BY COURIER AND E-MAIL

February 4, 2003

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, Secretary
Ontario Securities Commission
20 Queen Street West
19 Floor, Box 55 th
Toronto, Ontario M5H 3S8

Commission des valeurs mobilieres du Quebec

c/o 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

RE: PROPOSED NATIONAL INSTRUMENT 81-106 AND COMPANION POLICY 81-106CF INVESTMENT FUND CONTINUOUS DISCLOSURE AND FORM 81-106F1 CONTENTS OF ANNUAL AND QUARTERLY MANAGEMENT REPORTS OF FUND PERFORMANCE

Mackenzie Financial Corporation ("Mackenzie") is a mutual fund management company located in Toronto, Ontario and is registered with the Ontario, Manitoba and Alberta Securities Commissions as an investment counsel/portfolio manager. Mackenzie sponsored funds are offered in each province and territory of Canada. We have reviewed the Notice of Request for Comments on 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 (collectively referred to as "NI 81-106") and would like to answer the specific questions raised in the Notice and provide additional comments on the proposed instrument. We recognize that we are late in responding but as we have taken considerable time to review and comment on NI 81-106, we hope that you will consider our comments.

We believe that the overall objective of NI 81-106 of providing a regulatory framework for consistent, comparable and timely continuous disclosure by investment funds is a welcome regulatory development.

Specific Questions from the CSA

1. Management Reports of Fund Performance

The CSA invite comments as to whether the quarterly management reports of fund performance will achieve the goals that they are intended to achieve.

The quarterly management reports are intended to provide more timely and relevant information to existing and potential investors and advisors in order to enable them to make more informed investment decisions.

In order to comment on the ability of management reports to enhance the investment decision making of investors and advisors, it is necessary to view them in the context of the disclosure continuum. The management reports will supplement the static data provided for investment funds, such as the investment objectives, investment strategies (investment decision making process), investment restrictions, risks, fees. We believe that these items are the most relevant for investors and advisors who need to and should rely heavily on them as they provide the key elements that enable informed investment decision making – is this the type of asset class, sub class, sector and/or country that I want exposure to, is this the style of investment strategy and investment decision making that I am comfortable with and want exposure to, is this the risk level I am comfortable with and want exposure to, is this the level of fees that I am willing to pay.

Many of these key elements cannot be changed without a vote of investors or notification to them and fund companies are required to have compliance programs to ensure investors are protected from a fund not doing what it is expected to do as stated in the prospectus. We therefore believe the current regulatory disclosure rules result in significant relevant information being provided to investors and advisors, and which, since it is static, is timely.

We have considered the proposed management report and financial statement disclosure requirements in the context of updated information supplemental to these key static elements and the value added the updates bring to the investment decision process for investors and advisors.

Generally, we support the concept of a management report of fund performance because we believe it will add some incremental value to the assessment, selection and monitoring process for investors and advisors. We are not, however, in agreement with some of the proposed content and believe that there should not be duplication of content between documents. Also, we do not believe that a management report produced quarterly is required to achieve the stated goals and feel that it should be produced on a semi-annual basis.

Although we believe a management report is a good idea, we note that the proposed content of the management report only marginally increases the information available to investors and advisors. The management discussion of fund performance does add an incremental commentary, however the other disclosure requirements are factual information much of which is already widely available through other sources (e.g.: newspapers, industry publications, websites, etc). Also, there already exists a great deal of comparative information on investment funds prepared with the currently available information through these other sources, which are prepared independently of the investment funds. Therefore the value-added of this type of report is mostly that it brings together already available information in one document. We believe that this consolidation of information plus the addition of a commentary will add some incremental value, even if it is only improved navigation through currently available data.

In the following sections, we give our specific comments on the content and frequency of the proposed management reports, taking into account the amount of the value added.

<u>Should there be more or less frequent disclosure of fund performance information and why ?</u>

We believe that disclosure of fund performance information should be required on a semi-annual basis and not quarterly.

We have four reasons for our view that semi-annual information is appropriate. Firstly, the nature of investment funds themselves as a longer term investment; secondly feedback from investors regarding frequency of reporting from fund companies; thirdly the information already available to investors and advisors from other sources; and lastly the costs associated with quarterly production versus the value added.

Nature of investment funds

We do believe that fund commentaries such as the management discussion of fund performance can be useful for investors. We believe that these types of commentaries would be more useful and meaningful on a semi-annual basis since that allows for a more meaningful timeframe in which to provide more relevant commentary. The investment strategies used to implement the fund's investment objectives will usually take longer than 3 months to show effect and therefore we believe you cannot give a proper and valid outlook on a fund in 3 months. A longer time period is required to give a decent outlook on a fund's performance. In addition, we believe that a quarterly commentary is more likely to result in generic disclosure across the industry.

Investment managers also view holdings information as proprietary and for shorter time-frames they are unwilling to discuss their views of individual securities even where they are a meaningful part of the portfolio. We would ask you to consider whether specific information on securities too frequently is in the best interest of the funds. Please refer to our discussion on dissemination of portfolio information in the section entitled "Statement of Investment Portfolio".

Investors are encouraged to have a well thought out financial plan which takes into account their personal needs and preferences and to take a longer term approach to their financial planning**.** Many of the key elements in selecting an investment fund, such as asset class and sub classes, investment style, risk level, etc. do not change from quarter to quarter.

With respect to the factual information contained in the management report, we believe it is misleading to look at portfolio information on a shorter time horizon and it is not meaningful to investors. Investors could make incorrect investment decisions or have an incorrect view of the fund with quarterly information. Specifically, we believe that portfolio turnover should be an annual requirement, and not more frequently. A summary of portfolio investments produced quarterly rather than semi-annually will not add value to the assessment of a fund's position unless the investor or advisor is intending to second guess the investment manager's view on specific securities. We also refer you to our later comments in "Statement of Investment Portfolio".

Feedback from investors

Investors have consistently indicated that they prefer to hear less frequently from mutual fund companies. Until 2000, Mackenzie used to produce and send quarterly reports to investors for all funds. These quarterly reports contained some of the same type of commentary being proposed for the management discussion of fund performance. General feedback from investors indicated that they did not need or want such information quarterly. For a time investors were allowed to opt in to receive the quarterly report. So few did that the reports were eventually discontinued. This trend is further evidenced by the current opt-in rate for semi-annual financial statements (less than 3%). We do not believe that the opt-in rate is low because investors are accessing the data from the website, since the opt-in rate for quarterlies was low before the web became a more common communication tool. The opt-in rate is low because investors are voting on what they want to receive or do not want to receive.

Information already available

We have already pointed out that that some fund performance data such as rates of return, net assets and MERs is already being produced monthly and is widely available to investors and advisors through major Canadian newspapers and industry publications, and on an ongoing basis on fund company and other industry websites. Investors are directed to fund company websites in the simplified prospectuses. Additionally, daily (for most funds) fund prices are widely published which provide the investor and advisor with timely information on the returns being generated by their investment. Any discussion on fund performance or fund statistics is already out of date by publication because of the daily mark to market nature of most investment funds. Accordingly, investors can turn to more recent information.

It might be useful to mandate that all fund companies post fund rate of return information on their websites on a very current basis and that it be readily accessible.

Cost benefit of quarterly production

We do not believe the cost benefit supports quarterly management reports of fund performance given the value added. The proposals require the completion of 6 documents annually per fund (4 management reports and 2 financial statements) versus 2 documents currently. The preparation of 6 separate documents annually is a significant additional effort which will be an expense borne by the fund. As well, in order to produce the commentary and statistics in a quarterly management report, the fund would need to prepare quarterly financial statements to serve as the basis for the report, even if they are not published, which is also additional effort. This additional effort needs to be considered in context of the marginal increase in information that would be provided to investors.

To provide you with an idea of the costs of quarterly reports, if all security holders were to receive the quarterly reports, the cost would amount to approximately $9.3 million, or 3 basis point, to all funds in excess of what the current reporting regime costs.

Should there be quarterly reporting for all investment funds ?

As stated above, we do not believe that quarterly reporting should be mandated, but that it should be semi-annual. However we do believe all investment funds should be subject to the same frequency of reporting requirements. We believe that many of the same investors who invest in mutual funds also now invest in a broader array of investment fund products. Those investors should be entitled to the same or similar levels of disclosure.

<u>Does the proposed type of information allow an investor or an adviser to make informed investment decisions ?</u>

We commented earlier on the type of static information that an investor or an advisor needs and uses to make informed investment decisions.

We believe that the most relevant ongoing information for investors and advisors is fund rate of return and comparison to stated benchmarks, management expense ratio (MER), some amount of portfolio investment information (discussed in detail later) and a brief commentary.

Therefore, subject to comments on specific items as discussed in this section and included in the appendix, we are in agreement with much of the proposed type of information.

We have major concerns with the following items: forward looking information, duplication of information, the amount of portfolio investment detail and risk.

Forward looking information

We object to the notion of "forward looking information" relating to investment funds as proposed in the fund commentaries. Mutual funds, by their very nature, are made up of a number of different securities, none of which are controlled by the investment fund manager. In addition, investment funds are subject to the market and the economies of the countries in which they invest. An investment fund manager is not in a position to be able to provide realistic forward looking information in these areas, other than its own individual view of the companies, markets and countries in which they invest.

We believe it is inappropriate to attach liability to forward-looking information. We are also concerned because, in the context of mutual funds, forward-looking information will be largely an economic forecast. By including it in these reports, which get incorporated by reference into the prospectus, there is a potential for fund companies to incur liability for economic forecasts. The totality of information provided without forward-looking information gives investors insights into a portfolio manager's track record and, if that record is long enough, how the manager will react to different economic situations. That is sufficient disclosure.

It is also not clear what the "strategic" position of a fund means. It appears to require a subjective assessment of the fund relative to other funds in its category or more broadly. If the requirement for forward looking information is to stay, please explain more clearly what is meant by "strategic position". Further, it is likely that the industry will resort to discussions about upcoming changes such as fund mergers rather than strategic information without further clarification on this point.

Duplication of information

We do not believe there should be a duplication of information between the management report and the financial statements, or with the prospectus. Therefore we are in agreement with the removal of certain data from the prospectus. However the proposal requires the duplication of the summary of portfolio investments as outlined in Part B Item 4 (incorrectly stated as Item 3 in the NI 81-106) of Form 81-106F1 and the statement of financial highlights as outlined in Part B Item 2 of Form 81-106F1. We see no value added to investors or advisors to have this information appear in two documents.

We recommend that the statement of financial highlights be removed from the financial statements and appear only in the management report of fund performance which ties it in to the commentary on those highlights.

We direct you to the next section for our comments on the type and frequency of portfolio investment information that should be included and in which type of report.

Statement of Investment Portfolio

The CSA should take the opportunity to remove the statement of portfolio investments from the continuous disclosure requirements. We believe this statement along with the proposed summary of portfolio investments is unnecessarily duplicative and represents the most resource intensive aspect of the continuous disclosure obligations.

In considering the type of information that allows investors and advisors to make informed investment decisions, we have drawn on comments made in the CICA Research Report – Financial Reporting by Investment Funds, published 1997, Chapter 2 – Statement of Portfolio Investments:

"The composition of an investment fund's portfolio is primarily a function of the fund's investment objectives and its market strategy to achieve them. An investment fund discloses the investment objectives adopted by its management and the strategies to achieve them …in documents such as registration statements, prospectuses,….

The purpose of the statement of portfolio investments is … to provide an indication of how closely the investment fund is following its investment objectives as at that date. … investors will be able to make better decisions if summarized portfolio information is provided because it would enable investors to focus on the risks and opportunities associated with the type of investment and geographic area or industry. In this regard, current events surrounding an industry, a significant investment holding or country are more likely to have an impact on a fund's performance than individual securities."

As well, we note that the public information available to an investor to allow an average investor to assess a publicly traded company's performance, position, etc. in order to make an informed investment decision does not include the details of each and every asset owned by that company. Similarly we do not believe investors and advisors make more informed decisions by being given data on each holding of the investment fund.

We would repeat our earlier comments with respect to the proprietary nature of portfolio holdings and whether it is in the best interests of the funds to have specific information on securities disclosed too frequently.

We make the following recommendations with respect to the provision of investment portfolio details to investors and advisors through the management report and financial statements.

The management report should contain information substantially as outlined in the proposed summary of portfolio investments, with the exception that it be amended to require disclosure of all securities over three percent of net asset value rather than 1%, with minimum disclosure requirements of a fixed # of securities, e.g. 25, or a fixed % of net assets, e.g.: 50% of net asset value. We believe that investors and advisors are more likely to utilize the management report and therefore this ties in to the discussion of fund performance.

The financial statements should contain summarized data only (e.g. by geographical sectors, industry sectors) substantially similar to the recommendation in the CICA research report, that is a profile of securities summarized by type and/or other groupings that are considered the most meaningful to users. This document would not contain any detail on the holdings.

If the CSA does not find it acceptable to eliminate full disclosure of portfolio holdings, then we would recommend that full portfolio holdings be provided upon request, as is currently the procedure for Statement of Portfolio Transactions, but not be produced as part of the two disclosure documents noted above. This will help to reduce the resources utilized for preparation because the portfolio holdings information will not be prepared in the commercial document format, thereby eliminating the data transfers and reviews that currently take place on hundreds of line items.

In any event, management companies should have the ability to remove references to securities where the fund is in the midst of or about to begin a buying or selling program in order to avoid front running. This is a practice now followed in releases of information about securities in funds and some fund companies, including Mackenzie, have adopted policies on the dissemination of fund portfolio information to regulate the frequency of release of fund holdings information and other factors such as when securities will not be reported.

Risk

We do not agree with the risk discussion proposed for the management discussion of fund performance. If a mutual fund properly describes its risk factors in the prospectus and the fund adheres to its investment objective and strategies, there should not be a significant or material change to the risk level in a fund during the year. If there was a significant change in risk, the reporting has already come too late. The management discussion of fund performance should not substitute as a compliance oversight tool.

2. Financial Statements

<u>The CSA invite comment on whether the financial statement requirements set out in the proposed Rule meet the needs of the users of the financial statements?</u>

We recognize the need for more timely dissemination of financial information to securityholders and the desire of the regulators to harmonize reporting timelines for investment funds with those of other reporting issuers. However, the proposed reduction in filing deadlines amount to 36% and 25% for annual and interim financial statements respectively. We believe that this is aggressive based on current consent, filing and delivery requirements. Investment funds are required to produce numerous financial statements simultaneously. The level of detail currently required (e.g., statement of investment portfolio) and proposed by the instrument requires a significant level of resources. These requirements are unique to the investment fund industry.

In addition, we note that the reduction of timelines is not only an investment funds specific issue. There are a number of suppliers of services (e.g., Canada Post, print partners, auditors, etc.) who may have difficulty meeting the proposed condensed timelines. We believe it would be prudent for the CSA to consult suppliers/vendors of such related services to determine if shortened timelines (across the entire industry) are realistic.

We would point out that the proposed reduced timelines are more feasible if the management report and financial statements were to be prepared in accordance with our proposed amended version.

In addition, we would strongly suggest that the draft NI 81-106 be amended so that “delivery” of the financial statements to either SEDAR and/or an investment fund’s website would simultaneously satisfy both the filing and delivery requirements. Again, for those securityholders who request a paper copy of the financial statements, these would be mailed within a reasonable time thereafter.

<u>Does the amount of detail provided in the proposed National Instrument assist with the preparation, consistency and comparability of the financial statements? Is the proposed National Instrument too detailed? Is more detail or specific direction necessary?</u>

We note that the proposed financial statement requirements in N1 81-106 are substantially consistent with existing financial statement disclosure requirements for investment funds under the *Securities Act* (Ontario) and National Instrument 81-102.

We believe, except as noted previously and subject to comments in Appendix 1, that the amount of detail provided assists with the preparation, consistency and comparability of financial statements. We would however note that the specific disclosures required in the financial statements should adhere to the concept of materiality rather than prescriptive line item disclosure. Though this may marginally reduce the comparability of financial statements, it would provide users with more meaningful and relevant information.

We have provided, in Appendix 1, our comments on specific sections, and as applicable, we indicate those areas where we believe too much detail is requested or alternatively, where specific direction and/or detail is required.

<u>The majority of investment funds currently prepare and file six- month interim financial statements. Should all investment funds be required to prepare and file quarterly financial statements in addition to the proposed quarterly management reports of fund performance?</u>

We do not believe that investment funds should be required to file quarterly financial statements. For non-investment fund companies, the quarterly release of financial statements is the primary source of data to the public with respect to the performance of the company. Investment holdings, which represent the majority of the net assets of a fund, are recorded on mark to market basis in the interim and annual financial statements (as opposed to historical cost basis accounting for non-investment fund companies). In addition, the same valuation methodology is consistently used. Since mutual funds value assets in this manner and then publish a price daily, their performance is known each day. Quarterly financial statements will therefore not provide any additional relevant information.

Further, investment allocation decisions made by investors are complemented by, rather than solely based on, the availability of financial statements. The decision-making process usually focuses on other information, such as congruence of investment fund objectives with those of the investor, fund performance, MER, changes in investment risks, etc.

Importantly, only 3-4% of securityholders opt in for interim financial statements, indicating a strong preference for less information in the form of financial statements.

As a result, requiring quarterly financial statements will increase fund operating costs with no comparable benefit.

3. Disclosure of Risk and Volatility

The CSA invite comments on whether alternative methods of disclosing risk and volatility should be used. For example, should there be disclosure of the fund's best and worst quarter returns or disclosure of the correlation of the fund to a benchmark index? Is there additional disclosure that would provide useful information to the investors and advisers?

We believe that some level of disclosure of risk and volatility is appropriate, but only for longer periods (e.g., 1 year, 3 years, 5 years, etc.). Best/worst quarters are simply not meaningful to investment funds which are supposed to be long-term investments. For example, if an investor had redeemed all of his/her holdings following the market declines post-Sept. 11, 2001 (approximately 14%), they would have missed out on significant upside returns. By mid-November, 2001, the 14% losses had been recovered and since then the U.S. market has increased in the neighbourhood of 10-20%. Many fund companies in Canada follow a value strategy and this is consistent with long-term holdings.

We are of the opinion that performance information, such as year by year returns or annual compound returns, is more useful if provided in the context of a benchmark. Without the context of a benchmark, an investor could be misled as to the true performance of a fund. For example, a fund in an extremely volatile sector, although having volatile returns, could have returns that are less volatile than the benchmark; if an investor wishes to be exposed to that sector, the benchmark would be helpful to the decision as to which fund to purchase.

4. Additional Comments

Proxy voting

We do not believe that disclosure of proxy voting on individual securities provides useful information to most securityholders. Fund managers have a fiduciary responsibility to act in the best interests of securityholders and are compensated for making such decisions on behalf of securityholders. However, fund managers could be required to have proxy voting guidelines and could provide a summary of those guidelines – perhaps in the Fund's annual information form. For those shareholders who wish to know how a manager voted, the manager could be required to provide that information upon request.

Change of auditor

We do not believe that a unitholder meeting would be useful in respect of a change of auditor of an investment fund. Very few unitholders vote at meetings called and they are expensive to the funds. We believe that a change of auditors could be approved by a fund board of directors who will be mandated to act independently and in the best interests of fund unitholders. In addition, the unitholders are further protected by the requirements for disclosure by auditors who are being terminated. We therefore recommend that this be considered as part of the Fund Governance Project.

5. Implementation

Finally, we note that if these proposals are implemented substantially as presented the industry will need a significant transition period. With shorter timelines to report, there may be insufficient outside service providers (i.e. printing, auditing) to enable all fund companies to meet the requirements. Also, especially with respect to quarterly commentaries, this will require more time for portfolio managers, who currently prepare commentaries twice per year. In addition, the prescribed form for the commentaries is more detailed than what is currently provided. Even if fund companies were required to comment semi-annually, compliance with the new form requirements would require significant resources. These problems are further exacerbated for fund companies that hire non-Canadian portfolio sub-advisors, for whom the reporting requirements in their home jurisdictions may be significantly different.

We trust you will find the foregoing comments helpful. We would be pleased to discuss these comments further.

Yours very truly,

MACKENZIE FINANCIAL CORPORATION

W. Sian B. Brown
Senior Vice-President and General Counsel

Dinaz Dadyburjor
Vice-President,
Fund Administration

Ann Savege
Senior Vice-President
and Chief Financial Officer, Funds

Appendix I: Specific Comments – National Instrument 81-106

Reference	Comment
1.1 Definitions	Management fees – currently defined as excluding audit fees, directors' fees, custodial fees and legal fees. This may preclude the concept of an all-inclusive fee (i.e., these expenses may not be separately identified where funds may opt to have an all-inclusive management fee which include all other costs paid and borne by the manager). For example, the Keystone Funds have an all-inclusive, capped management fee, which is clearly discussed.
1.2 (2) Application	The selection of application dates should provide the investment fund industry with sufficient notice to prepare for these changes. The introduction of a significant number of new reporting requirements will require considerable time and effort to implement.
1.2 (5) Application	The reason for excluding BC entities from the requirements of part 9 (formal valuations) is not clear.
2.1 and 3.1 Filing of financial statements	See comments on page 3 of this letter.
2.2 (1) Delivery of Annual Financial Statements	The delivery of the annual request form should be clarified. We believe that using the traditional "mail" option will result in significant costs to the investment fund and therefore suggest other methods of communication (e.g., web-based request). This subsection should be clarified to read "., at no **direct** cost to the securityholder,…" because, presumably, these are fund expenses reflected in the MER and, therefore, are an indirect cost to the securityholder.
2.3(1)(g) and 3.3(g) Statement of Financial Highlights	Please see our comments on Page 7 with respect to the duplicative nature of the information required.

Appendix I: Specific Comments – National Instrument 81-106 (contd.)

Reference	Comment
3.1(2) Interim Statements	We agree with the limit on interim financial statements (i.e., not required for periods less than 3 months). Please clarify if comparative information in a subsequent interim financial statement should include the financial information for a previously undisclosed interim period.
3.3(a) Statement of Net Assets	The comparative statement should be the last audited statement of net assets (as required by CICA Handbook Section 1751) rather than the corresponding period for the preceding financial year or is the intent to require 3-column disclosure (current and prior interim period and audited annual amounts)?
4.1 Generally Accepted Accounting Principles	By referring to Canadian GAAP, 4.1(1) gives investment funds the authority to use materiality in the application of the specific details required under 4.2 to 4.7 inclusive. However the discussion in 4.8 requires the disclosure of all specific line items if the amount is greater than zero (0). This appears to be contradictory to the application of the concept of materiality. We believe 4.8 should introduce the concept of "materiality" and the wording should be amended to "… or for which there **~~is nothing~~** **are no material items** for the investment fund to disclose."
4.2 Statement of Net Assets	Please confirm that disclosure of dividends & accrued interest receivable, other assets, total assets, other liabilities and total liabilities is no longer required.
4.3 Statement of Operations	Please confirm that disclosure of other revenue, salaries and other expenses is no longer required Securityholder information costs should be defined.

Appendix I: Specific Comments – National Instrument 81-106 (contd.)

Reference	Comment
4.7 Notes to Financial statements	Point (1) 4. relating to allocation of brokerage transactions is new. Please confirm that total brokerage commissions (including soft dollars) are contemplated versus separate disclosure of the soft dollars (as a subtotal of brokerage commissions).
4.7 (2) Borrowing of money	We believe the intention of this subsection is to disclose any long-term borrowing by investment funds where it is permitted to do so. As such, this subsection should specifically exclude temporary overdrafts resulting from unitholder redemption activity.
7 Specific Financial Statement Requirements	This Part should be included within Part 4 so that all financial statement disclosure items are in one location for ease of reference.
7.2 (1) Repurchase Transactions	Disclosure of date of transaction and name of counterparty (unless it is a related party) is not meaningful information. It is not clear why this requirement should be more onerous than for securities lending, where counterparty disclosure is not required.
7.3 (1) Reverse Repurchase Transactions	Disclosure of date of transaction and name of counterparty (unless it is a related party) is not meaningful information. It is not clear why this requirement should be more onerous than for securities lending, where counterparty disclosure is not required.
8.1(1) Binding of Financial Statements	By using the word “interspersed”, is the intention of this section to preclude the use of columnar format for financial statements (i.e., where statements for various funds are bound in one book and presented by type of statement (Statement of Net Assets, Statement of Operations, Statement of Change in Net Assets, etc.))?

Appendix I: Specific Comments – National Instrument 81-106 (contd.)

Reference	Comment
8.1(3) Binding of Financial Statements	We assume that this requirement pertains to the prohibition on binding all funds in one report. We agree with separating information related to different funds, but believe that binding of the management report and financial statements for more than one fund, for a single securityholder, should be permitted. Where financial statements of various funds are bound together for an individual securityholder, this prohibition would significantly increase delivery costs.
10.3(3) Binding of AIF	The prohibition on binding AIFs for different investment funds (that are not NI 81-102 mutual funds) could lead to cost increases and excessive duplication. For example, Mackenzie offers two products by way of combined offering memorandum because the products are similar (and therefore much disclosure is similar). Often investors would purchase just one of the products and the combined disclosure is useful for comparability. Investors are permitted to switch between products and combined disclosure could assist them in making more appropriate investment decisions.

Appendix II: Specific Comments – Companion Policy 81-106CP

Reference	Comment
Companion Policy: 1.4 Signature and Certificates	Please confirm that this section means that signatures are no longer required on the statement of net assets.
2.5 Auditor's Involvement with the Annual Management Reports of Fund Performance	This requirement will increase the annual audit costs for most investment funds.

Appendix III: Specific Comments – Form 81-106F1

Reference	Comment
General Instructions (13) Presentation of Information	Please see comments on Pages A-3 and A-4 relating to the binding of information for various funds.
Part A, Item 2 Front Page Disclosure	(3) and (4) should be clarified to read ".., at no **direct** cost,…"
Part B, Item 1, 1.3 Risk	The requirements of this item are duplicative to those in Item 1.2(f).
Part B Instruction, Item 1, 1.4	The instructions should be amended to "…, and discuss any **material** change to those ratios…"
Part B, Item 1, 1.6 Forward-Looking Information	(b) This requirement is similar to that in Item 1.2 (f). (c) We agree that planned material transactions should be disclosed. However, by requiring disclosure of the "effects" of material transactions, does the CSA require pro-forma information (e.g., pro forma financial statements in the case of fund mergers)? What information needs is this item trying to address?

Appendix III: Specific Comments – Form 81-106F1 (contd.)

Reference	Comment
Part B, Item 2, Financial Highlights – The Fund's Net Asset Value per [Unit/Share]	Please refer to our comments on Page 7 relating to the statements of financial highlights. The format of financial highlights (as set out in Form 81-106F1) differs from current practice (revenues and expenses and gains and losses on securities and foreign exchange on foreign denominated securities to be disclosed separately). Given the mutual fund environment, where investment trading is the business of the entity, we do not believe the disaggregation between gains and losses on securities and foreign exchange on foreign denominated securities provides meaningful information. In addition, most accounting systems are currently not capable of separating gains and losses on securities and foreign exchange on foreign denominated securities. Please clarify the reason for the breakdown between "total revenue" and "total expenses". It is not required disclosure per the CICA Research Report "Financial Reporting by Investment Funds" and does not provide any meaningful information. Please clarify the reason for the breakdown between "realized gains (losses)" and "unrealized gains (losses)" as this does not provide any additional meaningful information.
Part B, Item 2, 2.1(11) Financial Highlights	Portfolio turnover rates do not provide meaningful information for certain types of funds and accordingly are not required for money market funds. We believe that portfolio turnover rates for other types of funds (e.g., index funds, RSP clone funds, etc.), which primarily hold money market instruments, also do not provide any meaningful information. Please clarify.
Part B, Item 4 Summary of Portfolio Investments	Please refer to our earlier comments on disclosure of portfolio information on Page 7.

Appendix III: Specific Comments – Form 81-106F1 (contd.)

Reference	Comment
Part B, Item 4 (3) Summary of Portfolio Investments	Disclosure of the number of securities that individually comprise more than 1% and 5% of the net asset value, as well as disclosure of the total number of securities, does not provide any additional meaningful information. Please refer to our comments on the disclosure of portfolio information on Page 7.
Part C	Our specific line item comments relating to Part B apply equally to Part C.
Part C, Item 3	Please refer to our comments on Page 11.