

December 23, 2002

Canadian Securities Administrators
c/o Ontario Securities Commission
20 Queen Street West, 19th Floor, P.O. Box 55
Toronto, M5H 3S8

Attention: John Stevenson, Secretary
Email: jstevenson@osc.gov.on.ca

Re: Proposed National Instrument 81-106

Dear Sirs:

We are writing in response to your request for comments concerning the Proposed National Instrument 81-106, which covers the contents of annual and quarterly reports for mutual funds. For your reference, it may be helpful to know that Howson Tattersall Investment Counsel currently manages or advises approximately \$1 billion in financial assets for private clients, pension funds and other institutional accounts. Included in this total are \$300 million of assets represented by Saxon Mutual Funds (no-load). We established these funds in December 1985, so they will shortly celebrate their seventeenth anniversary under the same portfolio management advisor.

As a general comment, we would not anticipate any significant problems in complying with the proposed national instrument 81 - 106. For the past 17 years, Saxon Funds has sent a quarterly report to all unitholders. This report includes a review of the performance and major transactions for the quarter, plus an alphabetical listing of every security in the portfolio. It is normally mailed to unitholders about 10 business days after the end of the quarter and is available on our web-site at the same time. To view the third quarter report as an example, please visit www.saxonfunds.com.

Our comments regarding specific elements of the proposed national instrument 81-106 are as follows:

1. We do not agree with the prohibition on binding together the MDFP for several funds. At Saxon Mutual Funds, we currently mail out a single document covering all five of our funds to all clients for the following reasons:

- a) Many Saxon clients own more than one fund.
 - b) In order to maximize the informational content without adding bulk, we frequently refer readers to other fund commentaries for more detail on certain topics. For example, in our Balanced Fund commentary we typically refer investors to the Stock Fund commentary for a discussion of the equity market and its impact on the Balanced Fund portfolio.
 - c) As our investors mature, their needs change: It may be appropriate for them to consider a switch from a purely equity portfolio to a balanced or income fund. Our family of funds is designed to cover this transition and we believe that our quarterly commentary alerts our clients to the risks and rewards in sectors where they are not currently invested. We would almost certainly continue to send a full quarterly report to all clients, so the individual MDFP would become an additional expense and largely redundant for most of our clients.
2. The proposed national instrument specifically states that separate fourth quarter financial statements are not required, but appears to be silent on the topic of a fourth quarter MDFP in addition to the annual version. We believe that it would be redundant to require both a fourth quarter MDFP and also an annual version. At Saxon Funds, our current practice is to include annual performance commentary in the fourth quarter report, along with major transactions and portfolio strategy discussion for the most recent quarter. As a result, we propose four brief and promptly-issued reports and no annual report at all.
 3. The 90 day deadline for preparing annual financial statements is reasonable given the requirements for audits etc. It is not clear that an MDFP provided within this timeframe will be of any value to a mutual fund investor. In view of the volatility of the financial markets, a report received in late March which reviews the performance of the previous calendar year will likely be viewed as ancient history by most unitholders.

This raises the question as to whether or not real-world investors will rely on proposed national instrument 81-106 as a source of comparable and consistent information on mutual funds. For the price of a daily newspaper, investors every month have access to performance surveys, risk measures, MER's and independent commentary. In addition, they can go to independent web-sites which permit them

to screen mutual funds on a variety of criteria and then drill down for more detail. We do not believe that the MDFP will provide timely value added information to the majority of mutual fund investors.

4. At Saxon Mutual Funds, we actively research and vote our proxies, and several of our institutional clients ask us to provide records of how we voted. We provide the same information to the Saxon trustees and consider this to be simply part of our fiduciary responsibility as investment advisors. We do not see any reason why this information should be made available to the general public, who may or may not be unitholders of the fund in question. There is a serious danger that this information would be exploited by various narrow-interest groups whose agenda has no relevance to the financial objectives of the unitholders.

If the logic behind the disclosure of proxy voting is to expose situations where portfolio managers are intimidated into voting in favour of management because of other corporate relationships, then there is a simpler solution: The Securities Commissions should mandate secret balloting so that shareholders can vote without fear of retribution.

We hope that our observations concerning proposed National Policy 81-106 will be helpful in your deliberations. Please feel free to contact me directly if you require additional information.

Yours very truly,

A handwritten signature in black ink that reads "R. Tattersall". The signature is written in a cursive style with a large, prominent "R" and a long, sweeping tail on the "l".

Robert Tattersall
President, Howson Tattersall Investment Counsel