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VIA ELECTRONIC DELIVERY

February 15, 2012

Susan M. Cospers
Technical Director
Financial Accounting Standards Board
401 Merritt 7,
P.O. Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 2011-200

Dear Ms. Cospers:

Capital Group Companies, Inc. (“Capital”) is one of the oldest and largest global investment management firms in the nation. We appreciate the opportunity to provide comments on the Proposed Accounting Standards Update, Financial Services–Investment Companies (Topic 946): Amendments to the Scope, Measurement and Disclosure Requirements (“Proposed ASU”). These comments are informed by our experiences as preparers of audited financial statements of Capital and its affiliated companies as well as the American Funds. These comments reflect our own views and not necessarily those of Capital or other Capital associates.

We agree with the Financial Accounting Standards Board’s (“Board’s”) goal of developing consistent criteria for determining whether an entity is an investment company and to improve the comparability of investment company financial statements prepared in accordance with U.S. GAAP and those prepared in accordance with IFRS. However, we do not believe all six criteria in paragraph 946-10-15-2 of the Proposed ASU must be met in order for an entity to be considered an investment company, nor

do we believe consolidation of controlling financial interests in investment companies results in meaningful financial statements for fund of funds investors.

Investment Company Criteria

We are highly supportive of the Board's conclusion to treat an entity regulated under the Investment Company Act of 1940 as an investment company regardless of whether it met all six criteria in the Proposed ASU. Generally, we agree with the criteria in paragraph 946-10-15-2 for assessing whether an entity meets the definition of an investment company; however, we do not believe the pooling of interests criterion is necessary in determining whether an entity meets the definition of an investment company.

To meet the pooling of funds criterion, an entity must have investors that are not related to the parent (if there is a parent) and those investors, in aggregate, must hold a significant ownership interest in the entity. Under this criterion, an entity with related party investors who hold a significant ownership interest in the entity would not be deemed an investment company even though its purpose and design may be to provide returns from capital appreciation and/or investment income. For an entity that is in its initial offering period or has a small investor base, if an unrelated third party investor were to redeem its ownership interest, and the entity is not able to find suitable replacement investors (or demonstrate that it is "actively" identifying new investors), the entity could find itself in a situation where it no longer meets this criterion. In practice, it may also become difficult to continuously assess and monitor this criterion on a regular basis to determine whether the entity continues to qualify as an investment company.

Additionally, in the asset management industry, it is not uncommon for investors to request being in a fund where they are the only investor (e.g. due to investor-mandated investment restrictions). These single investor funds would fail the pooling of funds criterion, and as a result, not qualify for investment company accounting even though they operate similarly to funds with multiple investors and meet the remaining criteria in paragraph 946-10-15-2 of the Proposed ASU. We understand and acknowledge the Board's concern about the potential abuse of investment company classification and accounting. However, we believe the express business purpose of the entity and the nature of the entity's investment activities, not the nature of the entity's investors, are the most critical factors in

determining whether an entity is an investment company. Accordingly, we do not believe it is necessary to include a criterion that requires unrelated third party investors to hold a significant ownership interest in the entity and propose the elimination of this criterion. Removal of this requirement would ensure similar entities are accounted for in the same manner regardless of differences in the nature of the entity's investors or each entity's interpretation of "actively" identifying and seeking out new investors.

Consolidation

The Proposed ASU would require an investment company to consolidate another investment company in a fund of funds structure, if it holds a controlling financial interest in the entity. It also includes a consolidation exemption for feeder funds in a master-feeder structure. We strongly support the Board's decision to exempt feeder funds from having to consolidate controlling financial interests in its master fund and believe the current presentation and disclosure requirements for master-feeder structures sufficiently address concerns regarding transparency into the underlying investments and obligations of the master fund. However, consistent with the positions taken by the Investment Company Institute ("ICI") in its comment letter, we do not believe consolidation of controlling financial interests in investment companies results in meaningful financial statements for fund of funds investors. Therefore, we oppose consolidation of controlling interests in investment companies for fund of funds for the reasons enumerated below.

Financial Statement Presentation

Investment companies often invest in other investment companies to gain exposure to a particular asset class or investment strategy, and not to control an investee fund or dictate how the investee fund should invest its assets. Investing through another investment company (rather than investing directly in securities) allows the fund of funds to provide an efficient asset allocation strategy for its investors. Under this Proposed ASU, fund of funds would be required to consolidate an underlying investee if it owns a controlling financial interest in the investee fund. In consolidation, the investment holdings of the investee fund would be reported in the fund of fund's schedule of investments as its own direct investment, including the portion of the investment holdings attributable to the non-controlling interest. We believe this consolidated

presentation does not provide meaningful information to investors since it (1) causes the fund of fund's schedule of investments to be inflated by the portion of investments attributable to the non-controlling interest and (2) distorts or clouds the financial statements, because it implies the consolidated securities were purchased by the fund of funds and not by the investee fund, in accordance with its own investment policies and objectives.

A fund of funds may also own both controlling and non-controlling interests in underlying investee funds. Under such circumstance, the fund of funds would be required to consolidate some investee funds and not others, and as a result, the fund of fund's schedule of investments would include a combination of investments in investment companies and investments in securities. Additionally, the level of ownership interest held by a fund of funds in an investee fund could vary significantly from period to period based on third-party sales and redemptions into and out of the investee fund. There may be periods when the fund of funds has a controlling financial interest in an investee fund (and is required to consolidate), and subsequent periods when the fund of funds no longer has a controlling interest in an investee fund (and would be required to de-consolidate). This could lead to confusion for investors and lack of financial statement comparability if the fund of fund's position changes between control and non-control over different reporting periods.

Lastly, as discussed in the ICI comment letter, a consolidated presentation could result in misplaced emphasis on the investments held by the investee fund. For example, an underlying investee fund could represent a very small percentage of the fund of fund's net assets, but because the fund of funds owns a controlling financial interest in the investee fund, it would be required to recognize the investee's holdings on its schedule of investments. Consolidation disproportionately emphasizes the investments held by the investee fund, and secondly, provides no linkage between the relative size of the fund of fund's investment in the underlying investee fund and the increased transparency of disclosing the investee fund's holdings in the fund of fund's schedule of investments.

In lieu of consolidation, increased transparency into the investee fund's investments can be achieved by making the investee fund's financial statements available to the fund of fund's

investors. This can be done either by attaching the investee fund's financial statements to the investor fund's financial statements, or disclosing where and how it can be accessed.

Operational Difficulties

The consolidation of controlling financial interests will cause a number of practical and operational difficulties for both the fund of funds and its auditor. For example, it would not be uncommon for the fund of funds and the investee fund to have different fiscal year ends. When a fund of funds consolidates an investee fund, and the two funds have different fiscal year ends, the auditors of the fund of funds would be required to perform additional audit procedures on the investee fund, as of the fund of fund's fiscal year end. This would result in additional audit fees incurred by the fund of funds, which would ultimately be passed onto the fund of fund's investors. Furthermore, it may be very difficult for a fund of funds to obtain financial statement information from an underlying investee information fund in a timely manner to perform the consolidation, particularly if the investee fund is managed by a different investment adviser. This may be especially challenging for fund of funds registered with the Securities and Exchange Commission, since they are subject to shorter financial statement filing deadlines.

In summary, although we support the Board's desire to develop consistent criteria for determining whether an entity is an investment company, we believe the express business purpose of the entity, and not the nature of the entity's investors is necessary in determining whether an entity meets the definition of an investment company. Accordingly, we do not think it is necessary to include the pooling of interests criterion. Secondly, we are not aware of any concerns regarding the fund of funds financial reporting model and strongly oppose the requirement to consolidate controlling financial interests in a fund of funds structure. We believe additional consideration is needed to determine how transparency into the underlying investee fund's holdings can be enhanced for the fund of fund's investor.

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Thank you for considering these comments. Please feel free to contact any of us should you have any questions or wish to discuss our thoughts on the current proposal.

Sincerely,

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