



**Fiducie  
Desjardins**

Montréal, December 19, 2002

**CANADIAN SECURITIES ADMINISTRATORS**

c/o Mme Denise Brosseau  
Commission des valeurs mobilières du Québec  
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- and -

c/o Mr John Stevenson  
Ontario Securities Commission  
20 Queen Street West  
19<sup>th</sup> Floor, Box 55  
Toronto, Ontario  
M5H 3S8  
*e-mail : jstevenson@osc.gov.on.ca*

Dear Mrs Brosseau  
Dear Mr Stevenson :

**Re : Proposed National Instrument 81-106 and Companion Policy 81-106CP  
Investment Fund Continuous Disclosure, and Form 81-106F1 Contents of Annual  
and Quarterly Management Reports of Fund Performance**

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Pursuant to the Notice published by the Canadian Securities Administrators on September 20, 2002 (the "Notice") we are pleased to submit our comments regarding the Proposed National Instrument 81-106 and other documentation captioned above (hereinafter collectively referred to as "Proposed NI 81-106").

We wish to state that although we subscribe to the objectives of Proposed NI 81-106 as they are specified in the Introduction to the Notice, we disagree on some of the means contemplated to achieve them, essentially the production of reports on a quarterly basis, and the important reduction of delays to produce the annual and interim financial statements.

## **1. Annual and Quaterly Management Reports :**

We agree with the proposed concept of Management Reports of Fund Performance and that they should be provided only to unitholders who request them. However we disagree with the contemplated quarterly frequency to produce and file those reports, and believe that an annual and semi-annual frequency would be more appropriate for the following reasons :

(a) the production of quarterly reports will be very costly to the funds and, consequently, to the mutual fund investors. The expenses saved with regard to the prospectus by pulling out of there all information pertaining to the past performances, financial highlights and top ten holdings will evidently not compensate the costs for producing quarterly reports, far from that.

Just for the Desjardins Funds (30 funds) each quarterly report will be at least 60 pages as per your estimate of 2 pages per fund (although 3 seems more realistic to us based on the space this information takes in the prospectus).

In our view, before moving forward with this proposition, the CSA would be well advised to seek the opinion of mutual fund investors through a survey, putting in balance the benefits to investors anticipated from such quarterly reports and the cost of producing them, pointing out that this additional cost will be borne by them;

(b) we are of the opinion that quarterly reporting is somehow contradictory with the investment horizon an investor should have with regard to its holding of mutual fund securities. Mutual fund portfolio advisors may feel compelled to perform in a manner to show good quarterly performances and this may result in portfolio advisors taking risks that are inappropriate and may be detrimental to the funds' medium and long term performance;

(c) the disclosure of portfolio holdings on a quarterly basis may impair fund performance and return to unitholders because it gives information that can readily be used by investors outside the fund who may indulge in abusive/opportunistic practices as this is well explained in IFIC's comment letter to you.

## **2. Financial Statements Requirements :**

We agree with the proposition that the annual and interim financial statements be sent only to mutual fund investors that require them. We note that this has already been granted to Scotia T-Bill Fund and als in MRRS Decision Document dated December 5, 2002. We also note that the regulators who took part in this decision did not require the applicants to comply with the provisions of Proposed NI 81-106 pertaining to the production and filing of quarterly Management Reports of Fund Performance.

In our opinion the proposition to shorten the delay to produce and file the financial statements, from 140 to 90 days in the case of the annual financial statements and from 60 to 45 days in the case of the interim financial statements, is not realistic. The present delays are just sufficient. To shorten them as it is contemplated will greatly increase the costs related to the production of the financial statements. More people will need to be affected to the production of these documents, with more overtime to pay at the fund manager's level and at the printer's level, just to mention these. Very expensive again for the mutual fund investors with no significantly compensating benefit.

We are of the opinion that it would serve no purpose to have both a Statement of Investment Portfolio and a Summary Statement of Investment Portfolio in the annual and interim financial

statements. In fact, it could confuse the readers of those statements. We suggest that only a Summary Statement of Investment Portfolio be included in the financial statements of the funds and, as suggested by IFIC, that this summary be limited to the top ten holdings of the portfolio plus any holding that represent more than 5 % of the portfolio value.

We do not agree with the production and filing of interim financial statements on a quarterly basis for the same reason we oppose the production of Management Reports of Fund Performance on a quarterly basis. Those reasons are specified above.

### **3. Disclosure of Risk and Volatility :**

We are of the opinion that it would be very difficult to determine or develop and have industry participants agree on standard and reliable measures or references to assess the risk and volatility of mutual funds. Mutual fund investors could easily be misled by such an information should it fail to be reliable and clear. Therefor we suggest that no mandatory discussion or disclosure of risk and volatility should be required, at least not in the near future.

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In closing, we wish to point out that Desjardins Trust as trustee to the Desjardins Funds is a member of IFIC. We have read the IFIC comment letter to you with regard to Proposed NI 81-106, and we agree with the content of this letter.

We thank you very much for allowing us to express our views on the Proposed NI 81-106. Please feel free to contact us should you have any question or point you wish to discuss with regard to the preceding.

Yours very truly

(signed)"Louis Chartrain"  
Louis Chartrain  
Assistant -Secretary