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July 26, 2004

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 NWT
Registrar of Securities, Government of Yukon
Registrar of Securities, Legal Registries Division, Department of Justice, Govt. of Nunavut

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

Dear Mr. Stevenson:

**RE: Proposed National Instrument 81-106
Investment Fund Continuous Disclosure
Second Request for Comments**

Thank you for the opportunity to comment again on proposed National Instrument 81-106 Investment Fund Continuous Disclosure ("NI 81-106"). In response to the first Canadian Securities Administrators' ("CSA") Request for Comments, PFSL sent a submission dated December 23, 2002.

PFSL continues to support the overall objectives of a regulatory framework for timely, meaningful, continuous plain language disclosures and views the CSA's NI 81-106 proposals as generally positive. However, while we appreciate the changes the CSA has made in response to stakeholder comments, we continue to have outstanding concerns.

Frequency of Filings and Deadline Requirements:

The proposal to shorten the deadline for issuing annual financial statements from 140 to 90 days, and interim financials from 60 to 45 days, will require significant additional resources and result in additional costs. The 60-day filing deadline for interim financial statements currently gives rise to significant challenges.

Production of financial reports is a very labour intensive endeavour and a 45-day deadline for the interim financial statements and Management Reports of Fund Performance (“MRFP”) would be extremely difficult to meet.

The costs and operational difficulties of preparing financials and meaningful and accurate MRFPs in the accordance with Form 81-106FI should not be underestimated. This exercise will consume significant managerial, portfolio advisory, marketing, legal and financial resources.

We anticipate operational issues associated with the preparation and approval of financial statements to shortened deadlines, especially with respect to fund of funds where we rely on third parties for relevant information on the underlying assets. We foresee:

- difficulties in obtaining the necessary audit resources
- operational problems with the production and printing process (including translation services)
- difficulties with a proper review and approval process involving senior management, board members and outside professionals within shortened timelines.

With respect to fund on fund relationships we believe that the CSA has not adequately considered that there is a reliance on the preparation of the financial statements of the underlying fund and that the underlying fund financial statements would also have to be prepared, reviewed, approved and provided to the top fund manager in time to meet the 45 day deadline.

While the CSA has tried to accommodate time pressures by providing a “transitional year” during which the filing requirements will be 120 and 60 days, we maintain that the original 140 and 60 day deadlines for the filing of annual and interim financial statements respectively should be preserved. Alternatively, the 120-60 day requirements should be the standard for filings on a permanent basis.

MRFP Content:

In terms of MRFP content, we submit that is inappropriate to require forward looking commentary. We believe this unduly exposes mutual fund managers and dealers. Further, the requirement might prejudice competitive positions insofar as the content requirement, absent clarification, could perhaps be broad enough to include proprietary strategies.

We wish to reiterate that in the absence of an industry convention and given no consensus as to appropriate benchmarks, it would not be meaningful, and indeed could cause confusion, to require a discussion of risk/volatility in the MRFP

PFSL submits that clarification is needed with respect to the MRFP content requirements in the context of fund of funds arrangements. In certain passively managed fund of funds arrangements a top fund manager will be challenged to produce a meaningful MRFP. We submit that there is little added value for the investor in a top fund manager's MRFP, which may be duplicative of the bottom fund MRFP.

We also submit that passively managed funds of fund structures should be exempted from the requirement to provide a portfolio turnover rate. This would be similar to the exemption currently available for money market funds.

Investor Access:

With respect to investor access, we believe that both the investor and fund manager constituencies are well served where all of the documents with respect to a family of funds are delivered in a single bound document. The prospective investor would receive all pertinent information, and the fund manager's costs would be contained.

Proposed Effective Date of NI 81-106:

Given the anticipated problem with the availability of adequate resources, and in view of the many practical issues and operational changes required by proposed NI 81-106, PFSL submits that NI 81-106 should not take effect for financial years ending December 31, 2004. In order to allow for an orderly transition, we submit that the instrument be applicable for financial years beginning no earlier than October 2005. This will allow time for compliance with disclosure and unitholder notice provisions.

Thank you for your consideration of these issues. Please don't hesitate to contact us if you have comments or questions.

Yours truly,

"Joe Yassi"

Joe Yassi
Senior Vice-President, General Counsel & Secretary

cc: Denise Brousseau, Secretary
Commission des valeurs mobilières du Québec
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John A. Adams, Executive VP and Chief Executive Officer
PFSL Investments Canada Ltd.