

Cyril Fleming

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March 09, 2002

Canadian Security Administrators:

The enclosed information is being mailed to each of our thirteen Administrators after reading their CONCEPT PROPOSAL dated March 01, 2002.

At his time we are going to deal with two matters only. The first relates to the subject of our letter of January 09 to The President of Investors Group and our follow-up letter dated March 05 acknowledging receipt of the note from his executive assistant. They are self-explanatory.

Also enclosed is a copy of a letter dated August 08 past to the President of The Investment Funds Institute of Canada and the reply from that union in which its President, Hon. Thomas A. Hockin states that "Mutual fund dealers are not legally required to report information about fees in client statements." – to which we say for consideration by each Administrator: They should be legally required to do so.

In order to demonstrate to each Administrator the difficulty in determining just exactly what a consumer pays for the services of mutual fund managers we are going to sincerely ask that you participate in the following exercise: attached is a copy of fairly simple client statement for the last quarter of last year. Only the names of the owner and financial planner have been removed. Give it to a Chartered Accountant or someone similarly qualified and ask them to tell you exactly how many dollars and cents the client paid directly or indirectly for all the services during that three month period. In this case your calculator should be aware that this account is part of a family of accounts and that at the end of the quarter the combined asset value of the "family" was slightly more than \$██████. We would further ask that you send the results of the exercise to your two CSA secretaries and perhaps even to the writers. We are assuming that your local Investors rep. will be pleased to provide your calculator with a copy of the not-so-simple "simplified prospectus" so that he/she will be equipped with the same tools available to a client. Both parts A and B will be needed. The "service fee rebate" shown in the statement is listed in Part A at page 24 under the heading "Service fee refunds".

Notwithstanding any negative overtones that his letter may leave with you we hasten to add that the mutual fund concept is great one. We have done very well by them and cannot imagine a better system for most Canadians – but please, please tell us in plain language what you charge us for your services. And, just to assure you that we have no bias against Investors we are enclosing copies of some 1999 correspondence to/ from Clarica. We never did get the information requested but remain clients and shareholders.

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The second matter we would like to address is related directly to your Concept Proposal 81-402.

This is a great initiative and clearly is intended primarily to benefit the most important person – the client/consumer. However, reference to making it easy for them to make any contribution to this process is not exactly highlighted in these forty pages. It has taken some fifty years for us to reach this point in the development of rules/regulations/statutes to protect all concerned in the mutual fund industry. Wasn't it about a half century ago that Theodore Oscar Petersen et al incorporated Investors Mutual of Canada as the first home-grown fund - or am I wrong? Whatever is put in place as a result of all this effort is likely to be around for the next half century. So lets get it as right as possible now by ensuring that more consumers can say their piece. We just happen to know about Concept Proposal because of an article in the Toronto Star. How many fund owners are out there between Conception Bay and the Queen Charlottes who never heard about it?

Your last line on page 09 reads “The reality is that Canadian Investors have neither the resources nor the inclination to effectively oversee the managers of their mutual funds.” The same can be said about their participation in this effort but we feel it is grossly unfair to them that the invitation for them to participate has not been shouted louder and wider.

We urge you to now invite them to speak. Change your deadline from June 07 to late November. Prepare a common notice and ask IFIC member funds to co-operate by including them with their second and third quarter statement mailings and for that exercise forget about the “two copies of your letter, together with a diskette.” This too will provide IFIC with a beautiful PR opportunity by showing how anxious they are for their clients to have their say in this important process.

Copies are being sent to the same list shown in our letter of March 05 to Investors.

We will be writing you further particularly in Pillar 2 - Mutual fund governance.

Thank you for listening.

Cyril W. Fleming

Mary C. Fleming

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March 05, 2002

R. Jeffery Orr
President & Chief Executive Officer
Investors Group
One Canada Centre, 447 Portage Avenue,
Winnipeg, Manitoba R3C 3B6

Good day Mr. Orr,

Your Executive Assistant acknowledged receipt of our letter of January 09 and advised she was “forwarding your correspondence to Mr. Brian Jones, Vice-President Services, Client Services, for immediate attention.” She also wrote that “Mr. Orr takes the concerns of our clients very seriously, and as soon as he returns to the office, I will ensure that he review your letter.”

We have not heard from you nor from Brian Jones. And so we can only conclude that the note from your assistant plus a telephone call from your sales rep./our financial planner constitute the complete reply of Investor’s Group to our pleas for information we feel should be detailed in every statement from your Head Office.

Mark de Hart telephoned around the date your assistant’s letter arrived to say that he would personally calculate and provide us with the information requested in the first sentence of our letter, that was “statements showing in dollars and cents the exact amounts charged to each of our accounts by you for all of your management services for last year.” In his usual efficient manner he promptly returned my telephone call today and reassured us that he will personally provide this information as soon as he has determined from you Head Office just how the calculation is done. He also advised that he would share this information with us so that it can be passed along to our accountants who will be doing their own calculations of your last year’s charges. We are assuming that Mark will provide that information in such written form that it will be meaningful to our accounting firm. We have the feeling that the information provided in your no-so-simple “simplified Prospectus” is not crystal clear to the accounting profession when it attempts to determine exactly what we are paying Investor’s Group for their management services. We read a lot about “transparency” lately – could that word have some application here?

We would now ask that you re-read the second paragraph of our letter of January 09 and personally provided the answers to our questions. In our conversation today, Mark kindly offered to provide that information at the end of each quarter with no fee for that extra service. While we sincerely appreciate his offer, we would like to make it abundantly clear to you and the members of your Board

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of Directors that the information we are requesting should come directly from your Head Office in your regular quarterly statements - not from a client's local sales rep.

Apart from the fee on Investors Mortgage Fund we have no reason to believe that your management fees are exorbitant but we have no reason to believe that they are not. And, until you spell out in a meaningful way just what they are, we will always be suspicious. The current industry method which purports to disclose management fees/charges by referring clients to a not-so-simple "simplified prospectus" is tantamount to hiding them. This hiding of true costs is being perpetrated by your industry association/union, The Investment Funds Institute of Canada with the collusive and perhaps unwitting blessing of Canadian Securities Administrators and the Investment Dealers Association.

We look forward to hearing from you in the near future.

Thank you,

Cyril W. Fleming

Mary C. Fleming

CC: Mark de Hart
Provincial/Territorial regulators
Honourable Alan Rock
Investment Funds Institute of Canada
Investment Dealers Association
CSA secretaries (re Concept Proposal 81-402)