December 18, 2002

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
Manitoba Securities Commission
Ontario Securities Commission
Securities Administration Branch, New Brunswick
Office of the Attorney General, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Department of Justice, Government of the Northwest Territories
Registrar of Securities, Government of Yukon
Registrar of Securities, Legal Registries Division, Department of Justice, Government of Nunavut

c/o John Stevenson
Ontario Securities Commission
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19th Floor, Box 55
Toronto, Ontario M5H 3S8
E-mail: jstevenson@osc.gov.on.ca

- and -

Denise Brosseau, Secretary
Commission des valeurs mobilieres du Quebec
800 Victoria Square, Stock Exchange Tower
P.O. Box 246, 22nd Floor
Montreal, Quebec H4Z 1G3
E-mail: consultation-en-cours@cvmq.com

Re: Proposed National Instrument 81-106 – Investment Funds Continuous Disclosure

Capital International Asset Management (Canada), Inc. ("CIAMC") is pleased to have this opportunity to provide comments on the CSA's Proposed National Instrument 81-106 (the "Proposal"). For your information, CIAMC is a registered investment adviser in Ontario and British Columbia, and serves as the investment adviser to the Capital International Funds group of mutual funds registered throughout Canada. CIAMC is part of The Capital Group Companies organization, a global investment management firm established in 1931. The Capital Group Companies organization, through its separate investment management companies, managed in excess of $750 billion as of September 30, 2002.

We are pleased to offer our specific comments on the Proposal and wish to state our general support of the positions discussed in the forthcoming comment letter from the Investment Funds Institute of Canada. There are three significant items in the Proposal that we believe are in specific need of reconsideration. They are: 1) the introduction of first and third quarter fund performance reporting; 2) the restriction on binding management commentary for different funds together with any other information; and 3) the addition of proxy voting to disclosure requirements.

Quarterly Reporting Is Unnecessary

The value to investors of management commentary on fund performance needs to be balanced with the cost to investors inherent in such a program. We believe that the Proposal's quarterly reporting requirements would present an undue burden on funds and funds' managers without providing any significant benefit to fund investors, and thus we urge the CSA to eliminate this part of the Proposal.

We believe that the CSA has greatly underestimated the time and cost of producing such reports, even in the context of such reporting being sent to investors only "upon request". Doubling the volume of commentary will have certain fixed development and production costs that we believe would be only minimally offset by the potential reduction in delivery costs afforded by investors who choose not to receive these reports. Creating effective and timely communications requires a significant amount of effort by several different staff positions including portfolio managers, accountants, investment writers, editors, designers, production managers, copy editors, legal reviewers and a range of fulfillment and distribution professionals. Additionally, the shorter time frame for all of the required reports will impose a great burden on the fund and fund manager, and we anticipate that some fund managers will need to employ additional staff to prepare the reports and meet these deadlines.

In our opinion, the additional amount of new information made available to investors via a quarterly reporting schedule would not be of material benefit, especially in light of the increased cost burden to the fund. Thus, we would urge the CSA to have the required disclosure be limited to annually and semi-annually.

Limitations on the Binding of Reports Is Too Restrictive

With respect to the prohibition against including management reports of fund performance for different funds in one report under Section 8.1 (3) of the Proposal, we do not see how this restrictive provision will serve the interests of investors as it unduly limits the production flexibility and efficiency of fund managers and will create two significant problems.

The first is a fulfillment issue for any fund family with multiple funds sharing the same fiscal year. They must choose between creating for each fund a unique document containing its financials, notes and the management commentary, or creating a set of documents. The set would include a collective report housing the financials and notes for multiple funds and then as many unique, stand alone management commentaries as there are funds. Investors often have more than one investment in a single fund family. Thus the investor gets multiple mailings of unique reports or one report envelope with

multiple inserts. Either choice results in increased printing and distribution costs. For the “set of documents” option the fulfillment cost can dramatically escalate if a fund family chooses to customize mailings by individual account and only include commentaries for the funds in the account.

The second is effectiveness of investor communication for the “set of documents.” With a fund commentary separated from the financials the connection between one of kind of information to the other is harder to keep intact. If the intent of the proposal is to move away from generalized commentary covering all funds, that is clearly accomplished through the provisions of Form 81-106F1. We do not believe having a physical manifestation of an "independent" single fund focused piece of paper adds to effective investor education.

Required Proxy Voting Disclosure is Unwarranted

The requirement to discuss and disclose portfolio advisor proxy voting in Part B, section 1.2(h) of Form 81-106F1 is troubling to us. First, we do not believe that this type of fund information is relevant to an investor’s decision to purchase or remain invested in a fund (in comparison to the other types of information to be disclosed under section 1.2). The standard of confidential proxy voting has for many years been an important tool in improving corporate governance and promoting accountability. We are concerned that the disclosure required under the Proposal would result in a loss of confidential treatment of investment-related decisions of an investment manager. Further, to the extent that the Proposal would require public disclosure of a manager’s voting record, we believe that such an obligation would primarily serve the purposes of special interest groups seeking to further social or political agendas through the mutual fund industry; the financial goals of fund investors would not be served. To the contrary, we would anticipate that third party pressure from such interest groups will be exerted on funds and/or fund advisors, and this would be inconsistent with the policy objective of maintaining a regulatory environment designed to encourage market participants, such as mutual funds, to act solely in the best interests of their clients or investors.

Nonetheless, to the extent that the CSA finds proxy voting disclosure to be necessary, we would urge that the disclosure be limited to a fund’s material holdings. However, we believe that fund investors’ interests and the path to improvements in governance is better served by maintaining the fundamental right of confidential voting.

Again, we appreciate this opportunity to submit our views on the Proposal, and would be happy to further discuss these matters with you.

Sincerely,

As signed in original document

J.C. Massar
President