

February 17, 2015

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

File Reference No. 2014-270

Dear Ms. Cospers:

McGladrey LLP is pleased to comment on the proposed Accounting Standards Update, *Financial Services — Investment Companies, Disclosures about Investments in Other Investment Companies* (the proposed ASU). We support the proposed disclosures in the proposed ASU and believe that they will result in an improvement to practice with minimal incremental costs. However, as discussed in our response to Question 3 below, we have some concerns with respect to auditability of the information.

In addition to the questions for respondents specified in the proposed ASU, we would also encourage the Board to consider providing additional guidance as to what falls under the definition of a master fund and feeder fund and how the requirements in the proposed ASU would apply in situations in which a feeder fund invests in more than one master fund under common management.

Our responses to the specific questions for respondents in the proposed ASU follow:

Question 1: *Do you agree that all feeder funds in a master-feeder arrangement (those that are regulated under the Investment Company Act of 1940 and those that are not regulated under that Act) should provide the financial statements of their master fund along with their own financial statements? Why or why not?*

Yes, we agree that providing the information would increase transparency of the disclosure and provide readers of the feeder fund's financial statements with insight into the underlying master fund's investments.

In addition, we believe that most feeder funds are already providing the financial statements of their master fund along with their own financial statements. Consequently, we believe that compliance with this proposal would not be difficult or costly.

As explained in more detail in our response to Question 3, we are concerned with how the requirement will be implemented and the impact that it may have on the audit of the feeder fund's financial statements.

Question 2: *Do you agree that all investment companies (those that are regulated under the Investment Company Act of 1940 and those that are not regulated under that Act) should be required to disclose in their financial statements information about investments held by investee funds that exceed 5 percent of the reporting investment company's net assets? Why or why not?*

Yes, we agree. We support the proposal because it will lead to increased consistency between registered and non-registered investment companies.

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We believe that non-proprietary funds may not be positioned as well as proprietary funds to provide the required information. Proprietary funds presumably will have access to the financial statements of investee funds and, accordingly, be able to provide the required information. Non-proprietary funds, on the other hand, are less likely to have such access. For this reason, we are also supportive of continuing to allow the practicability exception in the proposed ASU.

Finally, the proposal to require disclosure of information about investments held by investee funds that exceed five percent of the reporting investment company's net assets is to be applied to each individual investee fund. We would encourage the FASB to consider aggregating this disclosure requirement across multiple investee funds when applicable. We believe that such aggregation, when relevant, would result in more meaningful disclosure of significant investment exposures and is consistent with how some funds are currently reporting the information.

Question 3: *Are the proposed disclosure requirements operable and auditable? If not, which aspects pose operability and/or auditability issues and why?*

As indicated in our introductory comments, we have some concerns related to the auditability of the required information.

We recommend that the FASB clarify what is meant by "provide the financial statements" of another fund. For example, are the financial statements of the other fund to be included as a footnote? If so, presumably the information in the footnote would be required to be audited in connection with the audit of the feeder fund's financial statements. If the intent is to have the financial statements of the other fund "accompany" the financial statements of the reporting investment company, what are the auditor's responsibilities related to the requirement and how would they ensure that the requirement is complied with once the report is released.

We also request that the final ASU include guidance about what information would be required in situations in which the master fund and feeder funds have different year-end dates.

Question 4: *How much time would be necessary to implement the proposed amendments?*

Assuming that the issue raised in Question 3 is appropriately resolved, we do not believe that implementation of the proposals would require significant time or effort. We believe that it is already common practice in the industry for fund managers to obtain and analyze the audited financial statements of their underlying investee funds as part of their ongoing investment monitoring procedures. Accordingly, it would not be difficult to identify the investment objectives and redemption restrictions of the underlying investee funds, which would be required disclosures for those investments whose fair value constitutes more than five percent of net assets.

Question 5: *Should the effective date for investment companies other than public business entities be one year after the first annual period for which public business entities are required to adopt the proposed amendments?*

Given the limited impact that we would expect this proposed ASU to have, and the minimal effort that would be needed on the part of most fund managers to adopt the proposals, the one-year delay should be sufficient.

Question 6: *Do you agree that the proposed disclosure requirements should be applied prospectively and that early adoption should be permitted? Why or why not?*

We agree that the proposed disclosure requirements should be applied prospectively and that early adoption should be permitted.

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We appreciate this opportunity to provide feedback on the proposed guidance and would be pleased to respond to any questions the Board or its staff may have concerning our comments. Please direct any questions to Rick Day at 563.888.4017 or Richard Stuart at 203.905.5027.

Sincerely,

A handwritten signature in cursive script that reads "McGladrey LLP".

McGladrey LLP