

July 27, 2004

John Stevenson, Secretary  
Ontario Securities Commission  
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and Anne-Marie Beaudoin, Directrice du secrétariat  
Autorité des marchés financiers  
e-mail: [consultation-en-cours@lautorite.qc.ca](mailto:consultation-en-cours@lautorite.qc.ca)

Dear Sirs and Mesdames:

**Re: N.I. 81-106 – Investment Funds Continuous Disclosure**

Phillips, Hager & North Investment Management Ltd. (“PH&NIM”), manages in excess of \$46 billion on behalf of institutional investors, private clients and the Phillips, Hager & North family of mutual funds. Phillips, Hager & North Investment Funds Ltd. (“PH&NIF”), a wholly-owned subsidiary, acts as principal distributor of the Phillips, Hager & North mutual funds. These funds are “no-load” - no sales commissions, front or back-end loads or redemption fees.

**Section**

**2.2/2.4**

**Filing Deadline**

**5.4**

**Sending Deadline**

Preparing, auditing, translating, and Board approval of the annual MRFP and financial statements within 90 days of year-end and the printing and sending them to clients 10 days later will be difficult. Preparing separate financials and MRFPs for each fund, as proposed, will make the task even more challenging. The entire industry will be competing for space in a nationwide printing queue with the same tight deadlines, resulting in higher production costs for the investors and increased potential of missed deadlines.

In addition, the proposed deadline will impact our ability to produce our regular quarterly Fund report which has been generated every 3 months for over 20 years. To have the annual financials and MRFP due the same time as we prepare our first quarter report will delay it by two weeks, defeating our efforts to have the report in client hands on a timely basis by the third week after quarter-end.

We recommend 120 days rather than 90 for annual and 60 days rather than 45 for interim.

**7.4 Binding Financial Statements and MRFP**

The proposal requires that each fund have separate financials and MRFPs. This is a regressive step. We had separate statements and reports years ago but found it was more informative and economical to bind financials together and bind our quarterly reports. It cuts down on paper and repetition. In our quarterly, the Economic and Market Outlook is an overview for all funds. As well, there is separate commentary on markets for fixed income, balanced Canadian equity and global equity and the related funds in each of the areas. Clients get a total picture to help them understand how each sector is impacting another.

We recommend MRFPs be bound in one document and that financial statements be bound together.

**3.2/3.2(1) Statement of Operations - Filing Fees**

Filing fees paid to Securities Commissions should be a mandated line item.

**3.6(1) 5            Notes to Financial Statements – Management Fees**

“a breakdown of the services received in consideration of the management fees, as a percentage of management fees”

We have never received an enquiry of this nature from our clients and wonder what value it will provide an investor since the bulk of management fees would be for managing investments ie. security selection and advice. In any event, the percent allocation would be arbitrary and we would like more direction on the type of disclosure expected.

**10.2(1)            Proxy Voting Disclosure**

Our policies and procedures for proxy voting are the same for all our clients be they institutions or private clients, except for our socially responsible funds, “Community Values”, which have different proxy voting policies. Please confirm that there would not be a separate proxy voting policy for each fund.

**10.2(2)(e)        Notify unitholders of changes to our proxy voting policy and procedures**

We would look for guidance on what types of changes would require notification.

**81-106F1  
Part B, 4.2 (4)    Best and Worst Six-Month Returns**

Mutual fund investing is part of long-term financial planning, not trading on six-month results. This disclosure is historical and short-term in nature and by that, not likely to be repeated. Six month returns say more about risk and may be appropriate for sector funds or ETFs but not for diversified funds. In addition, such disclosure would penalize funds that have a long record compared with new funds with little history.

**Effective Date December 31, 2004**

With the number of changes proposed and systems changes required, it would be more appropriate to have the policy effective with the June 30, 2005 reporting requirements.

We would be pleased to discuss our response at your convenience. Please contact the writer directly at 604.408.6057 or by email to dpanchuk@phn.com.

Yours truly,

**PHILLIPS, HAGER & NORTH  
Investment Management Ltd.**

Don S. Panchuk, CA  
Vice President Administration & Regulatory Matters  
and Secretary