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Submitter Information

Name: Charles Cohn
Organization: Retired

General Comment

Sirs:

My career as a financial advisor spanned 40 years. I believe that in that time there was only one formal complaint lodged against me, and that proved to be groundless. During this time, I was never required to be a legal fiduciary for my clients, but from day one, I managed my business and behaved as if I were a fudiciary for my clients.

Thank you for this proposed rule change. I fully understand that some clients may have moral reservations about investing in the stocks or even bonds of certain companies, or in certain industries. I myself will not invest in companies engaged in certain businesses. Additionally, I may also bypass an investment because of what I perceive to be character issues on the part of the company or of its employees, including the top management, of that company. Just the same, it was not my practice to project my own reservations over moral issues on the investment of client portfolios if the financial criteria for making an investment remained sound. My credibility with my clients sprang from their understanding that I would alway advocate for my highest perception that they would profit from the investments we were undertaking in their behalf.

My goal always, particularly in regards to retirement plans, was to invest in solidly managed companies whose track record was of managing their businesses successfully. This meant to me, plain and simple, a history of controlling expenses and earning profits. Without such a straightforward track record, there was simply no basis for expecting our investment in a company to produce results for our clients. The results I speak of are 1) mitigating risk, and 2) growing the portfolio through both dividends and the price appreciation of the underlying securities.

If you had come to me and asked me to include a company in your retirement portfolio because of its good treatment of its employees, and because of their support of various social justice organizations, I would have questioned you seriously. I'd first want to know the potential exposure to downside risk in the owning of these securities, and secondly to know what their track record of creating profits from their work was. Without these latter criteria being positive, I'd have strongly discouraged the investment.

As we always said in the business, you can dress a pig up to look like a horse, but you can't expect to win any horse races riding that pig. Portfolio decisions need to be made strictly upon an expectation of return, not on some ephemeral expectation of an unrelated good. Portfolio success needs to be measured in terms of the success of the manager versus the returns of similar markets, and versus similarly managed portfolios over fixed periods of time. If a manager consistently out performs his peers in down markets and up markets, he's earned his keep. If he tries to tell me it's okay that he hasn't because we've ancialarly fulfilled all these other wonderful social purposes, then I'm not much interested. Neither I, nor my clients, could live a long and happy retirement financing the pipe dreams of others while sacrificing our own returns.

As regards to proxy voting. I've never much valued the votes of individual shareholders. Just the same, it's because shareholders votes and comments are so little regarded that some are choosing to vacate them altogether, and to take possession of large numbers of them to coerce company managements into engaging company time and monies on issues that have no bearing whatsoever on the success of the company's business or general profitability.

Please feel free to call on me for further comment, should you so desire.

Respectfully,

Charles S. Cohn