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To: British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Superintendent of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon Territory
Superintendent of Securities, Nunavut

Date: September 14, 2012

Re: Comments regarding 31-103CP Performance Reporting and Fee Disclosure initiative

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I'm flabbergasted by the quality of this performance reporting initiative. It's terrific. I've been away from Canada for many years and had long railed against the industry for its shoddy reporting of performance that matters so much to so many. But this is a wonderful report template. Back then I felt that the industry got a free ride because client accounts rose over time and people felt richer. But like the intentional complexity of cell phone plans, most consumers were unable to discern from their statements how much of that growth simply came from their own annual additional contributions.

But I'm humbled and impressed with this elegant two-page powerhouse of simple, meaningful data. I thought I was clever in being the first in Canada to publish big ideas regarding performance using simple language. Twenty years ago I chided then-industry leader *Bell Charts* for their use of standard deviation as the measure of risk (because it's not and because few understood it). Instead I encouraged communication of 'downside risk', then a hot field in the institutional world in the US. Only I didn't use the complex language of the field (terms like '*mean average downside deviation*'). Too much of a mouthful, I thought. So I was the first to publish – widely and for free – common-sense measures of downside risk in plain English. The biggest contribution I reckon I ever made to the burgeoning mutual fund industry was subtle: I told people what each fund's "*biggest drop*" had been, from peak to trough. So simple a child could do it – I was 25.

The reality a decade ago was that only 1 in 17 investors had done as well as their funds over the long term, as my research publications showed. Poor timing decisions were caused by aggressive marketing of hot funds *after* a burst, leading to extreme fund flows. Many people earned awful individual returns and began a deep disdain for the industry that refused to deal with the crisis of its systemic '*expectations gap*' between advertised fund performance and individual experience. I felt it was the crime of the new century.

Performance measurement is challenging and costly work as my 14 years spent as CEO of FundMonitor.com Corporation taught me. To outsiders who wonder whether this report is good enough, I say that even a critic has been silenced. It's great.

Specific comments:

- The report need not be provided more than once per year (except, perhaps, by request)
- It should remain 2 pages
- I concur with almost all of the stylistic suggestions reported in the ARC study

- Details such as disclosure of the modified Dietz method of performance and benchmark details can be moved to a footnote area
- Stick with the GIC benchmark instead of T-Bills
- Offer a version which is consolidated by household, even if only by request

Regards,

Duff

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