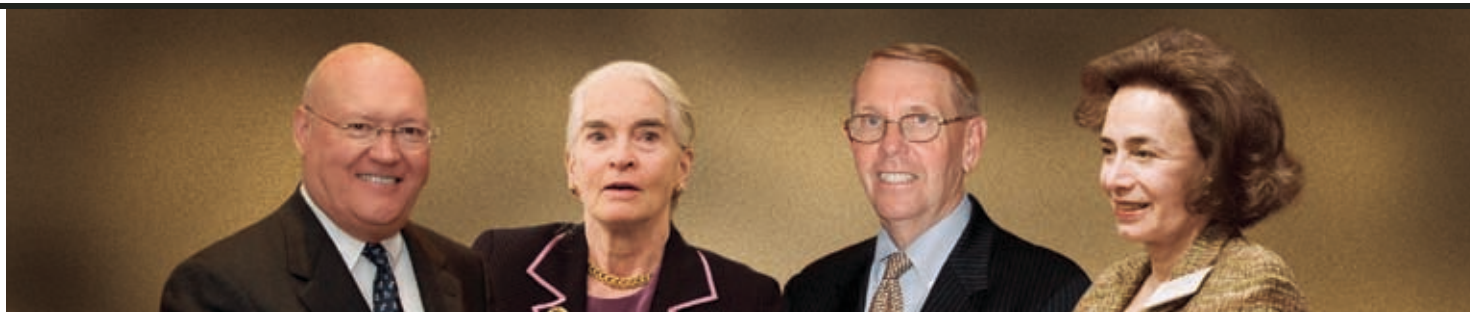
Maintaining Confidentiality of Fund Trading Information

ICI corresponded with SEC, NASD, and NYSE Regulation officials concerning the need to maintain the confidentiality of mutual fund trading information. Improper disclosure of this information can lead to front-running of a fund's trades and adversely impact the price of a stock that a fund buys or sells. In turn, that can affect a fund shareholder's investment return. ICI identified several problems Institute members have noted in this area, including the interaction of a brokerage firm's proprietary trading with its own agency trading business, leaks of information through algorithmic trading systems and smart order routers, and leaks of information about mutual fund orders to other brokerage clients, such as hedge funds.

Restructuring of the Securities Markets

The Institute continues to play an active role in the restructuring of the securities markets to ensure that investors' interests are taken into account. For example, ICI is monitoring issues that arise as a result of the globalization of the securities markets. In particular, the proposed mergers of the NYSE Group and Euronext, NASDAQ's acquisition of a significant amount of stock on the London Stock Exchange, and talk of numerous other overseas stock exchange mergers and acquisitions raise concerns over the need to balance the promotion of competition among markets and market participants with the equally strong desire to preserve critical investor protections.

Assisting the Director Community



ESTABLISHMENT OF THE INDEPENDENT DIRECTORS COUNCIL more than two years ago reflected the desire of the Institute and the independent director community to take additional steps to assist directors in fulfilling their regulatory and fiduciary duties to fund shareholders. A natural evolution of the ICI director services program that was launched a decade earlier, IDC has proven highly successful in pursuing its core education, communications, and public policy missions.

Highlights of IDC's work in FY 2006 include:

- » **Helping Directors Respond to Emerging Issues for Fund Boards.** As in years past, IDC issued reports intended to assist directors in fulfilling their duties. These reports helped focus attention on areas of concern and interest to fund directors.
- » **Facilitating Director Interaction.** IDC's extensive outreach program, which includes a full slate of conferences, workshops, and chapter meetings, remains a key component of IDC's efforts to assist directors. IDC's FY 2006 program featured two new elements—a Board Leadership Roundtable, which attracted the leaders of major fund boards from across the industry, and an Independent Counsel Roundtable, which examined the important and sensitive role of counsel to fund independent directors.
- » **Enhancing the Educational Resources Available to Directors.** IDC published the latest in a continuing series of fund board practices studies and an overview of trends in fund governance observed in a decade of surveys of board practices. Rolling out the *Directors Reference Center*, IDC also greatly enhanced the educational resources available to directors on the IDC's website, www.idc1.org.

EMERGING ISSUES AFFECTING DIRECTOR DUTIES

IDC regularly publishes reports that provide directors with insight and guidance on specific issues within the purview of fund boards. IDC issued two such reports in FY 2006 that helped focus attention on the role of fund boards in conjunction with fund mergers and fair valuation of fund securities.

“ IDC HAS PROVIDED GROUNDBREAKING GUIDANCE TO DIRECTORS OF ALL BOARDS THROUGH NUMEROUS TASK FORCE REPORTS, POLICY STATEMENTS, AND WHITE PAPERS. ”

— IDC Chairman Robert W. Uek

The Increased Pace of Fund Mergers

In recent years, fund mergers have occurred at a significant pace—more than 200 in 2005 alone.

In light of this trend, IDC convened a task force of directors both to review legal standards and related business considerations governing fund mergers and to offer practical guidance to boards as they consider mergers of funds.

The results of this IDC task force effort, *Board Consideration of Fund Mergers*, published in June 2006, provides detailed background on the fund merger trend, explaining why fund mergers occur, and offering a checklist of questions and considerations to help boards analyze merger opportunities—including the potential benefits and disadvantages to shareholders.

Addressing Securities Valuation

IDC has published jointly with ICI and ICI Mutual Insurance Company two installments in a series on fund valuation. The latest, *The Role of the Board*, focuses specifically on the responsibilities boards have under the Investment Company Act to “fair value” their fund’s securities.

Given the differences among funds and boards, *The Role of the Board* notes that there is no one specific path for directors to take in the fair valuation process. The important process of valuation has been widely recognized as “more of an art than a science.” Through effective allocation of duties and oversight, the report observes, all boards can exercise good faith and protect the interests of fund shareholders in connection with fair value determinations. *The Role of the Board* offers checklists and other considerations for board members to entertain as they undertake their responsibility in this area.

Board Self-Assessment Paper Proves Timely

A 2005 IDC task force report, *Board Self-Assessments: Seeking to Improve Mutual Fund Board Effectiveness*, proved particularly valuable in FY 2006. This report was issued shortly after the adoption of SEC rule amendments in 2004 requiring fund directors to evaluate, at least once annually, the performance of the board and its committees (with the first required by January 2007). In many respects, the new board assessment rule grew out of a fund industry 1999 best practices report. Feedback from fund boards indicates that practical guidance included in *Board Self-Assessments* has proven quite effective in helping meet the new regulatory requirements, particularly boards undertaking self-assessments for the first time.

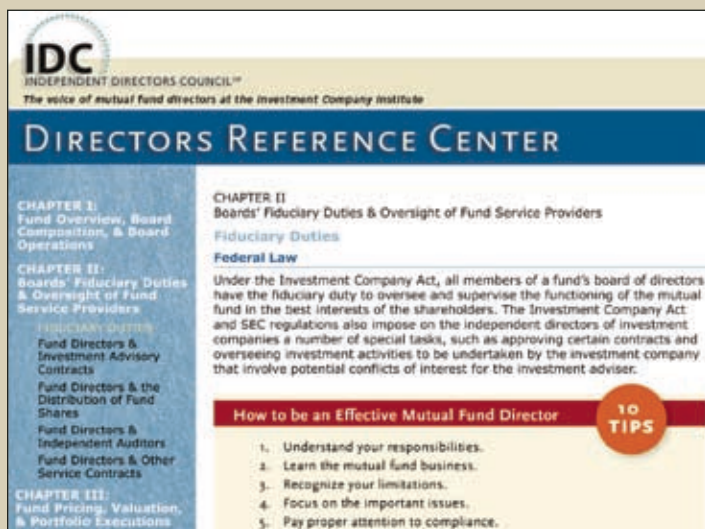
Resources for the Director Community

IDC published another in its continuing series of board practices studies in FY 2006. A 10-year overview of the studies provided directors with a historical perspective on how fund governance practices have evolved over the past decade.

IDC also launched a new online reference center to help both new and experienced independent directors perform their duties. The reference center, available through the IDC website, includes information about investment companies and the fund industry, and introduces directors to the legal and regulatory framework governing fund board practices, including the role of fund trustees.

IDC WEB RESOURCE TO ASSIST DIRECTORS

A new *Directors Reference Center*, launched this fall, is an online service (www.idc1.org/idc/referenceguide.do) that helps new and experienced independent directors.



IDC/ICI PUBLICATIONS

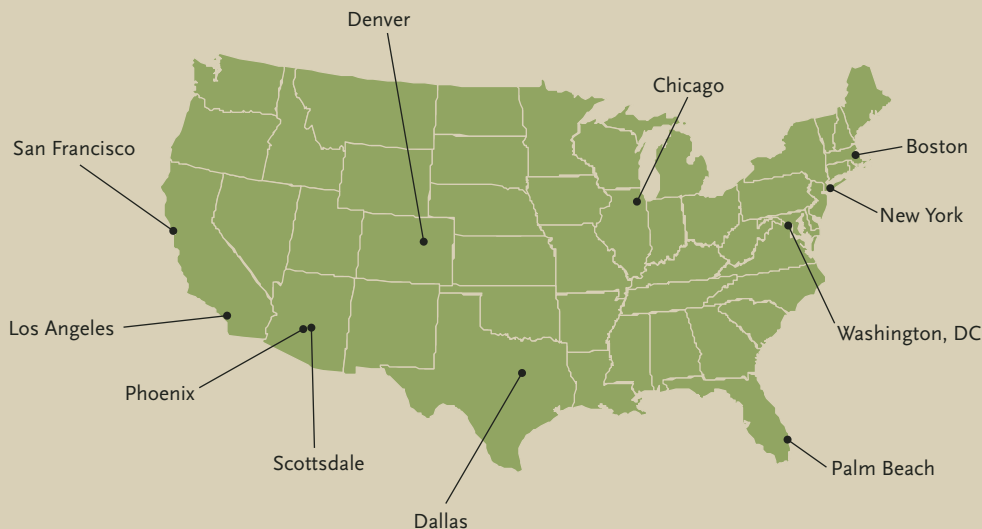
IDC and ICI publications, including IDC task force reports, cover a variety of issues relating to fund governance. These publications are available on IDC's website (www.idc1.org).

- » *Task Force Report on Fund Mergers*, June 2006
- » *Overview of Fund Governance Practices, 1994–2004*, January 2006
- » *Fund Valuation Series: The Role of the Board*, January 2006
- » *Mutual Funds and Institutional Accounts: A Comparison*, January 2006
- » *Fund Valuation Series: An Introduction to Fair Valuation*, Spring 2005
- » *Task Force Report on Director Oversight of Multiple Funds*, May 2005
- » *Task Force Report on Board Self-Assessments*, February 2005
- » *Task Force Report on Independent Chair Requirement*, January 2005

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IDC EVENTS ACROSS THE NATION

IDC maintains director chapters around the country, and holds annual conferences and workshops.





FACILITATING DIRECTOR INTERACTION: CONFERENCES, ROUNDTABLES, AND CHAPTER MEETINGS

IDC's extensive events and meetings program—including conferences, workshops, and chapter meetings—remains a key component of IDC's efforts to assist directors, bolstered in FY 2006 with the addition of two roundtables.

In July 2006, IDC and ICI jointly hosted a roundtable on the role of independent counsel to fund boards. This one-day event featured interactive sessions focusing on how independent counsel can contribute to a board's effectiveness in areas such as review of advisory contracts and distribution-financing arrangements.

A fall roundtable gathered leaders of mutual fund boards to hear from and share ideas with policymakers and fund industry observers on broader trends present in the fund industry. Sen. John Sununu (R-NH), Rep. Paul Kanjorski (D-PA), and Harvard Law Professor John C. Coates were among the speakers featured at the roundtable. Topics included competition in the mutual fund industry, the present and future regulatory landscape for mutual funds, and the SEC's fund governance rules.

The 11th annual directors conference, held in November 2005, offered directors the opportunity to participate in sessions concerning ethical issues for fund directors, investment advisory contract renewal, and methods for managing litigation and enforcement risks. This year's spring workshop, another annual event, focused on the role directors play in the oversight of fund service providers.

ENHANCING EDUCATIONAL RESOURCES FOR DIRECTORS

In fall 2006, IDC launched its *Directors Reference Center* (www.idc1.org/idc/referenceguide.do), an online resource for both new and experienced independent directors that provides information about investment companies and the fund industry, including an introduction to the legal and regulatory framework within which directors operate.

IDC also published a unique 10-year retrospective documenting the evolution of fund governance. *Overview of Fund Governance Practices, 1994–2004* (www.ici.org/pdf/rpt_fund_gov_practices.pdf) makes clear that both directors and fund sponsors continue to approach fund governance issues proactively, gravitating toward board structures and practices identified as best serving the interests of shareholders, and do so in advance of regulatory mandates.

Understanding Shareholder Needs and Fund Operational Challenges



KEEPING THE FUND INDUSTRY IN TUNE WITH ITS SHAREHOLDERS has long been one of the central functions of ICI's Research and Operations efforts. Through detailed studies over the last two decades, the Institute has helped funds gain deeper understanding of the demographics, attitudes, and goals of investors. Better service for shareholders is also a vital goal of the Institute's efforts to address fund operations. Since the late 1960s, ICI has brought together funds, fund distributors, and fund service providers to work collectively and with regulators on initiatives that improve shareholder service, reduce costs, and protect shareholder interests.

In FY 2006, ICI's Research and Operations programs helped members:

- » **Gain a Deeper Understanding of Fund Shareholders' Needs.** Recent research examined Americans' ownership of equities, the increasing importance of employer-sponsored retirement accounts in driving fund ownership, and forces that influence shareholders' attitudes. The Institute's studies paint an illuminating picture of fund investor preferences and attitudes, and help gauge the impact of policy decisions on funds and their shareholders.
- » **Explore the Competitive Dynamics of the Fund Industry.** ICI research demonstrated that mutual funds operate in a dynamic, highly competitive marketplace, and market forces serve as a form of regulation to protect investors and promote innovation.
- » **Improve the Efficiency and Transparency of Fund Operations.** ICI formed an XBRL working group, including fund sponsors, service providers, and regulators, to begin development of a set of electronic labels for "tagging" data in the risk/return summary that appears in each fund's prospectus. Another Institute working group completed work on facilities and agreements to implement the SEC's redemption fee rule.

“ AS THE FUND INDUSTRY HAS GROWN, SO HAS THE INSTITUTE’S
BODY OF RESEARCH ON FUNDS AND THEIR SHAREHOLDERS. ”

— ICI Chief Economist Brian K. Reid

UNDERSTANDING FUND SHAREHOLDERS AND THEIR NEEDS

The Institute’s research efforts provide the nation’s largest and most robust store of data and analysis on mutual funds and their role in the retirement and financial systems. The industry, academics, and key U.S. financial regulators rely upon ICI’s work.

Since the 1980s, that research has included studies on the characteristics and behavior of fund investors. A major study unveiled at the 2006 General Membership Meeting, *Understanding Investor Preferences for Mutual Fund Information* (www.ici.org/pdf/rpt_o6_inv_prefs_full.pdf), continued that tradition. Early in 2006, researchers conducted in-home interviews with more than 700 recent fund buyers. They found that investors were most likely to review information on a fund’s fees and expenses, historical performance, and risks. They also found that shareholders typically consult three sources of information—most often professional financial advisers, websites, and family and friends—before investing.

The study lends support to the Institute’s efforts to reform and simplify mutual fund disclosure (see *Using Technology to Better Inform Fund Investors*, page 13). Two-thirds of these recent fund

buyers said they did not consult the prospectus when making their latest fund purchase, and 80 percent said they would prefer “a concise, to-the-point description” of an investment over “a very detailed description.”

Studying Shareholder Characteristics and Attitudes

Institute research in FY 2006 tracked the continuing evolution of the market for mutual funds. For example, one continuing study showed the growing importance of employer-sponsored retirement plans as a channel for mutual fund investing. In 2006, 38.3 million households owned funds inside retirement plans, compared with 40.6 million owning funds outside these plans. In 1997, only 19.2 million households owned funds in retirement plans, while 29.6 million households owned funds outside retirement plans. The study also provided further proof that mutual funds remain largely a middle-class investment product: about half of all fund-owning households had incomes between \$25,000 and \$74,999 in 2006.

ICI also tracks investor attitudes toward funds. Funds’ favorability ratings rose to 75 percent in 2005, up from a recent low of 71 percent in 2003. The upswing parallels the recovery of the stock market.

Addressing the Challenges of Serving Today's Fund Shareholders

ICI has maintained a fund operations program for more than 35 years. Increasingly, this program focuses on the need to bring together fund personnel with representatives from fund intermediaries—such as brokers and retirement plan administrators—who serve as the primary distributors of mutual funds and other investment companies to the investing public.

ICI's work in this area helps ensure industry and regulatory coordination in the vital efforts to ensure that fund shareholder service remains unparalleled in the financial services industry.

DEVELOPING AN XBRL TAXONOMY

Walter Hamscher of PricewaterhouseCoopers presents the first draft of XBRL labels, or “tags,” for the risk/return summary at the initial meeting of ICI's XBRL Working Group in September 2006.



IMPLEMENTING BREAKPOINT RECOMMENDATIONS

NASD Chairman Robert R. Glauber, speaking at the Institute's 2006 General Membership Meeting, commends the fund industry for its involvement in the creation of a breakpoint database that identifies discounted commissions for investors.



CONSIDERING SHAREHOLDER DISCLOSURE NEEDS

Fidelity Investments' Alexander Gavis (l.), Art Plus Technology's Elizabeth Gooding, and Neuberger Berman Management's Peter Sundman explore the challenges of improving fund disclosure at ICI's May 2006 General Membership Meeting.



“ NASD HAS BEEN BUILDING AN ONLINE [BREAKPOINT] DATABASE ... AND IT'S BEEN QUITE A CHORE. BUT THANKS IN NO SMALL PART TO ICI'S HELP, WE'RE ALMOST ALL THERE. ICI HAS REALLY STEPPED UP TO THE PLATE ... AND WE'RE VERY GRATEFUL FOR THAT. ”

— NASD Chairman Robert R. Glauber, at ICI's 48th annual General Membership Meeting, May 2006

EXPLORING THE COMPETITIVE DYNAMICS OF THE FUND INDUSTRY

The mutual fund industry bears all the hallmarks of a highly competitive marketplace:

- » A large number of firms participate, with none maintaining a dominant market share;
- » Firms enter and leave the market regularly;
- » Information on competing products is readily available at a low cost; and
- » Consumers are free to move among the products.

In March 2006, ICI President Paul Schott Stevens discussed the intensely competitive mutual fund market in an address at the American Enterprise Institute. ICI analysis finds that consumers move their money freely in search of better performance and service: every year since 1990, between one-quarter and one-half of all fund complexes experienced net cash outflows. Competition has driven constant innovation in products and services and serves as a form of market regulation on the fund industry.

In its annual study of the cost of mutual fund investing, the Institute reported that mutual fund fees and expenses fell yet again in 2005, continuing a trend observed since 1980. The

asset-weighted annual cost of investing in stock funds was 1.13 percent of assets in 2005, down from 1.17 percent in 2004 and from 2.32 percent in 1980. ICI data shows that competition drives costs down, as shareholders seek out funds with low expenses. In 2005, stock funds with below-average expense ratios held almost 90 percent of the assets invested in stock funds.

Advancing the Use of Cost-Benefit Analysis

Building upon an initiative launched in FY 2005, ICI formed a member working group to pursue rigorous exploration of the costs and benefits of regulatory proposals. This work contributed to the Institute's comments on SEC fund governance proposals (page 14).

IMPROVING THE EFFICIENCY AND TRANSPARENCY OF FUND OPERATIONS

ICI's Operations group helps the fund industry serve shareholders by pursuing efficiency and savings in new services and in response to regulations. These programs address the back-office operations of fund companies, their accounting and technology needs, and their relationships with other financial market participants.



Developing an XBRL Taxonomy for the Risk/Return Summary

In June 2006, the Institute formed an XBRL working group to bring together fund experts, service providers, and regulators to develop a set of machine-readable labels, or “tags,” covering certain critically important data in fund disclosure documents. This is the first step in an ongoing effort to harness technology to provide efficient, convenient, and cost-effective fund disclosure that investors will use.

More than 40 fund sponsors, administrators, technology providers, and representatives from the SEC, the NASD, and the Consumer Federation of America met in Washington, DC, in September to review progress on the project. By the end of calendar-year 2006, the working group is scheduled to deliver a “taxonomy,” or detailed structure, of data tags to apply to the numerical and narrative data in the risk/return summary that appears in each fund’s prospectus. The risk/return summary includes the information that fund investors identify as the most important in making investment decisions. When widely adopted, XBRL data tags will enable fund shareholders and their advisers to find quickly and compare crucial information on dozens or even hundreds of funds.

Implementing New Regulations

To help implement the SEC’s redemption fee rule, an Institute working group completed development of an automated facility that will allow funds to receive standardized information on shareholders’ identities and transactions from intermediaries. The working group created a package of information—including model provisions for agreements between ICI members and their intermediaries—to help educate intermediaries about the new requirements and to help members comply with the rule.

The ICI’s Broker Dealer Advisory Committee completed its effort to build out the national repository of breakpoint information to help fund distributors and investors ensure that fund sales charges are calculated correctly. The committee also began a major project with the Depository Trust and Clearing Corporation (DTCC) to upgrade, expand, and rationalize the repository. The goal is to ensure that fund intermediaries will have automated access to all of a fund’s operating policies.

A Primary Resource for Exploring Fund Industry Dynamics

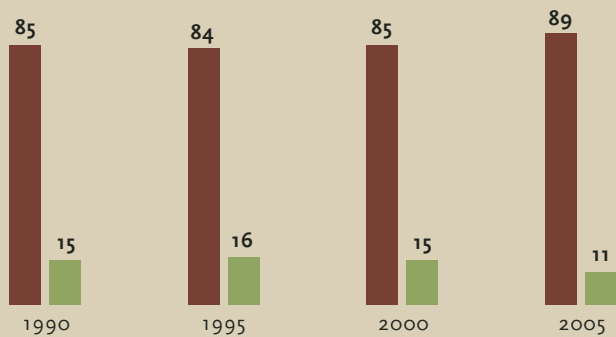
ICI research and statistics help inform policymakers about the realities of the financial services marketplace in which funds operate. ICI research also promotes public understanding of competitive forces in the industry, including investor demand and its impact on fund services and costs.

THE DEMAND FOR LOWER-COST FUNDS

(percent of stock fund assets)

ICI research indicates mutual fund shareholders are predominantly invested in funds with low expense ratios.

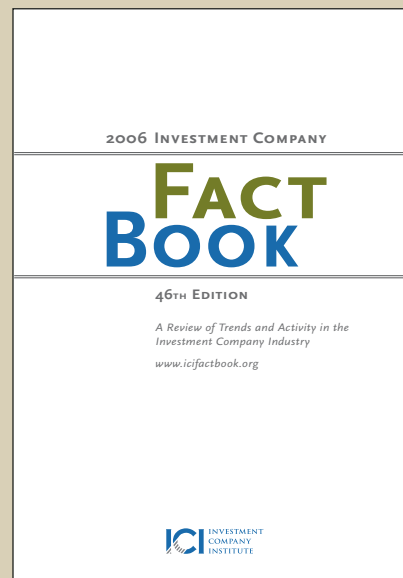
- Percent of assets in funds with below-average expense ratios
- Percent of assets in funds with above-average expense ratios



SOURCE: 2006 *Investment Company Fact Book* (www.icifactbook.org/o6_fb_sec5.html)

THE 46TH ANNUAL ICI FACT BOOK

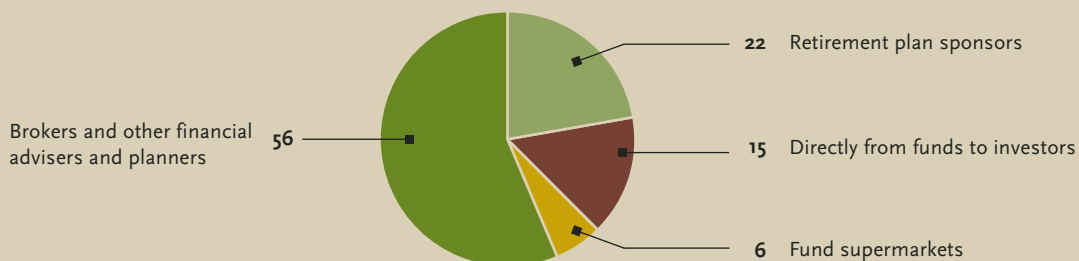
The *Investment Company Fact Book* (www.icifactbook.org) serves as the centerpiece of ICI's efforts to promote understanding of the fund industry and its shareholders.



THE ROLE OF INTERMEDIARIES

(percent of retail mutual fund assets by distribution channel, 2005)

ICI research on distribution channels for funds—particularly through financial advisers and retirement plan sponsors—helps inform policymakers as they consider initiatives that affect the relationship between funds and their shareholders.



NOTE: Components may not add to 100 percent due to rounding.

SOURCES: Investment Company Institute and Cerulli Associates, Inc.

Mutual Funds in the Public Eye: Addressing Communications Challenges

The news media help shape the operating environment for all businesses, including mutual funds. With its size, its role in financial markets, and its crucial importance to the finances of American households, the fund industry draws extensive and continuous scrutiny from the press.

Informing the media and the public about mutual funds is a core mission of the Institute. In FY 2006, press attention focused on the industry's compliance with new regulations, the falling cost of fund investment, and ICI's research on retirement and other issues.

THE FUND INDUSTRY THROUGH THE MEDIA PRISM

Wall Street Journal reporter Tom Lauricella (l.) and Morningstar Managing Director Don Phillips discuss the media's approach to covering mutual funds at a 2006 General Membership Meeting panel presentation. The panel also featured *Money* columnist Jason Zweig, James K. Glassman, resident fellow at the American Enterprise Institute, and James S. Riepe, retired vice chairman of T. Rowe Price Group.



“The future looks bright for many of the 91 million people who invest in mutual funds. Investors seem to be getting smarter ... about the kinds of funds to buy, and they're holding on to their fund portfolios for longer periods, which translates into better returns.”

—*Business Week*, JUNE 2006

SAMPLING THE PRESS COVERAGE OF FUND ISSUES

THE WALL STREET JOURNAL

Investors Flock To Mutual Funds With Lower Fees, June 12, 2006

THE ATLANTA JOURNAL-CONSTITUTION

Household Stock Ownership on Rise, November 11, 2005

LOS ANGELES TIMES

Longtime 401(k) Savers Sit on Six-Figure Nest Eggs, August 25, 2006

THE NEW YORK TIMES

Why Your Fund Beat the Average, But You Didn't, October 8, 2006

USA TODAY

Exchange-Traded Funds Ride a Tidal Wave of Growth, October 3, 2006

THE WALL STREET JOURNAL

Life-Cycle Funds Help Boost Bond Offerings — Popularity With Investors Gives Growing Cash Source, Eases Performance Demands, March 20, 2006



Bolstering Accounting and Technology for the Fund Industry

The Institute opened a dialogue in 2006 with representatives of the International Accounting Standards Board, led by IASB Chairman Sir David Tweedie. American mutual fund companies are concerned that a convergence of U.S. accounting standards with IASB's International Financial Reporting Standards will put at risk certain specialized industry accounting and reporting practices that U.S. mutual funds employ due to their unique structure. The Institute is working with its counterparts overseas to help shape the international standards.

The Institute continued to represent its members before the Financial Services Sector Coordinating Council, a public/private partnership sponsored by the U.S. Treasury Department to ensure the financial industry's ability to cope with disasters. The Council has focused on planning for pandemic flu, ensuring sufficient telecommunications capacity, and sharing critical information about cyber and physical threats.

The Institute's Technology Advisory Committee convened regularly to discuss and share information on business continuity planning, information security and privacy, and data management.

Considering the Impact of Policy Decisions on Small Funds

ICI's Small Funds Committee has been in existence for more than 25 years, focusing on how legislative, regulatory, operations, and general industry developments impact small fund complexes. The committee's work has assumed even greater significance in recent years as mutual fund regulations have more heavily affected small funds and their unique business models. In FY 2006, for example, nearly 40 members of the committee filed a comment letter with the SEC that detailed the disproportionate cost of proposed fund governance rules on small funds. The letter reflected concern about the cumulative effects of recent regulatory requirements on this entrepreneurial segment of the investment company industry.

Appendices



APPENDIX A: ICI ORGANIZATION AND FINANCIALS

ICI is a 501(c)(6) organization that represents investment companies on regulatory, legislative, and securities industry initiatives that affect funds and their shareholders. As of September 30, 2006, ICI members included 8,821 U.S.-registered open-end investment companies, 654 U.S.-registered closed-end investment companies, 234 exchange-traded funds, four sponsors of unit investment trusts, and their investment advisers and principal underwriters.

The ICI president and staff report to the Institute's Board of Governors, which is responsible for overseeing the business affairs of ICI and determining the Institute's positions on public policy matters (see *Appendix B* on pages 37–38 for a list of ICI's Board). The Institute employs a staff of 169 (see *Appendix E* on pages 41–42 for a listing of select ICI staff).

ICI's Board of Governors is composed of 46 representatives of mutual fund advisers and independent fund directors. Governors are elected annually to staggered three-year terms and represent a broad cross-section of the fund industry. The Board is geographically diverse and includes representatives from large and small fund families as well as fund groups sponsored by independent asset managers, broker-dealers, banks, and insurance companies. This broad-based representation helps to ensure that the Institute's policy deliberations consider all segments of the fund industry and all investment company shareholders.

Five committees assist the Board of Governors with various aspects of the Institute's affairs. These include a 15-person Executive Committee—responsible for evaluating policy alternatives and various business matters and making recommendations to the Board of Governors—as well as Audit, Compensation, Investment, and Nominating Committees. Other than the Institute's president, who is a member of the Executive Committee, all members of these committees are governors. The Board has also appointed a Chairman's Council to administer the Institute's political action programs, including the political action committee—ICI PAC. The Chairman's Council includes six governors as well as the Institute's president and chief operating officer.

“ ONE OF THE BEST THINGS ABOUT THIS INDUSTRY IS THE DYNAMIC, CONTINUOUS EVOLUTION OF OUR BUSINESS: WE ARE AN INDUSTRY OF HUNDREDS OF COMPETING COMPANIES, EACH COMING UP WITH NEW PRODUCTS TO RESPOND TO CHANGING MARKETS, DEMOGRAPHICS, AND INVESTOR NEEDS. ”

— ICI General Membership Meeting Chairman John V. Murphy

Fifteen standing committees, bringing together nearly 1,390 industry professionals, guide the Institute’s policy work. Institute standing committees perform a number of important roles, including assisting with the analysis and formulation of policy positions and gathering and disseminating information about industry practices (see *Appendix D* on page 40 for a list of Institute standing committees). In addition, 31 industry advisory committees, task forces, forums, and working groups with

more than 2,070 participants tackle a broad range of regulatory, operations, and business issues, such as mutual fund pricing, transfer agent operations, and Section 529 Education Savings Plans. In these and all of its activities, the Institute strictly observes federal and state antitrust laws, in accordance with a well-established compliance policy and program.

2006 ICI EXECUTIVE COMMITTEE



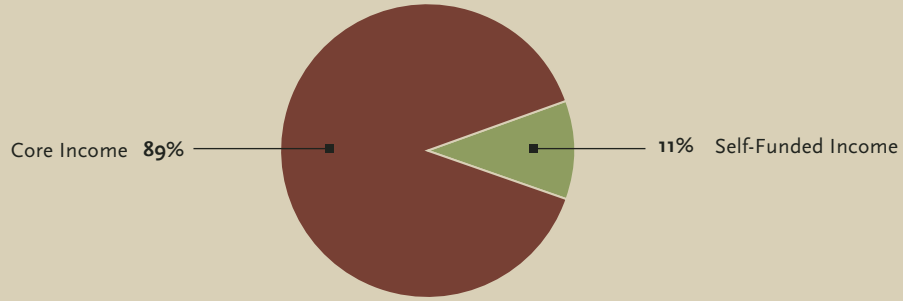
STANDING (L. TO R.): William M. Lyons, John D. DesPrez, III, Paul Schott Stevens, Paul G. Haaga, Jr., John V. Murphy, James H. Bodurtha

SITTING (L. TO R.): Robert S. Dow, John J. Brennan, Martin L. Flanagan, John W. McGonigle, Mark R. Fetting

NOT PICTURED: John F. Cogan, Jr., Anthony W. Deering, Abigail P. Johnson, Brian T. Zino

Figure 1

TOTAL REVENUES: FY 2006 = \$48,677,006



ICI } 34

Finances

Throughout its history, the Institute has sought to prudently manage its financial affairs in a manner deemed appropriate by the Board of Governors, which is responsible for approving ICI's annual expense budget and its member dues rate. The Board of Governors considers both the Institute's core and self-funded activities when approving the annual dues rate.

Core Activities (i.e., regulatory, legislative, operational, economic research, and public communication initiatives in support of investment companies, their shareholders, directors, and advisers) are related to public policy. Reflecting the Institute's strategic focus on issues affecting mutual funds, the Board of Governors has chosen to fund core activities with

dues rather than seek alternative sources of revenues such as sales of publications. The significant majority of ICI total revenues—approximately 90 percent—comes from dues, investment income, royalties, and miscellaneous program sources (see Figure 1). Similarly, by design, more than 90 percent of the Institute's total resources are devoted to core activities (see Figure 2). Core expenses support the wide range of initiatives described in this report.

Self-Funded Activities (i.e., conferences and special surveys) are supported by separate fees paid by companies and individuals who participate in these activities. The financial goal for self-funded activities is that fees should cover all direct out-of-pocket costs plus provide a margin to cover associated

Figure 2

TOTAL ICI EXPENSES: FY 2006 = \$46,967,540

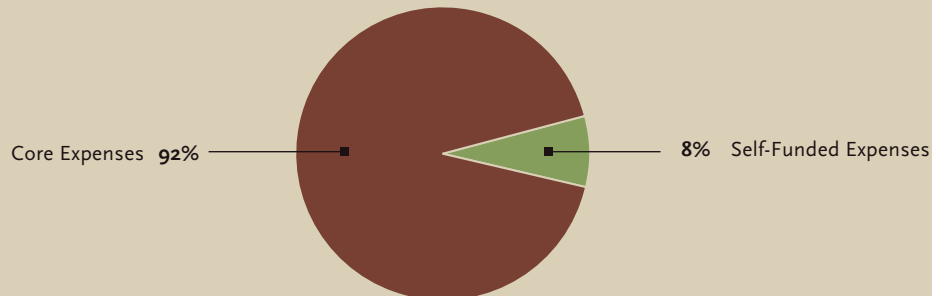
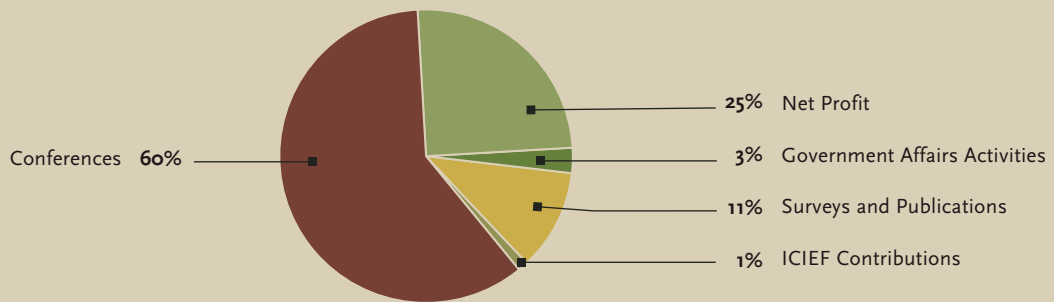


Figure 3

SELF-FUNDED ACTIVITIES: FY 2006



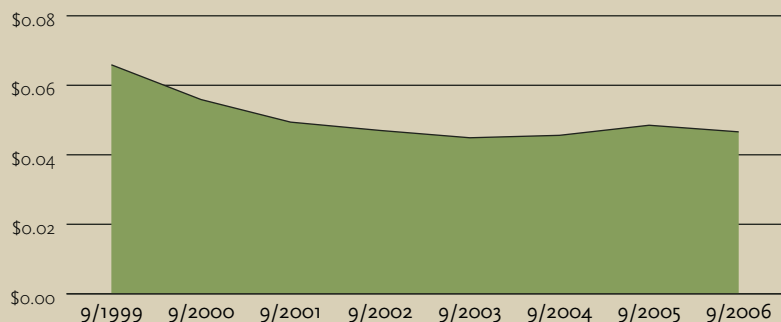
staff costs to ensure that these activities are not subsidized by member dues. Each year a portion of the net profit from self-funded activities is contributed to the ICI Education Foundation (ICIEF) and to support the Institute’s government affairs efforts (see Figure 3).

Dues: Between FY 1996 and FY 2004, as mutual funds experienced rapid growth, the annual dues rate declined by 33 percent as a result of a series of Board-approved discounts from the standard dues schedule. During this period, open-end fund dues declined from \$0.116 per \$10,000 of industry assets to \$0.046 per \$10,000 of industry assets (see Figure 4).

In October 2004, Board members approved an increase in the FY 2005 annual dues rate of approximately 14 percent. The additional dues were earmarked to replenish and provide the resources needed for ICI to help mutual funds address regulatory and legislative challenges and to sustain an adequate level of financial reserves. This increase caused open-end fund dues to rise to \$0.049 per \$10,000 of industry assets. For FY 2006, the Board approved the same annual dues rate as assessed in FY 2005. Open-end dues per \$10,000 of industry assets declined to \$0.047.

Figure 4

DUES PER \$10,000 OF ASSETS



ICI UNAUDITED FINANCIAL STATEMENTS

For the year ended September 30, 2006

Statement of Financial Position

Assets

Cash and cash equivalents	\$636,474
Investments, at market value	38,321,511
Accounts receivable	688,395
Prepaid expenses	1,100,072
Other assets	278,159
Furniture, equipment, and leasehold improvements, net (less accumulated depreciation of \$8,966,575)	<u>2,874,839</u>

Total assets \$43,899,450

Liabilities and Net Assets

Payroll and related charges accrued and withheld	\$10,980,626
Accounts payable and accrued expenses	3,959,639
Deferred revenue	647,243
Rent credit	1,375,264
Deferred rent	<u>957,889</u>

Total liabilities 17,920,661

Undesignated net assets 24,978,789

Board designated net assets 1,000,000

Total net assets 25,978,789

Total liabilities and net assets \$43,899,450

Statements of Activities and Changes in Net Assets

Core–Income

Membership dues	\$39,669,448
Investment income	1,797,307
Royalty income	944,109
Program income	<u>944,652</u>
Total core–income	<u>43,355,516</u>

Core–Expenses

Administrative expenses	\$33,007,115
Program expenses	7,287,339
Depreciation and lobby proxy tax	<u>2,704,746</u>
Total core–expenses	<u>42,999,200</u>

Changes in net assets–core 356,316

Self-Funded Income

Conferences	\$4,246,091
Other self-funded income	<u>1,075,399</u>
Total self-funded income	<u>5,321,490</u>

Self-Funded Expenses

Conferences	\$3,157,729
Other self-funded expenses	<u>810,611</u>
Total self-funded expenses	<u>3,968,340</u>

Changes in net assets–self-funded 1,353,150

Changes in net assets 1,709,466

Net assets, beginning of year 24,269,323

Net assets, end of year \$25,978,789

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These financial statements are preliminary unaudited statements as of 9/30/06. Audited financial statements for the fiscal year ended 9/30/06 will be available after 2/1/07. For information on obtaining copies of the audited statements, please contact Mark Delcoco at 202/326-5974.

APPENDIX B: 2006 BOARD OF GOVERNORS

(as of September 30, 2006)

Mr. Martin L. Flanagan^{1,6}

*ICI Chairman &
President & CEO*
AMVESCAP PLC

Mr. Paul G. Haaga, Jr.¹

*ICI Vice Chairman &
Vice Chairman*
Capital Research & Management Company

Ms. Anne F. Ackerley*

Managing Director
BlackRock, Inc.

Mr. William L. Armstrong⁵

Independent Chairman & Trustee
Oppenheimer Funds

Mr. James H. Bodurtha^{1,2,5}

Independent Director
Merrill Lynch Funds

Mr. John J. Brennan^{1,2}

Chairman & CEO
The Vanguard Group, Inc.

Mr. Stephen E. Canter

Chairman & CEO
The Dreyfus Corporation

Mr. Christopher W. Claus*

President & CEO
USAA Investment Management Company

Mr. John F. Cogan, Jr.*¹

Chairman
Pioneer Investment Management USA Inc.

Mr. Anthony W. Deering^{1,5}

Independent Director
T. Rowe Price Funds

Mr. John D. DesPrez, III¹

President & CEO
John Hancock Financial Services, Inc.

Mr. Robert C. Doll

President & Chief Investment Officer
Merrill Lynch Investment Managers

Mr. Robert S. Dow^{1,6}

Managing Partner
Lord, Abbett & Co. LLC

Mr. Kenneth C. Eich

COO
Davis Selected Advisers, L.P.

Mr. Ralph C. Eucher

President & CEO
Principal Mutual Funds

Mr. Dennis H. Ferro*

President & CEO
Evergreen Investments, Inc.

Mr. Mark R. Fetting^{1,6}

Senior Executive Vice President
Legg Mason

Mr. George C. W. Gatch⁶

President & CEO, J.P. Morgan Funds
J.P. Morgan Asset Management

Mr. C. Gary Gerst*⁵

Chairman of Board
Henderson Global Funds

Mr. Charles E. Haldeman, Jr.³

President & CEO
Putnam Investments

Mr. Peter A. Harbeck

President & CEO
AIG SunAmerica Asset Management Corp.

Mr. Brent R. Harris^{3,6}

Chairman
PIMCO Funds

Mr. James B. Hawkes²

Chairman, President, & CEO
Eaton Vance Corporation

Mr. James M. Hennessy

President & CEO
ING Funds

Ms. Diana P. Herrmann

President & CEO
Aquila Investment Management LLC

Mr. John A. Hill⁵

Chairman of the Trustees
Putnam Funds

Ms. Mellody Hobson

President
Ariel Capital Management, LLC

Ms. Edith E. Holiday ^{**5}
Independent Director
Franklin Templeton Funds

Ms. Abigail P. Johnson ¹
President & FMC
Fidelity Investments

Mr. Gregory E. Johnson
President & CEO
Franklin Resources, Inc.

Mr. William M. Lyons ^{1,6}
President & CEO
American Century Investments

Mr. John W. McGonigle ^{**1,6}
Vice Chairman, Chief Legal Officer
Federated Investors, Inc.

Mr. Randall W. Merk ^{*}
Exec. Vice President, & President, Schwab Financial Products
Charles Schwab and Co., Inc.

Mr. Brian A. Murdock ³
President & CEO
New York Life Investment Management LLC

Mr. John V. Murphy ^{1,6}
Chairman, President, & CEO
OppenheimerFunds, Inc.

Dr. Alfred E. Osborne, Jr. ⁵
Independent Trustee
WM Group of Funds

Mr. Robert C. Pozen
Chairman
MFS Investment Management

Mr. Thomas O. Putnam
Chairman
Fenimore Asset Management, Inc.

Ms. Ruth H. Quigley ⁵
Independent Director
AIM Family of Funds

Ms. Judy Rice ^{*}
President
Prudential Investments

Mr. Lewis A. Sanders
Chairman & CEO
AllianceBernstein, L.P.

Mr. Michael D. Strohm ^{**2}
CEO
Waddell and Reed, Inc.

Mr. Peter E. Sundman
President
Neuberger Berman Management Inc.

Mr. Owen D. Thomas
President & COO, Investment Management
Morgan Stanley

Mr. Garrett Thornburg
Chairman & CEO
Thornburg Investment Management, Inc.

Mr. Robert W. Uek ⁴
Independent Trustee
MFS Funds

Mr. John C. Walters
Executive Vice President
Hartford Life, Inc.

Mr. Lloyd A. Wennlund ^{*}
Executive Vice President & Managing Director
Northern Trust Global Investments

Mr. Christopher L. Wilson
Managing Director, Head of Mutual Funds
Columbia Management Group, Inc.

Dr. Patricia K. Woolf ⁵
Independent Director
American Funds

Mr. Brian T. Zino ^{1,6}
President
J. & W. Seligman & Co., Incorporated

* Governor on Sabbatical

¹ Executive Committee member

² Audit Committee member

³ Investment and Audit Committee member

⁴ Chairman of the Independent Directors Council

⁵ Participant in Independent Directors Council activities

⁶ Chairman's Council member

APPENDIX C: 2006 INDEPENDENT DIRECTORS COUNCIL

(as of September 30, 2006)

The Independent Directors Council (www.idc1.org) enhances outreach and education activities for independent directors and helps communicate their views more effectively to policymakers and the media.

Mr. Robert W. Uek
IDC Chairman & Independent Director
MFS Funds

Mr. James H. Bodurtha
IDC Vice Chairman & Independent Director
Merrill Lynch Funds

Ms. Dorothy A. Berry
Independent Director
Professionally Managed Portfolios

Ms. Mary K. Bush
Independent Director
Pioneer Funds

Ms. Vanessa C. L. Chang
Independent Director
American Funds

Ms. Darlene T. DeRemer
Independent Director
Nicholas-Applegate Institutional Funds

Mr. Samuel M. Eisenstat
Independent Director
AIG SunAmerica Funds
Independent Trustee
Anchor Series Trust

Mr. Robert M. Gates
Independent Director
Fidelity Funds

Mr. David A. Hughey
Independent Director
FAM Funds

Ms. Susan B. Kerley
Independent Director
NYLife Eclipse Funds
Independent Director
Legg Mason Partners/Citi Funds

Dr. Thomas F. Morrissey
Independent Director
Victory Funds

Mr. Robert D. Neary
Independent Director
Allegiant Funds

Mr. Donald H. Pratt
Independent Director
American Century Funds

Mr. Richard A. Redeker
Independent Director
Prudential Retail Funds

Mr. Michael Scofield
Independent Director
Evergreen Funds

Mr. Thomas E. Stitzel
Independent Director
Columbia Funds

Ms. Virginia Stringer
Independent Director
First American Funds

Mr. Roman L. Weil
Independent Director
NY Life MainStay VP Funds

Ms. Rosalie J. Wolf
Independent Director
The Sanford C. Bernstein Funds

Mr. Clayton K. Yeutter
Independent Director
Oppenheimer Funds

Mr. James W. Zug
Independent Director
Brandywine Funds

APPENDIX D: 2006 ICI STANDING COMMITTEES AND CHAIRS

(as of September 30, 2006)

Accounting/Treasurers

Mr. Richard J. Thomas
Senior Vice President & Treasurer
Federated Investors

Chief Compliance Officer

Mr. James M. Davis
Director, Global Compliance
Franklin Templeton Investments

Closed-End Investment Company

Mr. John D. Diederich
Managing Director & Chief Operating Officer
Royce & Associates, LLC

International

Mr. Murray L. Simpson
Executive Vice President
Franklin Resources, Inc.

Investment Advisers

Mr. Michael F. Rosenbaum
Managing Director and General Counsel
Legg Mason, Inc.

Operations

Mr. Douglas L. Anderson
Senior Vice President
Delaware Investments

Pension

Mr. Dennis Simmons
Principal—Legal
The Vanguard Group, Inc.

Public Communications

Mr. Ivy B. McLemore
Director of Communications
AIM Investments

Research

Ms. Beth Segers
Managing Director
Putnam Investment Management, LLC

Sales Force Marketing

Mr. Keith F. Hartstein
President & CEO
John Hancock Funds

SEC Rules

Ms. Heidi Stam
Managing Director & General Counsel
The Vanguard Group, Inc.

Shareholder Communications

Mr. David M. Maher
Vice President—Fidelity Communications & Advertising
Fidelity Investments

Small Funds

Ms. Diana P. Herrmann
President & CEO
Aquila Investment Management LLC

Tax

Mr. Donald C. Burke
First Vice President & Treasurer of Funds
Merrill Lynch Investment Managers

Unit Investment Trust

Mr. Steven M. Massoni
Managing Director, UIT Division
Van Kampen Investments, Inc.

APPENDIX E: ICI STAFF

Executive Office

Paul Schott Stevens¹

President & CEO

Peter H. Gallary

Chief Operating Officer

Government Affairs

Daniel F. C. Crowley

Chief Government Affairs Officer

Leslie B. Kramerich

Government Affairs Officer, Retirement Security and Tax

Dean R. Sackett

Government Affairs Officer, Financial Services

Donald C. Auerbach

Director, Financial Services

Peter J. Gunas

Director, Retirement Security and Tax

Independent Directors Council

Tamara K. Salmon

Interim Managing Director

Annette M. Capretta

Deputy Managing Director

Lisa C. Hamman

Associate Counsel

Law

Elizabeth R. Krentzman

General Counsel

INTERNATIONAL AFFAIRS

Robert C. Grohowski

Senior Counsel—International Affairs

Glen S. Guymon

Assistant Counsel

PENSION REGULATION

Mary S. Podesta

Senior Counsel—Pension Regulation

Elena C. Barone

Assistant Counsel

Michael L. Hadley

Assistant Counsel

SECURITIES REGULATION

Amy B.R. Lancellotta²

Senior Counsel—Securities Regulation

Frances M. Stadler

Deputy Senior Counsel

Ari Burstein

Senior Associate Counsel

Dorothy M. Donohue

Senior Associate Counsel

Tamara K. Salmon

Senior Associate Counsel

Rachel H. Graham

Associate Counsel

Jane G. Heinrichs

Associate Counsel

Mara L. Shreck

Assistant Counsel

TAX LAW

Keith D. Lawson³

Senior Counsel—Tax Law

Lisa M. Robinson

Associate Counsel

Karen Lau Gibian

Assistant Counsel

Operations and Continuing Education

Donald J. Boteler

Vice President—Operations and Continuing Education

Linda J. Brenner

Director, Operations and Continuing Education

Martin A. Burns

Director, Institutional Operations and Service

Kathleen C. Joaquin

Director, Operations, Distribution, and Service

Peter G. Salmon

Director, Operations and Technology

Gregory M. Smith

Director, Operations, Compliance, and Fund Accounting

Public Communications

- F. Gregory Ahern
Chief Public Communications Officer
- Susan J. Duncan
Assistant Vice President—Public Communications
- Edward F. Giltenan
Senior Director, Public Communications
- Michael W. Budzinski
Editorial Director
- Michael D. McNamee
Director, Public Communications
- Denise M. Murray
Director, Investor Education Programs
- Christopher Wloszczyna
Director, Media Relations
- Janet M. Zavistovich
Design Director

Research

- Brian K. Reid
Chief Economist

INDUSTRY AND FINANCIAL ANALYSIS

- Rochelle L. Antoniewicz
Senior Economist
- Sean S. Collins
Senior Economist

INVESTOR RESEARCH

- Sandra J. West
Director—Investor Research

RETIREMENT TAX AND INTERNATIONAL

- Peter J. Brady
Senior Economist
- Sarah A. Holden
Senior Economist

STATISTICAL RESEARCH

- Judith A. Steenstra
Director—Statistical Research

Administrative

- Christopher E. Boyland
Assistant Vice President, Information Systems
- Theresa A. Brooks
Director, Library Services
- Mark A. Delcoco
Treasurer/Controller
- Jane A. Forsythe
Director, Conferences and Member Services
- Mary D. Kramer
Vice President, Human Resources
- Michelle M. Kretsch
Manager, Member Services
- Sheila F. Moore
Director, Office Services
- Mark W. Walecka
Vice President, Information Services

ICI Education Foundation

The ICI Education Foundation (ICIEF), a 501(c)(3) educational affiliate of the Investment Company Institute, partners with U.S. government agencies and other nonprofit organizations to help develop, promote, and enhance investor education initiatives on behalf of the mutual fund industry.

ICI Mutual Insurance Company

ICIM is an independent company formed by the mutual fund industry to provide various forms of liability insurance and risk management services to mutual funds, their directors, and advisers. To purchase insurance from ICIM, an organization must be an ICI member.

¹ Member of Executive Committee of ICI's Board of Governors; Chairman's Council member

² Secretary to ICI

³ Secretary to ICI Chairman's Council, Assistant Treasurer to ICI PAC, Political Compliance Counsel

APPENDIX F: RESEARCH AND STATISTICS

Institute Fiscal Year 2006 Publications and Releases

Research Publications

"401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2005," *Perspective*, August 2006

(www.ici.org/pdf/per12-01.pdf)

Understanding Investor Preferences for Mutual Fund Information, August 2006 (www.ici.org/pdf/rpt_o6_inv_prefs_full.pdf)

"The U.S. Retirement Market, 2005," *Fundamentals*, July 2006 (www.ici.org/pdf/fm-v15n5.pdf)

"Fees and Expenses of Mutual Funds, 2005," *Fundamentals*, June 2006 (www.ici.org/pdf/fm-v15n4.pdf)

Understanding Investor Preferences for Mutual Fund Information, Summary of Findings, May 2006

(www.ici.org/pdf/rpt_o6_inv_prefs_summary.pdf)

2006 Investment Company Fact Book, May 2006 (www.icifactbook.org)

"The Closed-End Fund Market in 2005," *Fundamentals*, March 2006 (www.ici.org/pdf/fm-v15n3.pdf)

"Mutual Fund Shareholders' Use of the Internet," *Fundamentals*, February 2006 (www.ici.org/pdf/fm-v15n2.pdf)

Mutual Funds and Institutional Accounts: A Comparison, February 2006

"The Role of IRAs in Americans' Retirement Preparedness," *Fundamentals*, January 2006 (www.ici.org/pdf/fm-v15n1.pdf)

"Competition in the Mutual Fund Business," *Research Commentary*, January 2006 (www.ici.org/pdf/rc_competition.pdf)

"Shareholder Sentiment About the Mutual Fund Industry, 2005," *Fundamentals*, December 2005 (www.ici.org/pdf/fm-v14n7.pdf)

Equity Ownership in America, 2005, November 2005 (www.ici.org/pdf/rpt_o5_equity_owners.pdf)

"Fees and Expenses of Mutual Funds, 2004," *Fundamentals*, October 2005 (www.ici.org/pdf/fm-v14n6.pdf)

"U.S. Household Ownership of Mutual Funds in 2005," *Fundamentals*, October 2005 (www.ici.org/pdf/fm-v14n5.pdf)

Statistical Releases

Trends in Mutual Fund Investing: a monthly news release describing mutual fund sales, redemptions, assets, cash positions, exchange activity, and portfolio transactions for the period. (www.ici.org/stats/mf/arctrends/index.html)

Money Market Mutual Fund Assets: a weekly report on retail and institutional money market fund assets.

(www.ici.org/stats/mf/index.html)

Closed-End Fund Statistics: a quarterly report on closed-end fund assets and proceeds.

(www.ici.org/stats/ce/index.html)

Exchange-Traded Funds: a monthly report that includes assets, number of funds, issuance, and redemptions of ETFs.

(www.ici.org/stats/etf/index.html)

Unit Investment Trusts: a monthly report that includes value and number of deposits of new trusts by type and maturity.

(www.ici.org/stats/uit/index.html)

Worldwide Mutual Fund Market: a quarterly report that includes assets, number of funds, and net sales of mutual funds in countries worldwide. (www.ici.org/stats/mf/arcglo/index.html)

A complete list of ICI research publications and statistical releases is available on the Institute's public website at www.ici.org/stats/index.html.

APPENDIX G: EVENTS AND LEARNING COURSES

Institute Fiscal Year 2006–2007 Conferences and Workshops

October 23–25, 2005	Operations & Technology	Austin, TX
November 2–4, 2005	Investment Company Directors (East Coast) ¹	Washington, DC
November 15–17, 2005	Investment Company Directors (West Coast) ¹	Scottsdale, AZ
December 12–13, 2005	Securities Law Developments ²	Washington, DC
March 19–22, 2006	Mutual Funds and Investment Management ³	Scottsdale, AZ
April 4, 2006	Operations and Compliance Workshop	Denver, CO
April 6–7, 2006	Mutual Fund Compliance Programs	Washington, DC
April 7, 2006	Directors Workshop ¹	Washington, DC
May 7–10, 2006	Globalisation of Mutual Funds ⁴	Bermuda
May 17–19, 2006	General Membership Meeting	Washington, DC
June 1, 2006	Operations and Compliance Workshop	Boston, MA
July 20, 2006	Independent Counsel Roundtable ⁵	Washington, DC
September 13–14, 2006	Board Leadership Roundtable ¹	Washington, DC
September 25–28, 2006	Tax & Accounting	Orlando, FL
September 28, 2006	Equity Markets	New York, NY
October 8–11, 2006	Operations & Technology	Huntington Beach, CA
October 27, 2006	Closed-End Fund Workshop	New York, NY
October 26–27, 2006	Academic & Practitioner Conference on Mutual Funds	Washington, DC
November 1–3, 2006	Investment Company Directors (West Coast) ¹	San Francisco, CA
November 14–16, 2006	Investment Company Directors (East Coast) ¹	Washington, DC
December 4–5, 2006	Securities Law Developments ²	Washington, DC
January 17–19, 2007	Mutual Funds and Investment Management in Asia	Hong Kong
February 2007	Pension Conference	Washington, DC
March 25–28, 2007	Mutual Funds and Investment Management ³	Palm Desert, CA
March 29–30, 2007	Directors Workshop ¹	New York, NY
April 19–20, 2007	Mutual Fund Compliance Programs	Washington, DC
May 9–11, 2007	General Membership Meeting	Washington, DC

¹ Sponsored by the Independent Directors Council

² Sponsored by the ICI Education Foundation

³ Cosponsored by the Federal Bar Association and ICI

⁴ Cosponsored by the International Bar Association and ICI

⁵ Cosponsored by the Independent Directors Council and ICI

ICI Learning Courses

<i>The Fundamentals of Mutual Funds</i>	A two-part course covering the nature and organization of mutual funds.
<i>Mutual Funds: Communications with the Public</i>	A two-part course covering the rules and regulations governing a mutual fund's communications with the public.
<i>IRA Fundamentals for Financial Industry Professionals</i>	A detailed overview of the fundamentals of Traditional IRAs, Roth IRAs, Simplified Employee Pension (SEP) IRAs, and Savings Incentive Match Plans for Employees (SIMPLE) IRAs.
<i>Retirement Plan Fundamentals for Financial Industry Professionals</i>	A detailed overview of the tax advantages of retirement plans, contribution limits, plan sponsor responsibilities, and the key requirements of qualified retirement plans. Specific types of plans covered by the course include 401(k) plans, 403(b) plans, profit-sharing plans, and money purchase pension plans.
<i>The Role and Responsibilities of a Mutual Fund Transfer Agent</i>	A detailed overview of the organization and operation of a mutual fund transfer agent.

For more information on ICI courses, visit www.icilearning.org.



1401 H Street, NW Suite 1200 Washington, DC 20005-2148 202/326-5800 www.ici.org