

January 3, 2003

Ontario Securities Commission
c/o Mr. John Stevenson
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario
M5H 3S8
email: jstevenson@osc.gov.on.ca

- and -

Commission de valeurs mobilières du Québec
c/o Denise Brosseau, Secretary
800, square Victoria, 22^e étage,
Tour de la Bourse, C.P. 246
Montréal, PQ
H4Z 1G3
email: consultation-en-cours@cvmq.com

Dear Sirs and Mesdames:

Re: Proposed N.I. 81-106 – Investment Funds Continuous Disclosure

Phillips, Hager & North Investment Management Ltd. (“PH&N”) established in 1964, provides investment management to pension plans, endowments, foundations, private clients and its own family of investment funds. PH&N is Canada’s largest private investment counselling firm with assets of \$36 Billion under management.

PH&N has been providing its investment fund unitholders with quarterly reporting for over 20 years. The contents of a typical report include:

- Economic & Market Outlook
- Fixed Income Commentary (includes discussion on each of our fixed income funds)
- Balanced Fund Commentary
- Summary of Investment Fund Returns – 10 years, cumulative and annual
- Canadian Equity Commentary (includes discussion on each of our canadian equity funds)
- Global Equity Commentary (includes discussion on each of our non-canadian equity funds)

Also, the end of each commentary section is a portfolio summary of each fund which discloses:

- fund objectives
- top 10 holdings
- historical returns

- asset mix
- sector allocation
- unit price high-low last 12 months
- distributions YTD and prior year
- statement of investments most recent quarter

You can view the Quarterly Report on our website phn.com > Forms & Documents

We combine and bind the reporting of all funds into one document which has been a real time and money saver. Years ago we reported on each fund separately and it became very uneconomic.

We feel the disclosure, provided quarterly to our clients, is sufficient for them to understand our views on the markets and make decisions, without the degree of detail proposed in 81-106. We also feel the quarterly financial statements would not be useful for investors and will only add to costs.

Our comments are presented in the order in the proposed instrument:

81-106

- 2.1 - Reducing the time allowed to file financials from 140 to 90 days will present a hardship on internal resources as well as our auditor's resources which may increase costs to unitholders. We would suggest 120 days as a suitable compromise.
- 2.2(1) - "no cost to the securityholder" should read "no direct cost".
- 2.3(c)(d) - A statement of investment portfolio and a summary of portfolio investments is redundant disclosure which would tend to confuse the reader. We support a summary statement of the Top 15 Holdings or alternatively Top 10 with any additional holdings exceeding 5% of portfolio value.
- 2.4(2) - Suggest that in "manager...of an investment fund", Manager should be a defined term and that the board of directors of the Manager approve.
- 3.1(1) - We can accommodate 45 days, but
- 3.1(2) - filing quarterly financial statements will be costly and we do not believe it will add value for unitholders. Semi-annual is adequate.

- 3.3(c)(d) - same comment as 2.3 (c)(d)
- 4.2, 4.3 - Line items should be subject to materiality not mandated.
- 4.3 - Filing fees paid to Securities Commissions should be a mandated line item.
- 4.4(7)(9) - There should not be a need to disclose the credit rating of the counterparty if it is at or above the approved credit rating level. Consider reporting only those that have dropped below.
- 4.7(1) 4. - Soft dollar transactions are not allocated to specific funds therefore we could not report such detail.
- 4.7(2) - Operational overdrafts should be distinguished from borrowing.
- 4.8 - Should read “for which there is nothing material for the investment fund to disclose.”
- 5.4(2) - Same as 2.4(2)
- 8.1 - Combining financial statements and management reports into one bound document is important in order to reduce costs. The CSA should ensure any changes in this area are considered closely so that volumes of paper can be avoided.
- 10.1 - It is not clear if and when an AIF is required to be filed.
- 10.3(3) - Not permitting combined and bound AIFs will result in a considerable repetition of information.
- 15.1(2) - Clarify that delivery may be delayed because of mailing.

81-106F1

Part B item 1

In general we find the proposed requirements for management discussion to be too detailed. The discussion should be left to the fund manager's discretion with a suggested list of items to be considered for discussion.

- 1.2(f) - should this not be in 1.6 – in fact 1.6(b) is very similar.
- 2.1 - The inclusion of these financial highlights will be useful if unitholders opt out of receiving financial statements.
- 3.2 - “most recent year on the right” but 2.1(7) says “most recent financial year ...on the left”, shouldn't these tables be consistent in presentation.
- 3.3(1)(b) - “inception” should be clarified. There is confusion in the industry with the terms “creation, inception, formation, started”.
- 4.2(b) - see 2.3(c)(d) comment – “Top 15 or Top 10 with any additional holdings exceeding 5% of portfolio value”.
- 4.3 - will not provide useful information to unitholders.

Thank you for the opportunity to provide our comments on the proposed instrument.

Yours truly,

Phillips, Hager & North Investment Management Ltd.

Don S. Panchuk, CA
Vice President Administration & Regulatory Matters
and Secretary

DSP:dgs