The Global Mark of Distinction in Alternative Investments

September 24, 2020

Office of Regulations and Interpretations
Employee Benefits Security Administration, Room N-5655
US Department of Labor
200 Constitution Avenue NW
Washington, DC 20210
ATTN: Proxy Voting and Shareholder Rights NPRM

Reference: RIN 1210-AB91

I write to you today on behalf of CAIA Association, the professional body for alternative investments. Better outcomes for all investors remain integral to our mission, and there should be nothing that is complex or ambiguous about what that means to a fiduciary. Inherent in that contract is the responsibility to help the investor to meet her long-term goals. The importance of this contract can be summed up in one simple sentence: "Over ***a long time*** – the time you probably have to save for retirement – the risk of losing money or earning less than you would in a savings account tends to decline." If that sounds familiar, it should – because you said it.

This context finds us bewildered and disappointed about the current position you are taking in your proxy voting rule proposal. Investing is about understanding and managing risks over an anticipated holding period. Too many investors act more like casual market participants, making decisions based on an intraday market move or the often-ill-informed opinions of a talking head. It is no wonder that the average equity mutual fund investor market-times their way to a compounding quotient that stands over 700 basis points behind the S&P 500 index on an annualized basis. These inclinations have resulted in nothing short of a trebling of the average annual mutual fund turnover during the last 75 years. We need to strongly discourage this short-term orientation where the costs are both measurable and high. These facts are unimpeachable and the need to encourage a long-term horizon is an imperative within your rulemaking responsibility. It is through that lens that ultimate rewards to our retirees will be higher, and the ESG risks become more acute, measurable, and in demand of unequivocable action. It would simply be derelict to an investment professional's fiduciary duty to ignore the negative future cash flow risk of material threats such as climate change, workforce integrity, and stranded assets.

In summary, we are neither a lobbyist nor operating in any self-interest to protect a specific business model or bottom line. As you say yourself in your mission statement, we are in this with you "to foster, promote and develop the welfare of the wage earners, job seekers, and retirees of the United States."

Let us recognize the duration of that mission as we seek to demand better long-term outcomes for all of them.

Sincerely,

CAIA Association

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