



July 21, 2004

• GROUP OF FUNDS •

British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Financial Services Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
Autorité des marchés financiers  
Office of the Administrator, New Brunswick Securities Commission  
Nova Scotia Securities Commission  
Registrar of Securities, Prince Edward Island  
Securities Commission of Newfoundland and Labrador  
Registrar of Securities, Northwest Territories  
Registrar of Securities, Yukon Territory  
Registrar of Securities, Nunavut

**Re: Submissions in response to Request for Comments – Changes to Proposed National Instrument 81-106 (“NI 81-106”), its Companion Policy and Form 81-106F1**

We appreciate the opportunity to comment on draft NI 81-106, which was published in the OSC Bulletin on May 28, 2004.

AIC Limited (“AIC”) commenced operations in 1985 and has grown to become Canada's largest privately-held mutual fund company with assets under management exceeding \$12 billion.

An issue of significant concern to AIC is the requirement, pursuant to Part 6 of NI 81-106 and Item 5(2)(b) of Form 81-106F1, that the top 25 long positions and the top 25 short positions held by an investment fund be disclosed, expressed as a percentage of net assets of the investment fund. For any investment fund that maintains a relatively concentrated portfolio, the result of this requirement is to disclose the fund's entire investment portfolio and strategy. AIC has many funds that maintain concentrated portfolios with holdings of between 20-30 different securities, and the entire portfolio along with percentage holdings would have to be disclosed under this provision. We submit that a distinction should be made between funds with portfolios exceeding a set number of holdings (e.g. 50 or 100 individual securities), in respect of which the top 25 disclosure may be appropriate, and funds with portfolios with less than that threshold number of holdings, in respect of which the top 10 should continue to be applicable. Alternatively, we endorse the comment made in response to the last Request for Comments on NI 81-106 that the disclosure of portfolio holdings should be limited to the top 10 holdings of the portfolio plus any holding that exceeds 5% of portfolio value.

In addition, it does not appear that NI 81-106 permits non-disclosure of a particular security position that is the subject of a buying program. We submit that such a provision should be made, along with details as to when disclosure will be required to be made in the event of non-disclosure due to a buying program.

We also submit that the filing deadlines for annual and semiannual reports are an issue of concern to AIC and the industry generally. Completion of the various stages of preparation of these reports (e.g. printing, translation, etc.) within an abbreviated time frame presents serious practical problems for fund companies that may result in a detrimental impact on the quality of the reports.

We disagree with the provisions prohibiting the financial statements and the fund commentary from being bound or combined together. Such a prohibition is not applied to public companies. We submit that this separation of related information will result in a disclosure presentation that is less concise, less effective and more costly.

We also disagree with the requirement of section 7.4(3) that prohibits the binding together of the management reports of fund performance of more than one fund. At the very least, we submit that a fund company should be able to bind together disclosure materials relating to a specific category of fund, e.g. one bound report could contain all of a fund company's income funds or all focused funds or all balanced funds, etc. We also submit that other similar funds be combined together, such as RSP clone funds with underlying funds. We also request that the specific circumstances of fund of fund arrangements be considered separately; it would be expected that the management report of fund performance would be virtually identical and that a prohibition against combining this disclosure will result in duplication and less concise and meaningful disclosure

With respect to the introduction of the proxy voting disclosure requirements, we believe that mutual funds and their advisers take the responsibility to vote proxies very seriously and that it is universally recognized that advisers, as part of their fiduciary responsibilities, must exercise proxy voting solely in the best interests of the funds and the fund securityholders. We certainly support the requirement of written Policies and Procedures ("P&P") designed to ensure that proxies are voted in the best interest of fund shareholders. We also support disclosure to shareholders of these P&P and the requirement that fund companies maintain some form of record regarding their proxy voting. However, we do take issue with the requirement to provide disclosure of each and every proxy vote cast, and the extensive administration involved in meeting such a disclosure requirement. Our concerns in this regard are premised on very pragmatic and practical considerations -- there simply has not in our experience been a demand for disclosure of actual proxy votes cast -- on any matters, let alone routine matters -- and the cost involved in meeting this requirement is anticipated to be substantial and will ultimately be borne by the fund securityholders. Finally, we note with some dismay the fact that the provisions concerning proxy voting disclosure contained in the Companion Policy to NI 81-106 are a word for word, verbatim, reproduction of sections of the SEC's Final Release on Proxy Voting Disclosure Requirements. While we acknowledge that there is some benefit from the perspective of consistency and form requirements to mirroring the proxy voting record requirements contained in the NI 81-106 rule with U.S. requirements, we are dismayed that the Companion Policy -- which we understand should reflect the Canadian Securities Administrators' views on specific issues-- is, in fact, a reproduction (without attribution) of the SEC's views.

Yours truly,  
(signed) Jennifer I. McDougall  
Senior Counsel  
Regulatory Affairs and Compliance  
AIC Limited