

----- Message from Robert Findlay <robert.findlay@sympatico.ca> on Sun, 30 Mar 2003
14:42:49 -0500 -----

To: David Crane <crane@interlog.com>
cc: spaglia@fscov.on.ca
Subject: Regulators' proposals don't make sense
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Just a few comments on Ms. Stromberg's article.

But before I do that I'd like to put in my complaint about mutual fund statements since I've copied Mr. Stephen Paglia.

If I buy a mutual fund directly from the mutual fund company I get statements directly from the mutual fund company and I'm very satisfied with that. But if I buy a fund through a dealer in most cases I only get the dealer's statement of my account. Although I did have dealers, unfortunately taken over by bigger dealers, who did provide me with their statement of my account plus allowed each mutual fund company to send me a statement of my holdings of their funds. But no more. I would like to get my statement from the dealer(s) and from each mutual fund company.

I've had situations when a mutual fund company would not speak to me about my account. I was told I had to talk to the dealer. Since I was calling the fund company because I had some doubts about the dealer and/or the rep and wanted the fund company to confirm the activity and holdings on my dealer's statement it didn't make much sense to me to go back to the people I was questioning without some facts from the fund company. (I solved the problem by moving my account to another dealer during which I got the information I wanted. Nothing lost, but some questionable doings. Dealer, rather remains thereof, absorbed by yet another dealer/fund company.) Having statements from both keeps everyone honest. Also when I was getting statements from both I caught an error once.

I keep track of my holdings on my PC. I also use a spreadsheet to keep track of the ACB. When I was getting statements from both I was able to

reconcile the statements. Now I have to assume (hope ?) the dealer's statement is correct and using it reconcile as best I can. Which is not particularly satisfactory. I have various funds that report numbers from three to five decimal places. The dealer only reports to three. Therefore in many cases (those funds reporting to more than three decimal places) the number of units, etc. shown on my statement is not correct. Although the dealer assures me that the correct numbers are shown on the books of the fund company. This make reconciling virtually impossible. So that I can still use my spreadsheet and financial program I've put in a 'rounding error' to make my numbers agree with the dealer's but that is not the way it is supposed to work.

Another complaint about the dealer's statement is that for mutual fund distributions my dealer only shows the gross distribution and the number of units bought but not the distributions per unit nor the NAVPS for the re-invested distributions. It is difficult to check these numbers. In the media the numbers are frequently rounded so the most accurate method is to go to the fund's Web site. But why should I have to do this ? Why shouldn't my dealer's statement be both accurate and complete ?

Something very wrong about this.

But on to my comments about Ms. Stromberg's article.

I want to get all the material but I admit that I do not give it the attention it might deserve. But I find it can be a valuable reference. For example, with the discussion about options it is useful to be able to see what the annual report has to say about them, it is important to see how closely a mutual fund is sticking to its mandate, although with window dressing I'm sure the public doesn't always get the true picture, and so on. It is important to have the hard copy because then I can refer back to what was said in the previous report about something and compare it with what they say now. Also with a hard copy I can flip

back and forth, make notes in the margins, etc. with online information
it is not as easy and no one wants to print it. The other reason to
have the hard copy is that the public can keep it as long as they want.
Will the historical information always be available online ?

As I said I do not give the literature the attention it should get, and
I'm sure that is pretty common with most of the public. There are a
number of reasons for my slackness. Unless a person is a trained accountant, preferably with some detailed knowledge of the industry,
truly understanding the literature is difficult, if not impossible for
most of us. It doesn't help that there is no standard format for the
literature so each company's or fund's literature is a new challenge.
And a new spin. There are accounting guidelines rather than strict
rules and definitions which only makes matters worse. Add in pushing
the guidelines to the limit (or beyond), the inventive accounting and
the outright lies it makes the public question if it is worthwhile
spending much time analysing the reports. (The other problem is that
there is more investing done on emotion than on facts. I've seen stocks
drop on good news because it wasn't quite as good as the analysts'
consensus and rise on bad because it wasn't as bad as expected. This
rather makes pouring over the annual report seem dubious.)

It also doesn't help that sometimes, but not always, any form to request
literature is included with a statement and marketing material. People
are going to spend time looking at their statement and at the most set
the rest aside for reading or action later. Which frequently doesn't
happen.

I want the literature and I do not want to have to ask for it.
If I
truly do not want it then let me take some action to stop it.
Otherwise
I shouldn't have to do anything.