Investor Advocacy Group Pushes For Better Fund Disclosure

The Coalition of Mutual Fund Advisors is planning more reports to push for better cost disclosure of mutual funds on shareholder statements. The group will write follow-ups to its report on compliance issues, which was released earlier this month. The reports will discuss the difficulties shareholders often encounter when reading statements as this information "is not easily accessible," said **Niels Holch**, executive director. The current report, which examined the 50 largest U.S. mutual funds, argued that many firms cannot enforce rules halting improper trading because they do not control investors' accounts, said Holch. "Funds try to have uniform rules, but with things like omnibus accounts where only one trade is filed a day, the fund has no access to any additional information and intermediaries can't enforce uniform rules or even monitor these transactions," he added.

Holch argued that since the **Securities and Exchange Commission** already requires disclosure of this information on a weekly basis, it would not be difficult for the **National Securities Clearing Corp.** to review the information on a daily basis. "There is really a pressing need for more transparency so that funds can get accurate information and enforce rules on a uniform basis," he added. **Ann Bergin**, managing director of distribution services at **Depository Trust & Clearing Corp.**, agreed. "As the specific objectives are defined, it would potentially mean making enhancements to our services, which we believe we can complete quickly and cost-effectively," she said.

Hedge Fund Market Maturation Opens Doors, Study Says

The maturation of the hedge fund business is opening doors for advisors to offer these products to retail clients, according to an upcoming report by **Casey, Quirk & Acito.** *Institutional Demand for Hedge Funds: New Opportunity and New Standards* will look at the future of hedge fund investing by institutions. While the focus of the report is on institutions, **David Bauer**, principal, noted that the trend does affect the retail market. "This trend may make it more palatable for firms that act as advisors to retail investors to include hedge funds," he said. "Whether you will be able to buy hedge funds on supermarket platforms remains to be seen, but it is really affecting the way people are investing.

Separately, Casey, Quirk is planning its second report examining investment management quality. The Darien, Conn.-based consultant came out with a study analyzing this topic last year (**www.fundaction.com**, 1/27), and now hopes to go in depth, Bauer said. "We are going to do a bit more quantifying and looking at the impact of some of the key firms out there," he said. "We hope to try to define quality a bit better." Casey, Quirk expects to begin that study in the second half of the year. The hedge fund report will be released in the next few weeks.

BofA Asset Management Arm May Move To Times Square

The asset management arm of **Bank of America** is expected to be included in a new building that is going up in New York City. Last month, the firm broke ground on its new headquarters one block from Times Square. The facility will be 52-stories with 2.1-million-square-feet. BofA recently closed on its acquisition of **FleetBoston Financial,** and will eventually move its New York personnel to the new building when it opens in 2008, said **Tara Burke**, a spokeswoman. The asset management department is planned to be part of that move, however, Burke said no specifics have been determined. In the meantime, BofA has brought the two firms together by moving different departments into the same space throughout the 11 New York offices. The goal is to move as many employees as possible into the new building.

Morningstar Chief Applauds Analyst's Revision

Don Phillips

Don Phillips, managing director of Chicago-based **Morningstar**, is applauding the firm's director of mutual fund research for revising a scathing article about **Federated Investors** and **Fremont Funds**. "If we think we've gotten something wrong, we'd be foolish not to take that into account," Phillips said. "We think it's our responsibility to listen, but we're not going to change something just to make someone happy." After publishing "Two Suspect Firms Fly Under the Radar" on July 26, Federated officials called **Russel Kinnel**, the author, who then made revisions. Kinnel did not return phone calls for comment. But Phillips noted an ironic element of the events, "Russ' biggest complaint was that they've been so quiet and haven't been more forthcoming. As he got more information he altered his story to make it more correct for his readers."

In the article, Kinnel removed pejorative language about Federated and Fremont. "I think the second version eliminated most of the opinion and restates information that has been in press releases," said **J.T. Tuskan**, senior v.p., director of marketing and corporate communications at Federated. The new article excludes Kinnel's statement that, "In short, we wouldn't send [Federated and Fremont] a dime until they've settled with regulators and made clear how they've rebuilt their compliance systems and righted their listing corporate cultures." In the new article, Kinnel points out that Federated created a fund to reimburse shareholders. **Patricia Harden**, a Fremont spokeswoman, was unable to find an official to comment by press time.

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