

Canadian ShareOwners Association

John T. Bart, Ph.D.
Founder & President

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Terri Williams, President
Investor Education Fund
20 Queen St. W.
Box 55, 17th Floor
Toronto, ON M5H 3S8

Dear Ms. Williams:

Thank you for the opportunity and assistance in arranging for this communication of our views regarding the Joint Forum's Consultation Paper 81-403.

Let me say at the outset that there is considerable information and data in current fund disclosure documents that are useful to retail investors. The comments that follow focus on those areas where significant improvements are required to increase the value of these documents to the growing number of self-reliant retail investors.

Existing Prospectus Documents

My experience since 1987 with thousands of members of our educational program is that they will read documents that provide useful information for decisions about what securities to buy, hold or sell. Unfortunately, the experiences of many retail investors with mutual fund prospectuses and reports cause them to hold these documents in low esteem.

Generally, mutual fund companies spend a great deal of money preparing prospectus documents that many investors do not use because:

- The document is generally quite large and somewhat intimidating, particularly with small print that older investors find difficult to read.
- Information and data in the document can be up to a year old which makes it largely irrelevant for decision making.
- The document does not contain any forward-looking information about the fund's prospects:
 - in general;
 - for individual securities contained in the fund; or,
 - business sectors represented in the fund.

- The document does not contain detailed information about the securities held in the fund – particularly equities. Generally, the value of an equity fund rises with the collective earnings of the companies in the fund. The current prospectus should indicate the name of all the securities in the fund; their business sector; and, their percentage weight in the fund's assets. There is a real need for greater transparency in the fund's holdings.
- Information about the fund's objectives is 'boilerplate' and often does not provide investors with meaningful information with which to distinguish between funds in the same category.
- All information about fees and expenses should be located in one special section of the document rather than spread out in several different sections.

Continuous Disclosure

Mutual funds should provide continuous disclosure regarding material developments and all changes in the portfolio's holdings on a timely basis.

How can an investor judge the competency of the current fund manager/management team without complete details about the securities being bought or sold? Only with this information can an investor hope to assess the fund's future prospects for appreciation in net asset value.

Generally, funds should provide the same level of disclosure as issuers of equities. In addition, funds should be required to provide the same level of MD&A disclosure as public issuers of equities.

Proposed Fund Summary Document

The concept of a fund summary document has merit depending on the specific material required for inclusion. The interests of investors must determine the content of the summary. As well, particular care should be given to structuring the presentation of the material in the summary so that it is easy for the reader to comprehend.

An easy-to-read summary of the material and data of greatest interest to retail investors could inspire them to make the effort to access the foundation document and continuous disclosure record.

The electronic version of a summary document should include hyperlinks from that document to the foundation document and continuous disclosure record.

Document Delivery

In my experience, most self-directed retail investors are computer literate and can access information from the Internet. However, there is still a need for printed documents that are generally easier to read than a computer screen.

The Right of Withdrawal and Rescission

Just as with new issues of equities, there should be a mandated cooling-off period for retail investors following the purchase of a mutual fund. There are many examples of sales people aggressively persuading investors to purchase securities in a 'hurry.'

I hope that the foregoing observations and suggestions are of assistance.

Sincerely yours,

A handwritten signature in black ink that reads "John Bart". The signature is written in a cursive, slightly slanted style.

John T. Bart, Ph.D.
Founder & President