

The top half of the slide features a dark blue rectangular box on the left containing the text "K&L GATES" in white, sans-serif, all-caps font. The background of the entire slide is a complex, abstract graphic. It includes a world map composed of blue dots, overlaid with various financial data visualizations. There are orange and red vertical bars resembling a bar chart, a fluctuating orange line graph, and several small circles in orange, red, and white. A specific data point on the line graph is labeled "+11,00.00" in orange text.

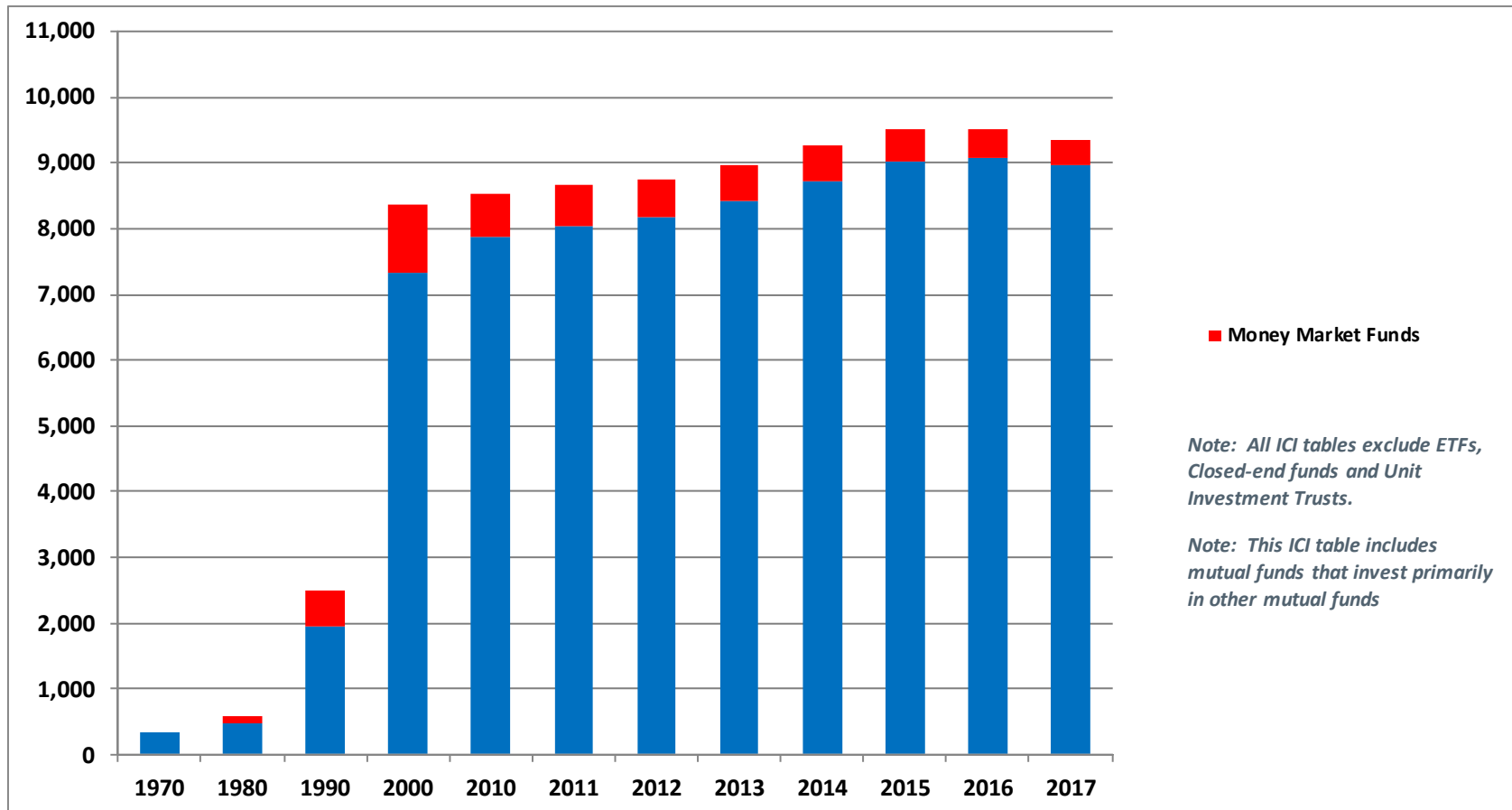
K&L GATES

2018 WASHINGTON D.C. INVESTMENT MANAGEMENT
CONFERENCE – November 7, 2018

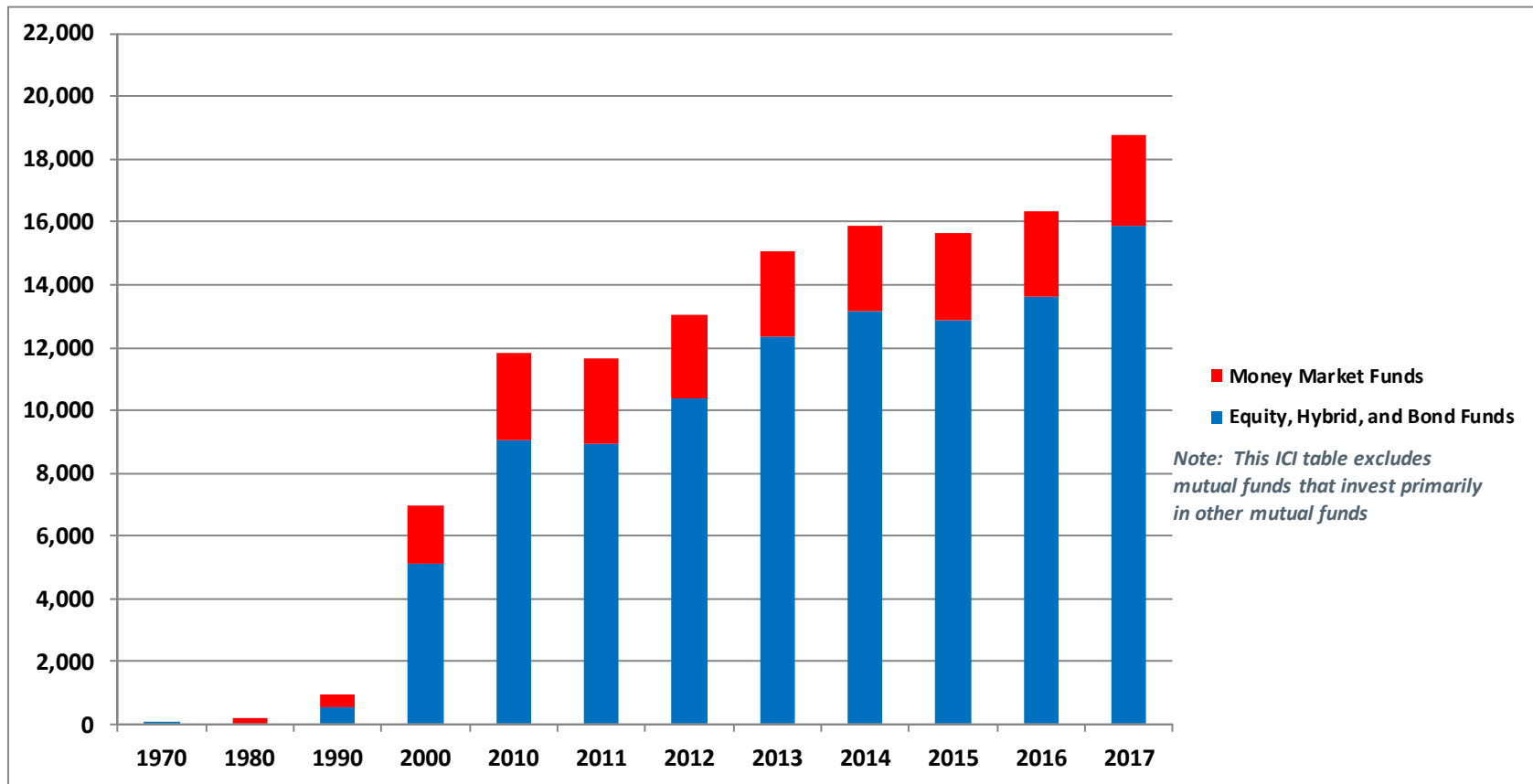
Overview of the Investment Company Complex

Clifford J. Alexander, Partner, K&L Gates LLP
Yoon Y. Choo, Of Counsel, K&L Gates LLP

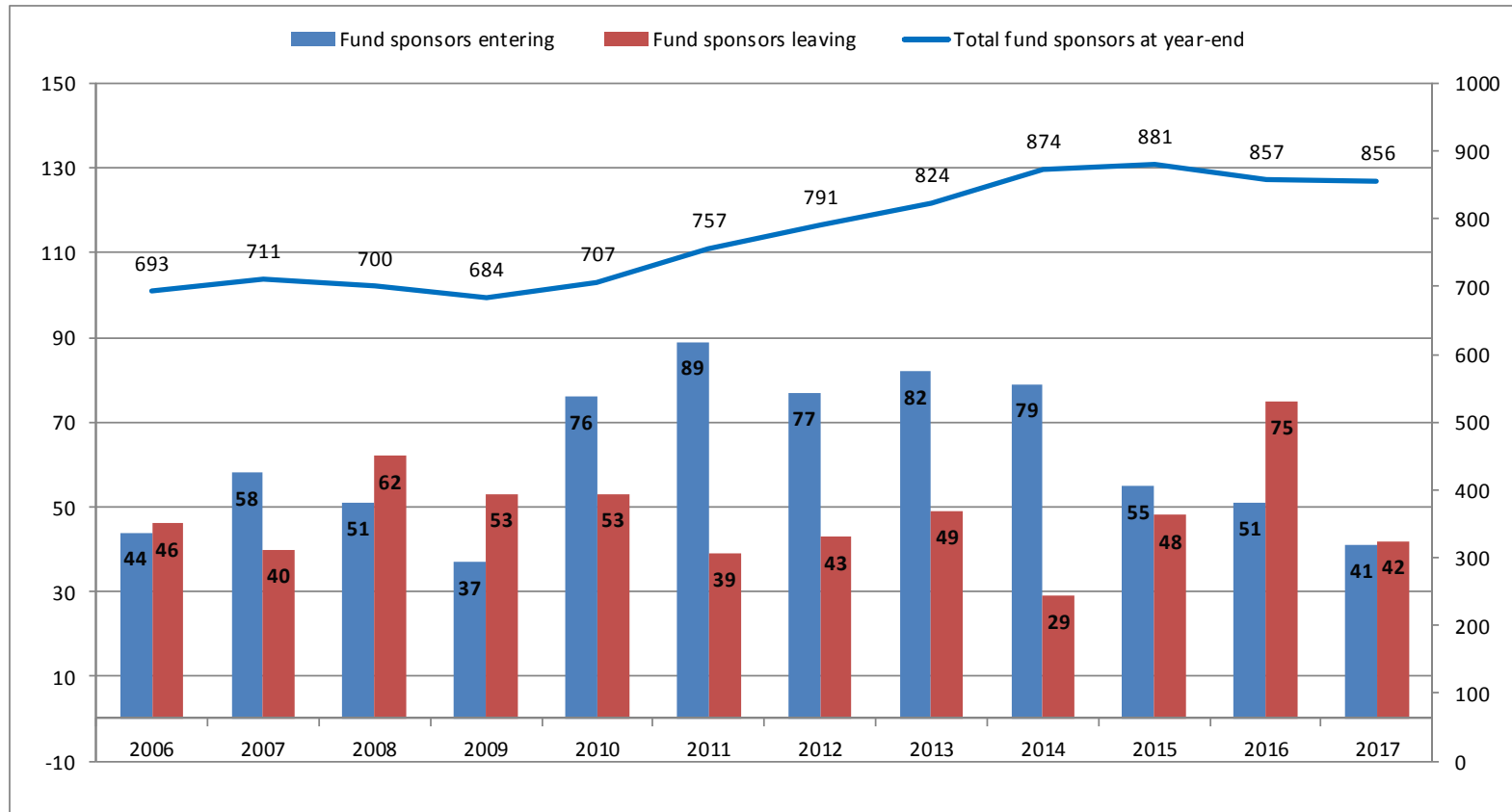
NUMBER OF MUTUAL FUNDS



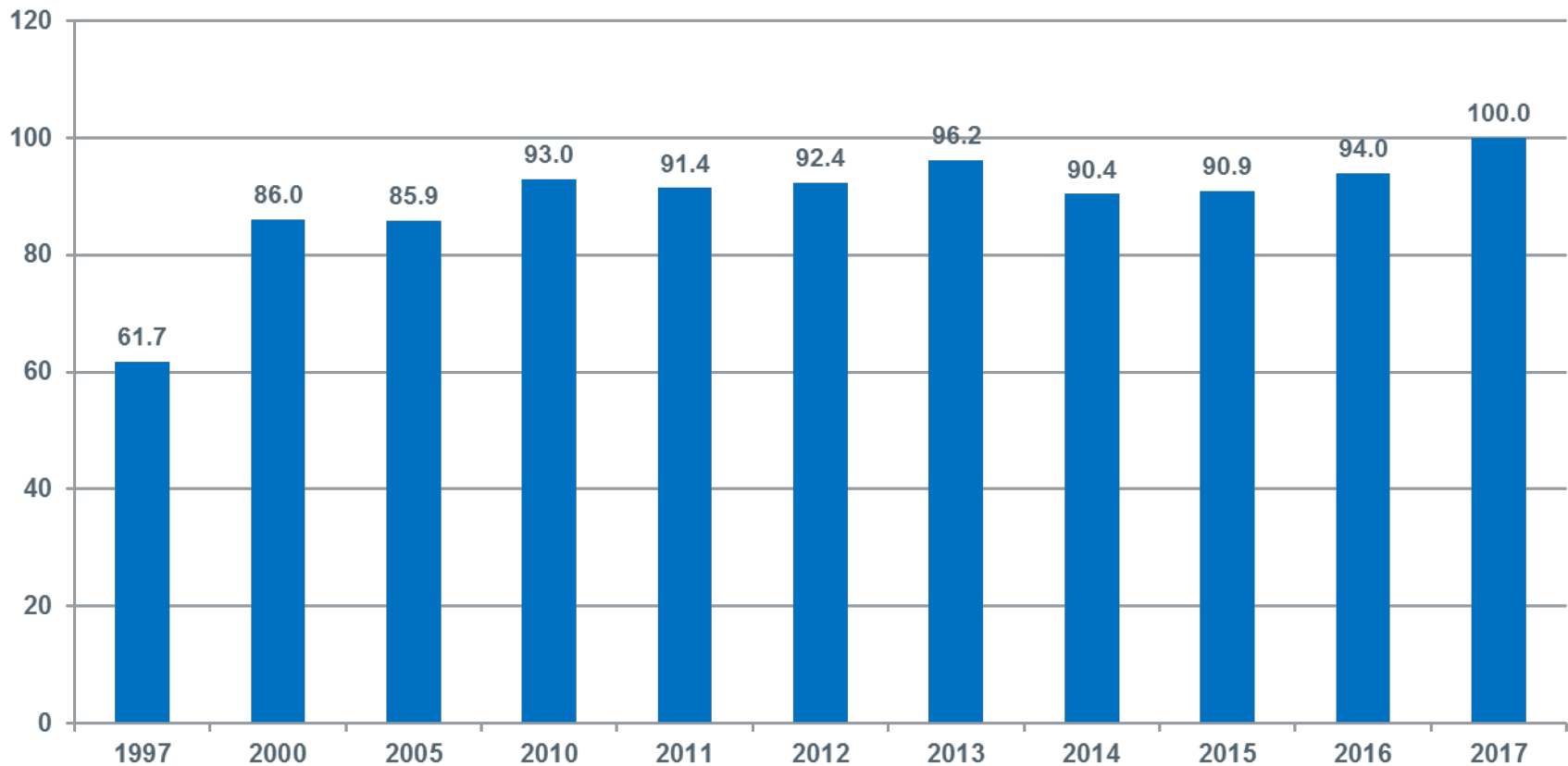
ASSETS OF MUTUAL FUNDS (BILLIONS OF DOLLARS)



NUMBER OF MUTUAL FUND SPONSORS

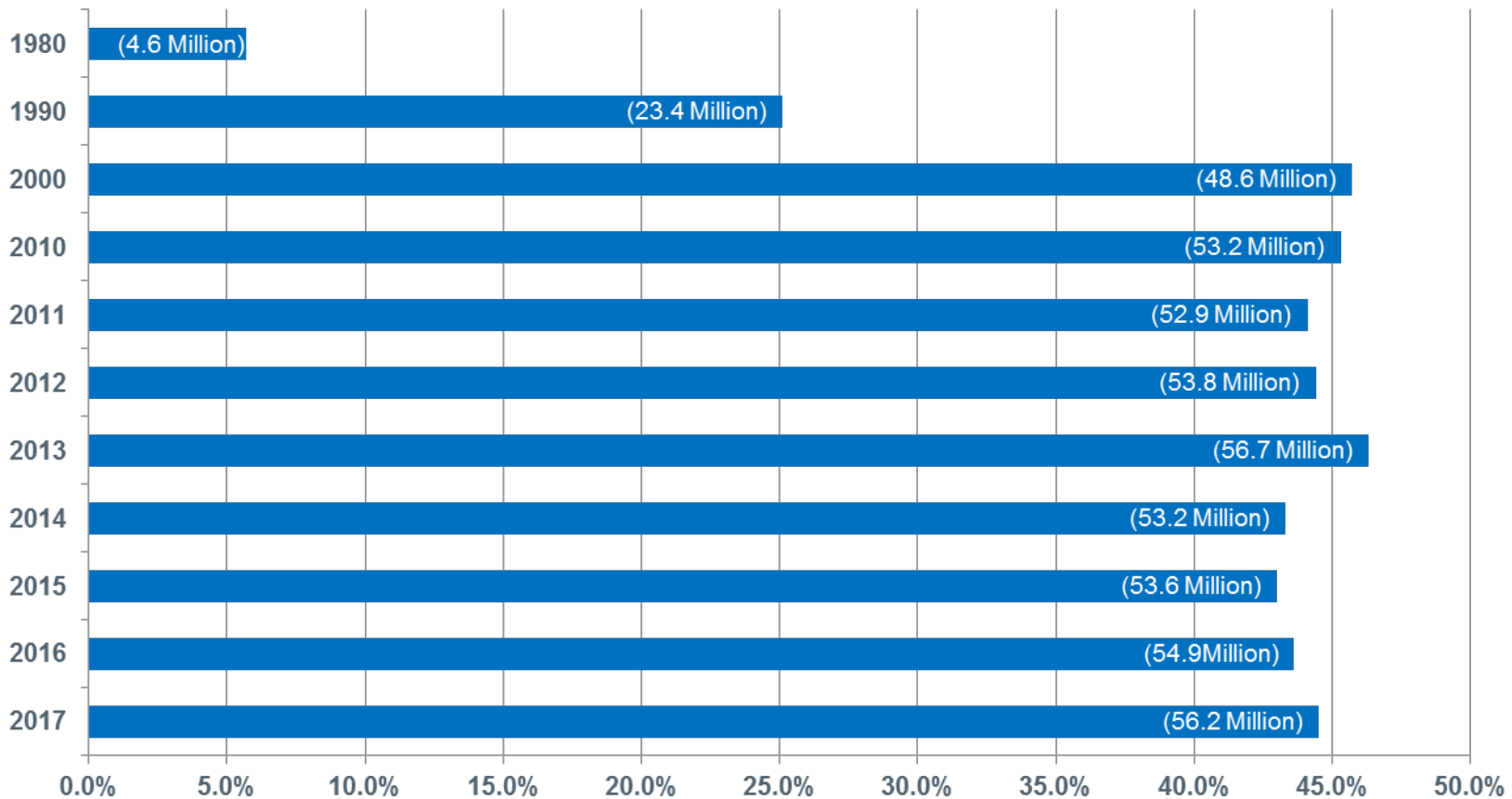


NUMBER OF MUTUAL FUND SHAREHOLDERS (MILLIONS)



ICI Research Perspective, Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2017 (October 2017)

HOUSEHOLD OWNERSHIP OF MUTUAL FUNDS (PERCENT OF U.S. HOUSEHOLDS)

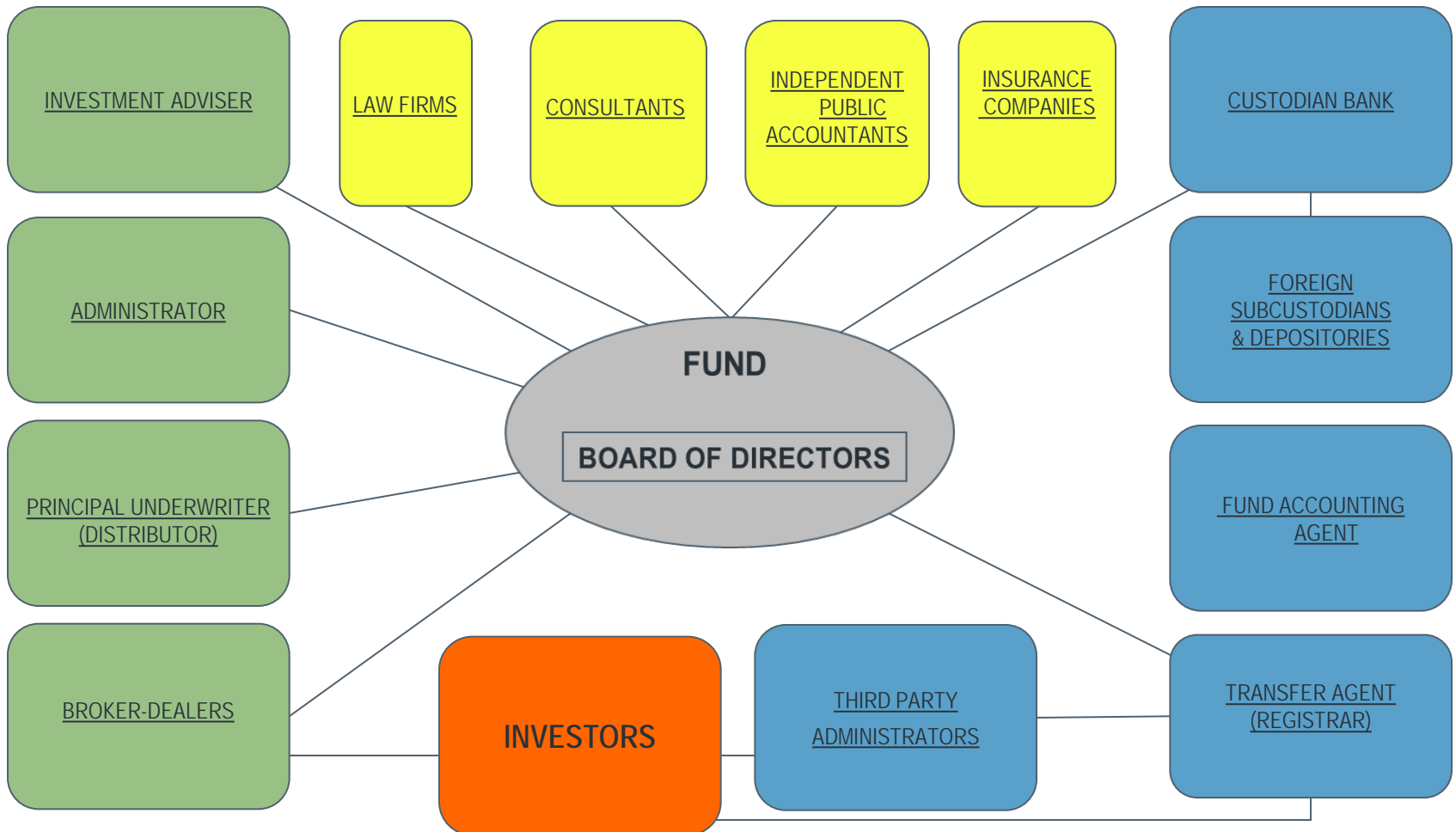


Investment Company Institute, "2018 Investment Company Fact Book"

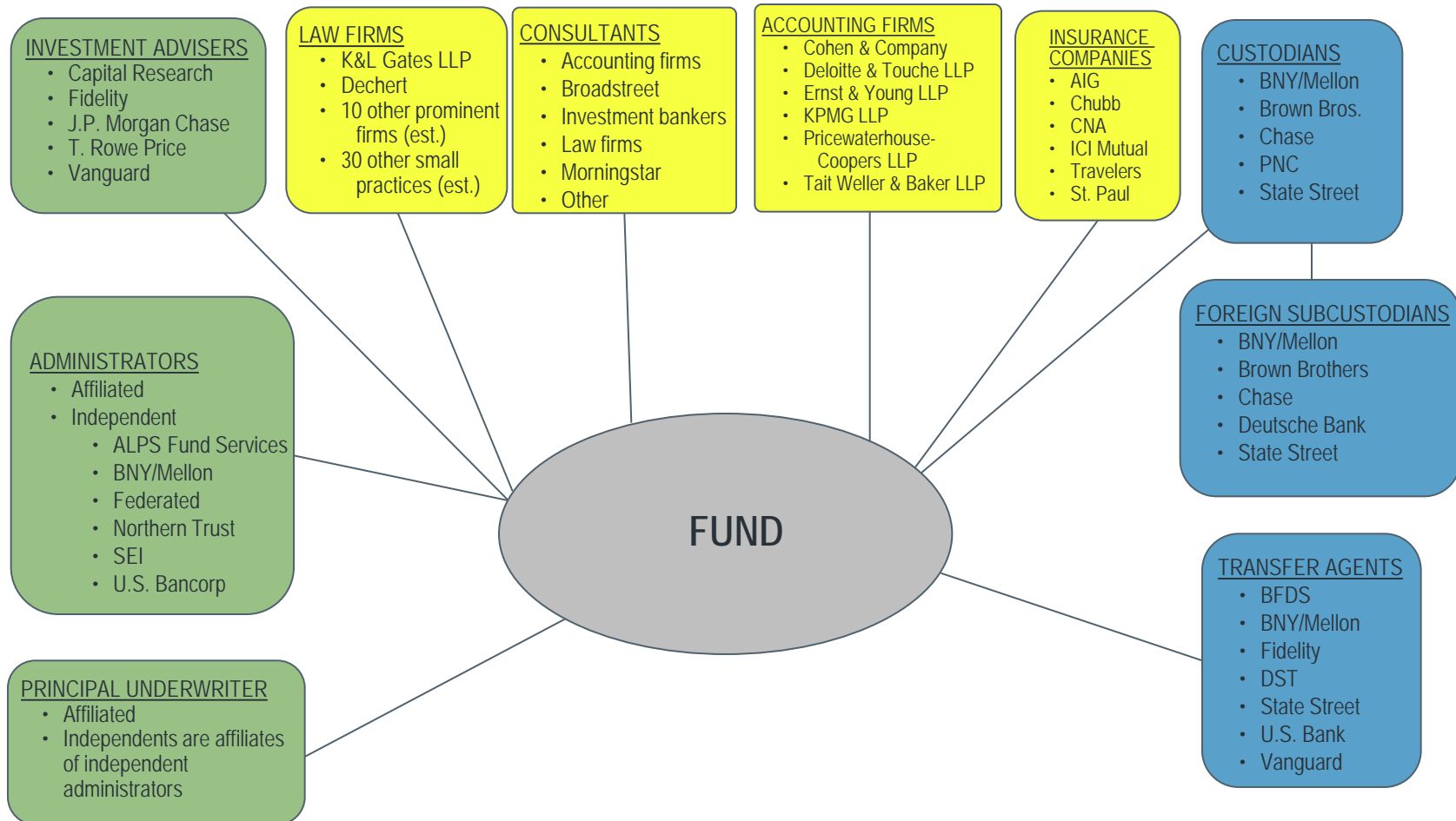
FUND INDUSTRY PLAYERS & REGULATION

- U.S. Fund Industry Vendors
- Principal Services of Fund Vendors
- Principal Regulatory Statutes and Regulators for Fund Vendors
- Mutual Fund Distribution Channels

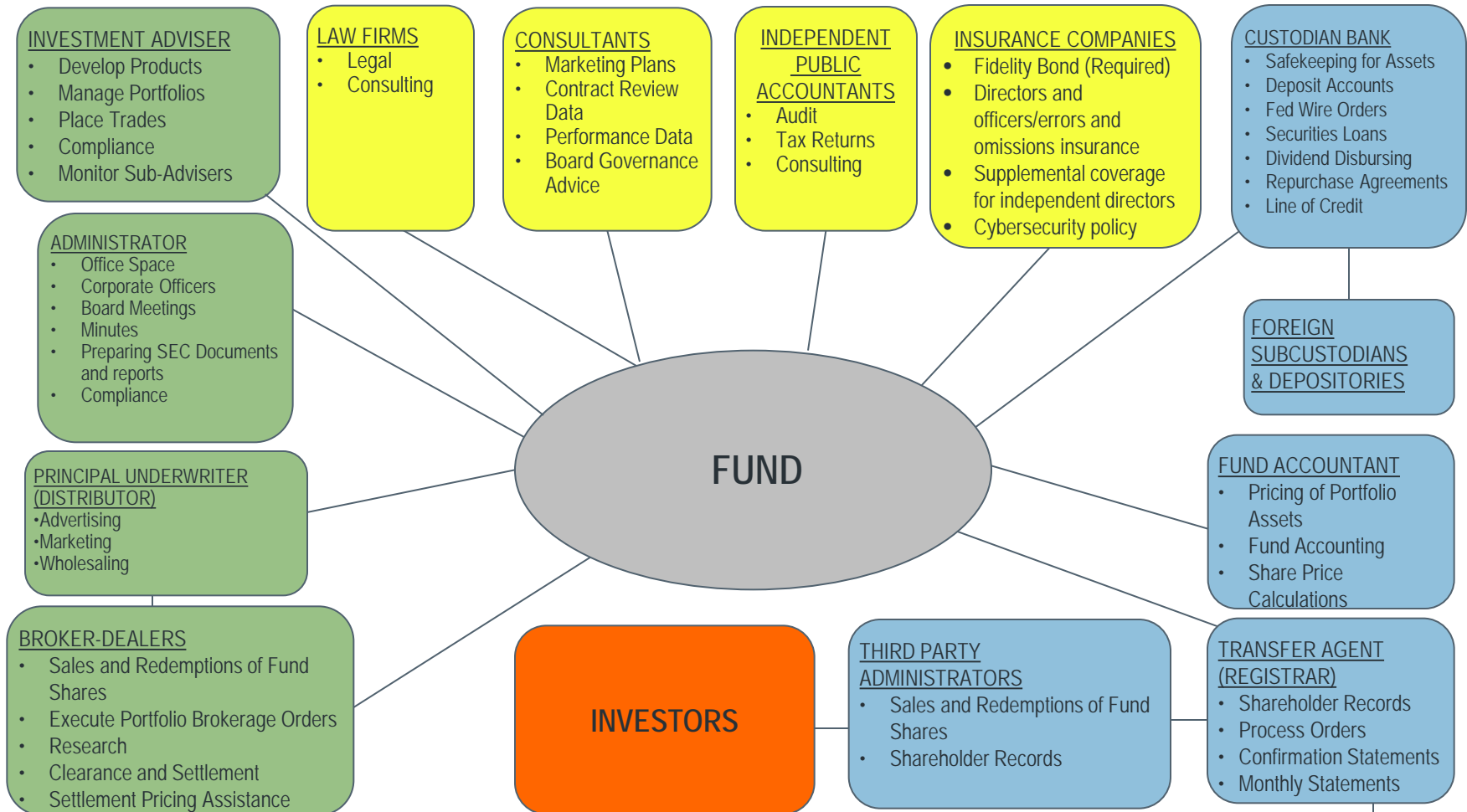
U.S. FUND INDUSTRY VENDORS



PRINCIPAL FUND INDUSTRY VENDORS



PRINCIPAL SERVICES OF FUND VENDORS



PRINCIPAL SERVICES OF FUND VENDORS

INVESTMENT ADVISER

- Develop Products
- Manage Portfolios
- Place Trades
- Compliance
- Monitor Sub-Advisers

- Scope of investment adviser's responsibilities
- Contract requirements, including:
 - Written contract
 - Manner of approval and amendment
 - Description of compensation
 - Manner of continuance
 - Termination upon "assignment" – no trafficking
- Other advisory contract considerations

PRINCIPAL SERVICES OF FUND VENDORS

ADMINISTRATOR

- Office Space
- Corporate Officers
- Board Meetings
- Minutes
- Preparing SEC Documents and reports
- Compliance

- Corporate Matters
- Regulatory Filings
- Contract considerations
- Transfer Agents and Providers of Related Shareholder Servicing
- Responsibilities
- Contract considerations

PRINCIPAL SERVICES OF FUND VENDORS

PRINCIPAL UNDERWRITER (DISTRIBUTOR)

- Advertising
- Marketing
- Wholesaling

- Marketing and Distribution of Fund Shares
- Contract requirements, including:
- Written contract
- Manner of approval and amendment
- Termination upon assignment
- 12b-1 Plans – Funds Paying for Distribution

BROKER-DEALERS

- Sales and Redemptions of Fund Shares
- Execute Portfolio Brokerage Orders
- Research
- Clearance and Settlement
- Settlement Pricing Assistance

PRINCIPAL SERVICES OF FUND VENDORS

- Safekeeping of the Fund's Assets
- General Investment Company Act requirements applicable to types of custody arrangements:
- Bank custody
- Broker-dealer custody
- Self-custody
- Central depositories and book-entry systems
- Margin for futures contract transactions
- Foreign custody

CUSTODIAN BANK

- Safekeeping for Assets
- Deposit Accounts
- Fed Wire Orders
- Securities Loans
- Dividend Disbursing
- Repurchase Agreements
- Line of Credit

FOREIGN
SUBCUSTODIANS
& DEPOSITORIES

PRINCIPAL SERVICES OF FUND VENDORS

FUND ACCOUNTANT

- Pricing of Portfolio Assets
- Fund Accounting
- Share Price Calculations

TRANSFER AGENT (REGISTRAR)

- Shareholder Records
- Process Orders
- Confirmation Statements
- Monthly Statements

THIRD PARTY ADMINISTRATORS

- Sales and Redemptions of Fund Shares
- Shareholder Records

PRINCIPAL SERVICES OF FUND VENDORS

LAW FIRMS

- Legal
- Tax
- Consulting

CONSULTANTS

- Marketing Plans
- Contract Review Data
- Performance Data
- Board Governance Advice

INDEPENDENT PUBLIC ACCOUNTANTS

- Audit
- Tax Returns
- Consulting

INSURANCE COMPANIES

- Fidelity
- D&O/E&O
- Independent Directors
- Cybersecurity

PRINCIPAL SERVICES OF FUND VENDORS

INDEPENDENT PUBLIC ACCOUNTANTS

- Audit
- Tax Returns
- Consulting

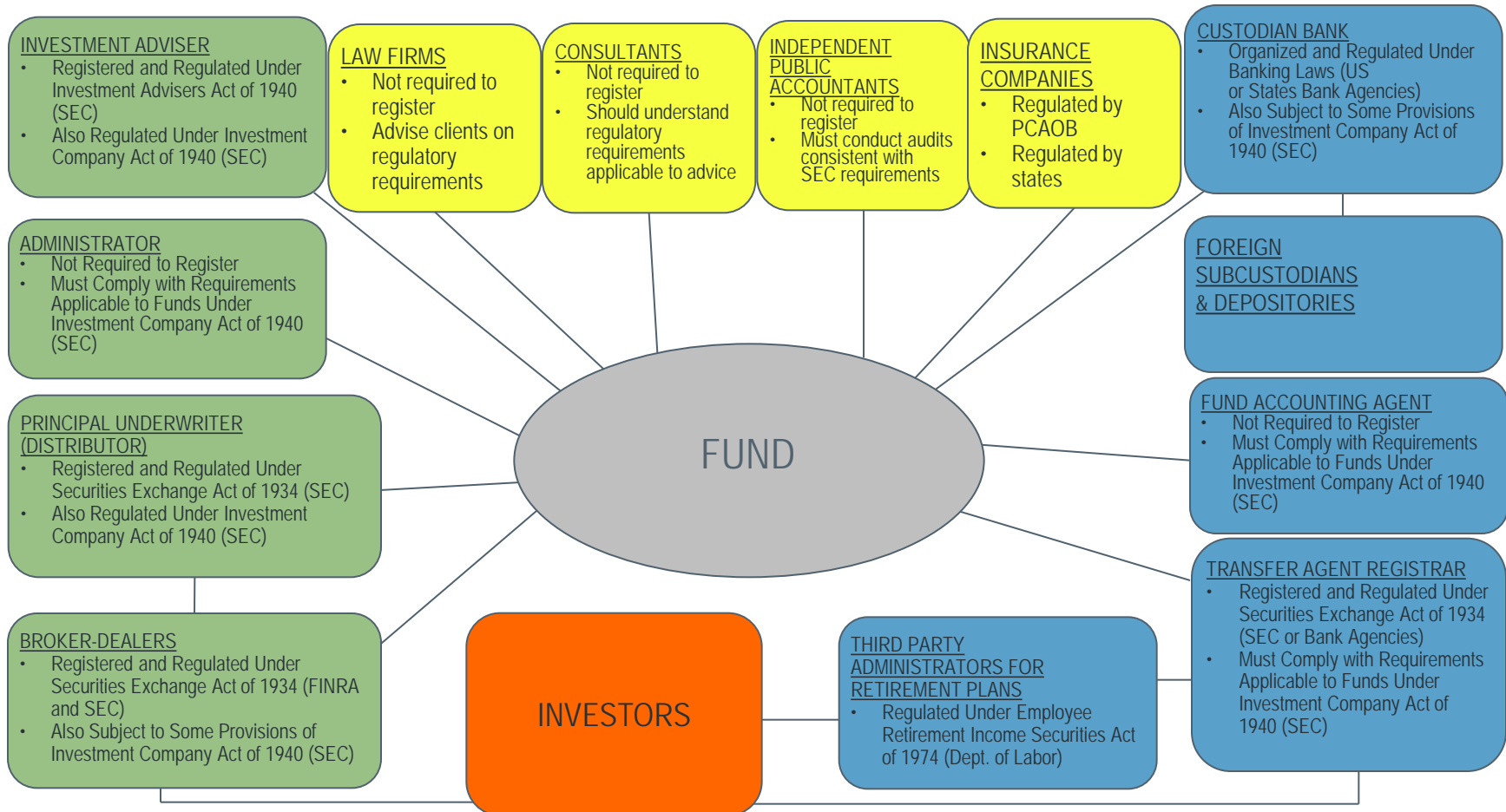
- Selection of Accounting Firm
 - Independent directors approve in person
 - Shareholders
 - Rule 32a-4
- Defining the Scope of Services
- Sarbanes-Oxley Act imposes additional requirements regarding auditor independence

INSURANCE COMPANIES

INSURANCE COMPANIES

- Fidelity Bond (Required)
 - Amount
 - Form of bond
 - Annual consideration
 - Filing of bond
- Directors and officer/errors and omissions liability insurance
 - Industry practice
 - Form of policy
- Supplemental coverage for independent directors
- Cybersecurity policy

PRINCIPAL REGULATORY STATUTES AND REGULATORS FOR FUND VENDORS



INVESTMENT COMPANY ACT OF 1940

- Issues Addressed by 1940 Act (§2(b))
 - Inadequate disclosure
 - Managed to benefit advisers and other affiliates
 - Unsound valuation and accounting
 - Changes in fundamental operations without shareholder approval
- Four Requirements Imposed by 1940 Act on Directors
 - Approval of advisory agreements
 - Approval of underwriting agreements
 - Approval of Independent Auditors
 - Valuation of securities for which no “market quotations are readily available”

PRINCIPAL REGULATORY STATUTES AND REGULATORS FOR FUND VENDORS

INVESTMENT ADVISER

- Registered and Regulated Under Investment Advisers Act of 1940 (SEC)
- Also Regulated Under Investment Company Act of 1940 (SEC)

FUND



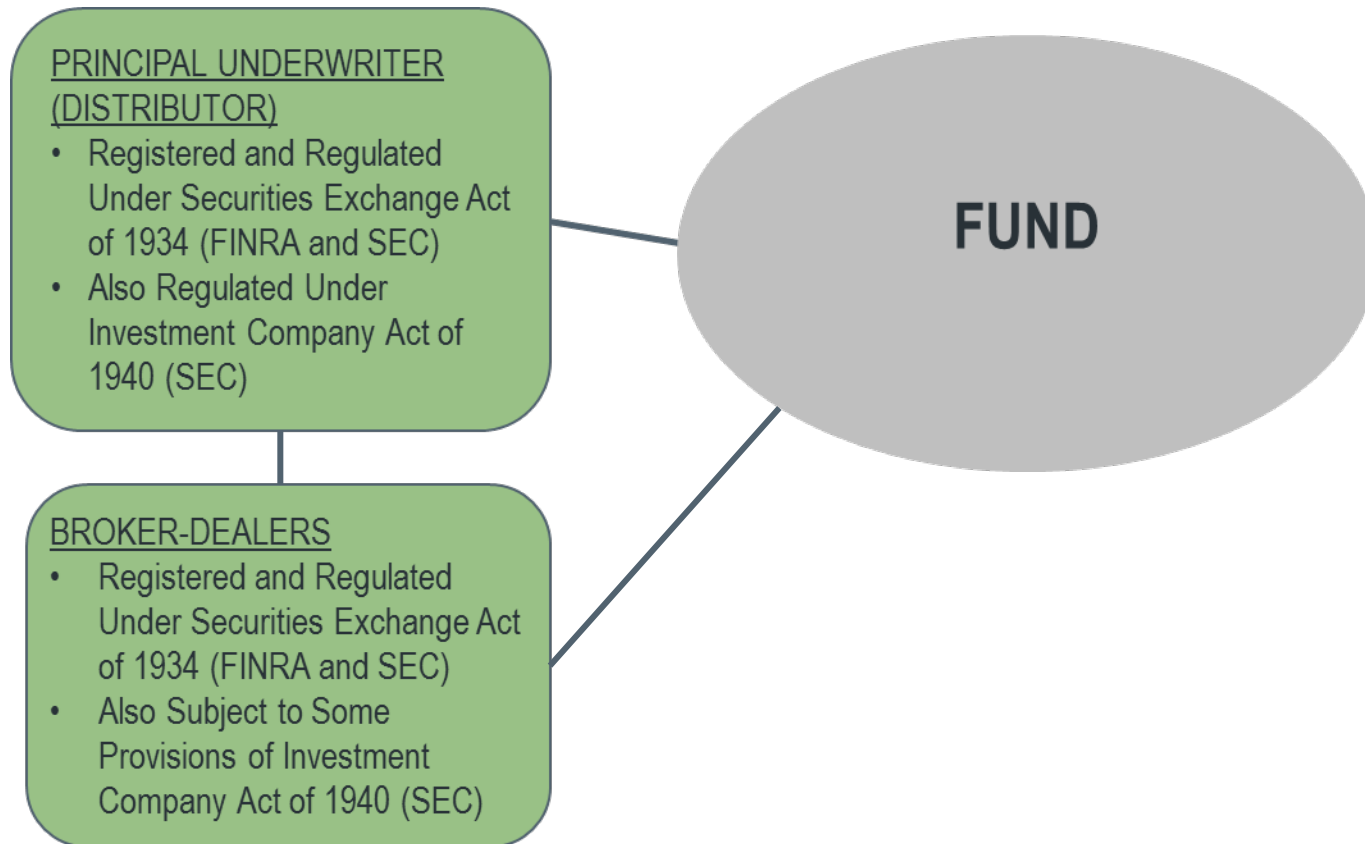
PRINCIPAL REGULATORY STATUTES AND REGULATORS FOR FUND VENDORS

ADMINISTRATOR

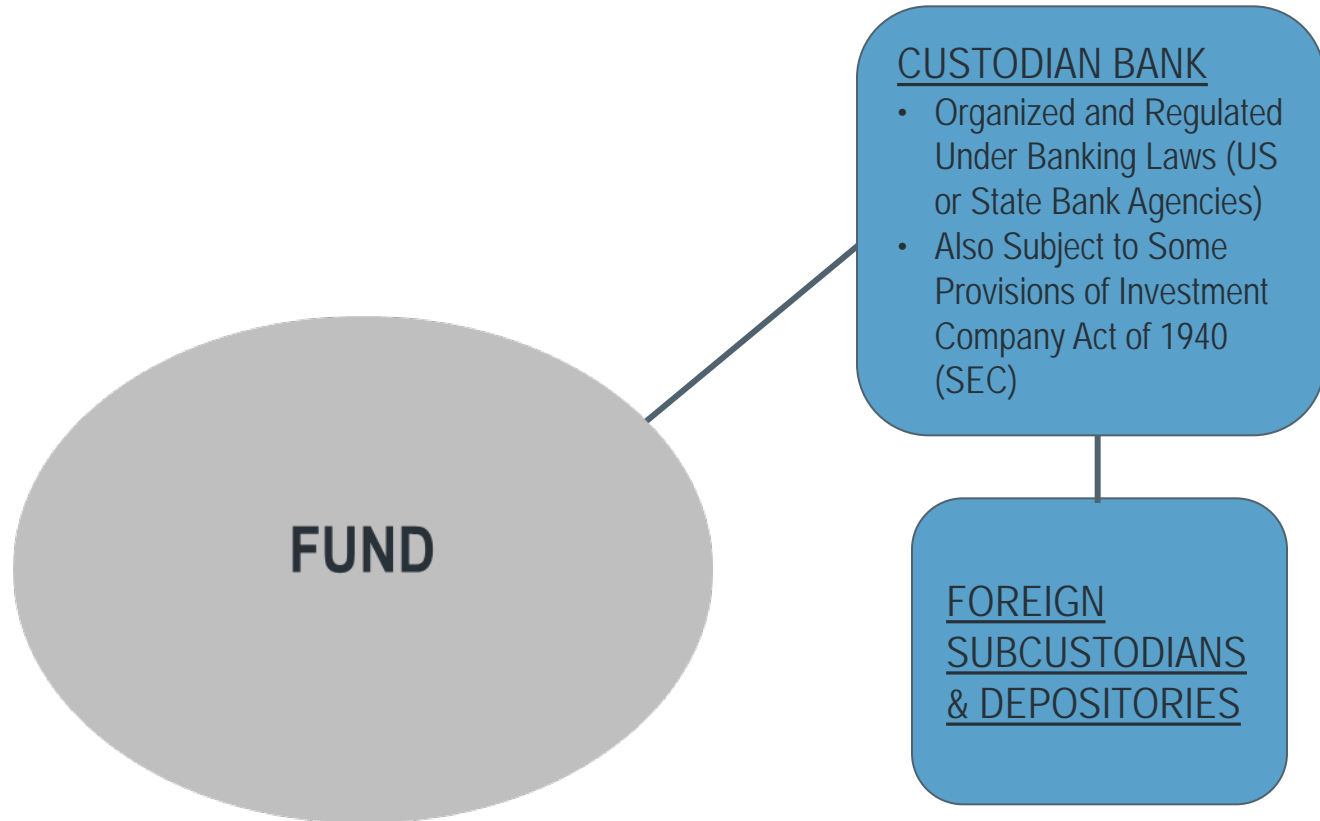
- Not Required to Register
- Must Comply with Requirements Applicable to Funds Under Investment Company Act of 1940 (SEC)

FUND

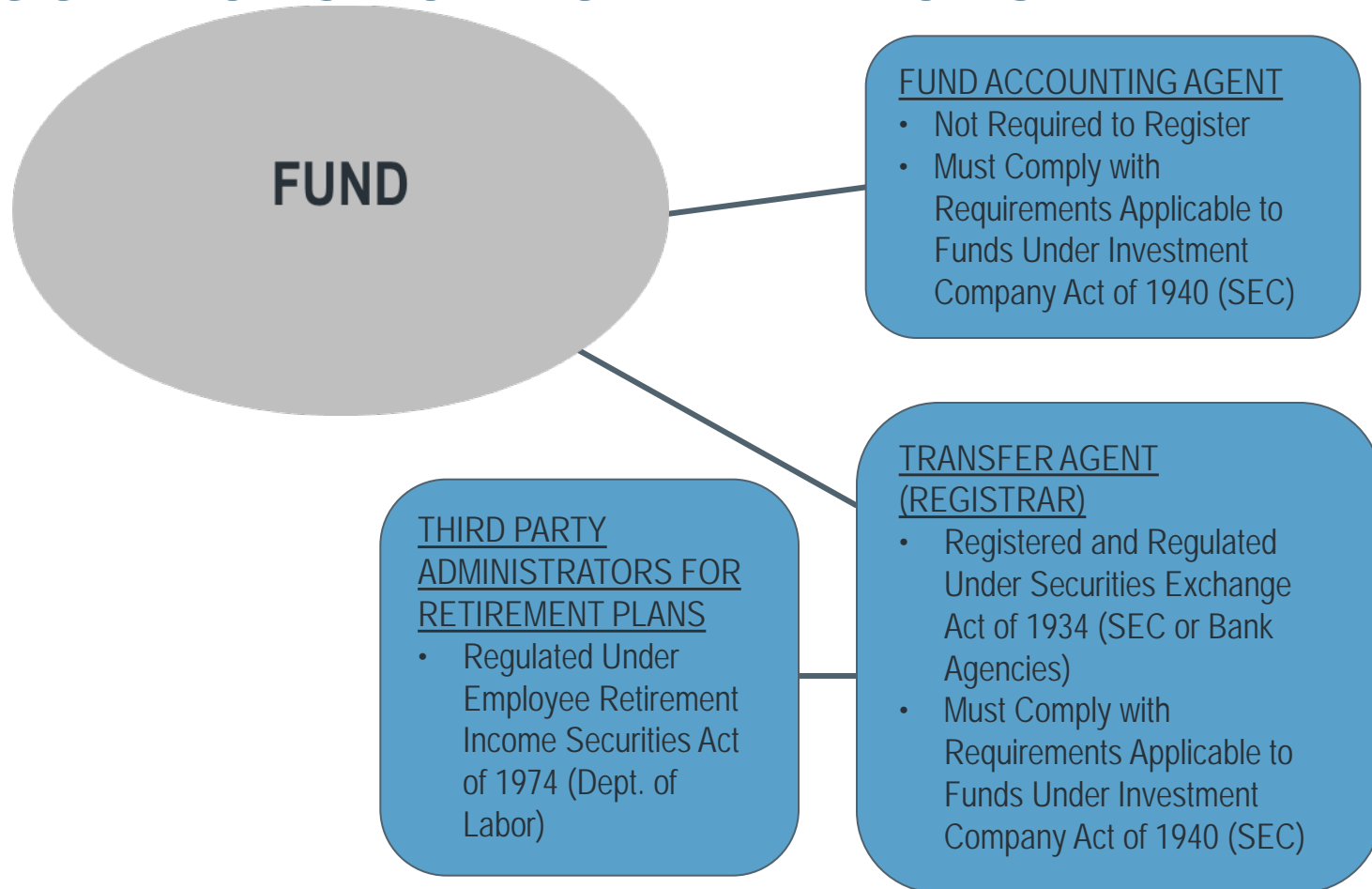
PRINCIPAL REGULATORY STATUTES AND REGULATORS FOR FUND VENDORS



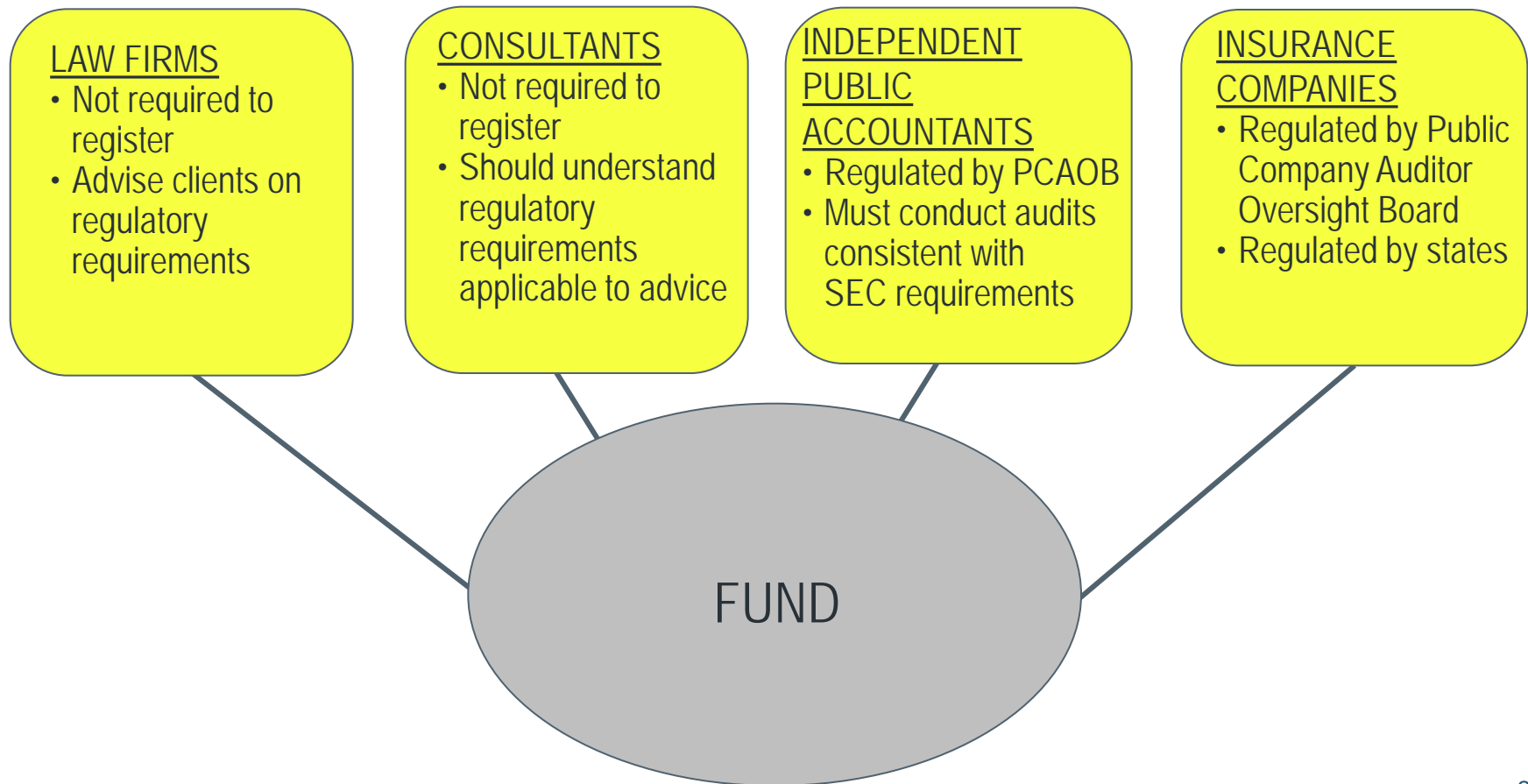
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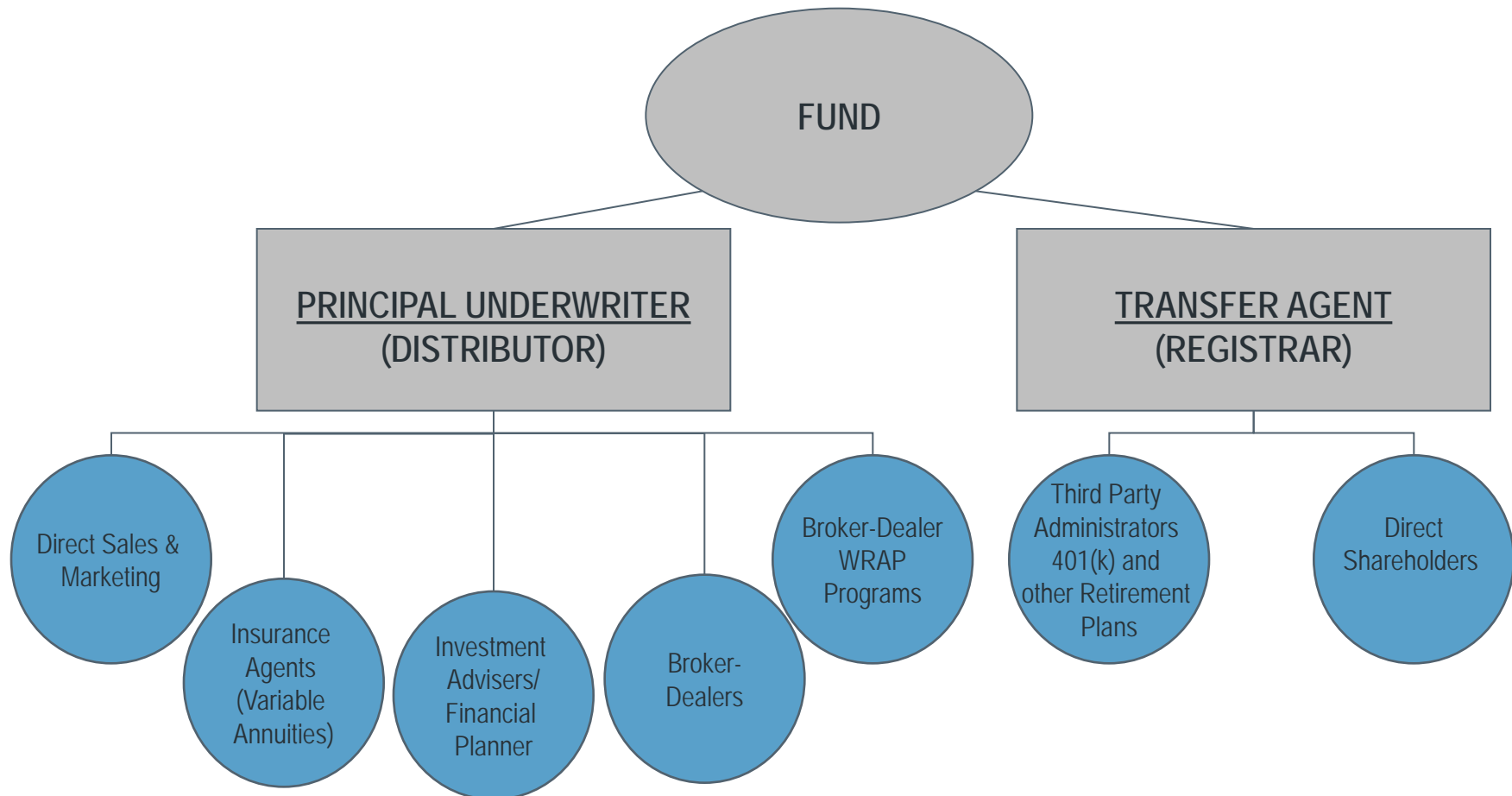
PRINCIPAL REGULATORY STATUTES AND REGULATORS FOR FUND VENDORS



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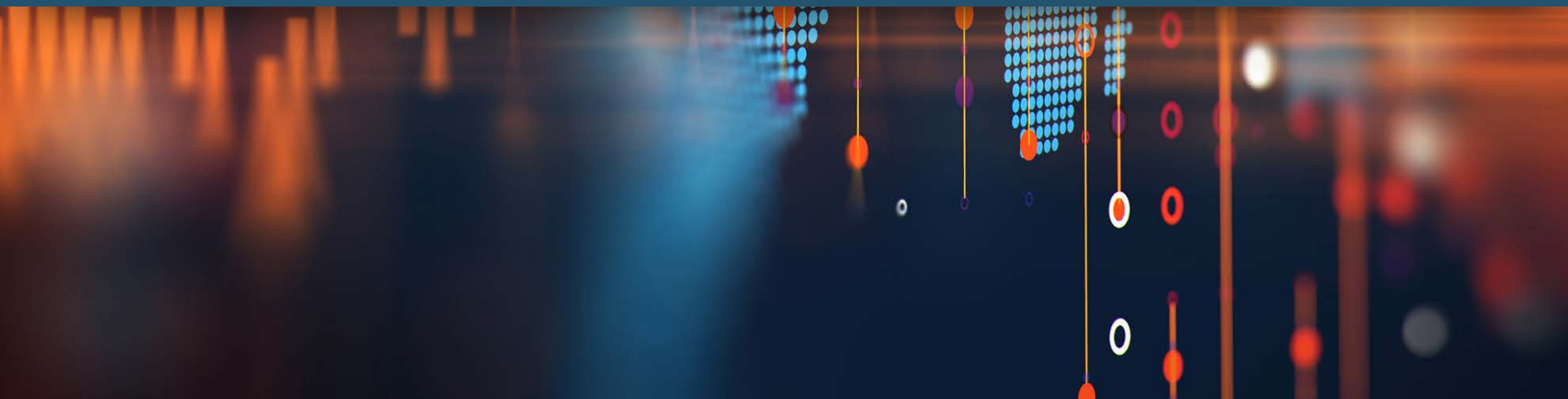


MUTUAL FUND DISTRIBUTION CHANNELS





Questions?



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