Mackenzie
MUTUAL FUNDS

BY E-MAIL

July 27, 2004

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

c/o John Stevenson, Secretary
Ontario Securities Commission
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Toronto, Ontario M5H 3S8

c/o Anne-Marie Beaudoin
Directrice du secrétariat
Autorité des marchés financiers
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Montréal, Québec H4Z 1G3

RE: PROPOSED NATIONAL INSTRUMENT 81-106 AND COMPANION POLICY 81-106CP INVESTMENT FUND CONTINUOUS DISCLOSURE AND FORM 81-106F1 CONTENTS OF ANNUAL AND INTERIM MANAGEMENT REPORTS OF FUND PERFORMANCE AND THE RELATED AMENDMENTS TO NATIONAL INSTRUMENT 81-101, NATIONAL INSTRUMENT 81-102 AND NATIONAL INSTRUMENT 13-101

Mackenzie Financial Corporation ("Mackenzie") is a mutual fund management company located in Toronto, Ontario and is registered with the Ontario, Manitoba and Alberta Securities Commissions as an investment counsel & portfolio

manager and with the Ontario Securities Commission as a limited market dealer, commodity trading counsel and commodity trading manager. Mackenzie sponsored funds are offered in each province and territory of Canada.

We have reviewed the Notice of Request for Comments on proposed National Instrument 81-106 and Companion Policy 81-106CP Investment Fund Continuous Disclosure and Form 81-106F1 Contents of Annual and Quarterly Management Reports of Fund Performance (collectively referred to as "NI 81-106") and related amendments to National Instrument 81-101, National Instrument 81-102 and National Instrument 13-101 (collectively, the "related instruments"). We commented on the previous draft of NI 81-106 by letter dated February 4, 2003.

Overall, we believe that this second draft of NI 81-106 represents an improvement, both for investors and fund companies, from the initial draft released in September 2002 and addresses a number of the concerns that were raised by both Mackenzie and the investment funds industry in general, although a number of significant issues remain with the proposed NI 81-106. Most importantly, proposed NI 81-106 provides investors with a wealth of information but, unfortunately, investors potentially will miss the most useful information because NI 81-106 requires the provision of too much non-useful information.

Our major concerns are outlined below and additional comments are provided in the appendix attached to this letter.

Part 2 – Financial Statements

While we support the move to a 90 day filing deadline for annual financial statements, we are concerned that the 45 day deadline for interim financial statements cannot be met due, in part, to the additional procedures required by proposed NI 81-106, namely, auditor involvement and board approval. We note that the time frames permitted for preparing interim financial statements have historically been shorter than for annual financial statements because the latter require an audit and board approval. That is, in formulating these regulatory requirements, the legislators recognized that less time was required to prepare interim financial statements. Proposed NI 81-106 vastly reduces the procedural differences in preparing the two types of financial statements and, accordingly, the rationale for a shorter time period to prepare interim financial statements has been severely weakened.

Auditor involvement in the preparation of interim financial statements, as suggested by section 2.12 of proposed NI 81-106, is a significant procedural change in the process of preparing interim financial statements. While we acknowledge that the letter of proposed NI 81-106 does not require auditor involvement, the practical impact of those provisions will certainly trend toward full auditor involvement in the preparation of these statements. Some mutual fund companies will decide to involve auditors immediately and those that do not

are required by subsection 2.12(2) to specifically state this to be the case. There is a risk that commentators and investors will conclude that companies that do not involve their auditors are producing less reliable interim financial statements, yet we are not aware of any instances under the current system where interim financial statements of a mutual fund have been found to be materially misstated.

The board approval process will also require management to complete the preparation of interim financial statements much earlier than the statutory deadline as the interim financial statements must be sent to the board of directors. The board must be given a reasonable time during which to review the interim financial statements and the more funds managed by one manager, the more time that directors will require for their review prior to meeting . We would estimate that the directors would need to receive the interim financial statements at least one week prior to the board meeting. Management will then need time to address the board's comments, finalize the interim financial statements, translate them and commercially print them for distribution to those investors who opt to receive interim financial statements in paper form. These requirements shorten the statutory deadline by a minimum of 14 days and, in some cases, as long as 21 days.

Exacerbating this time dilemma, NI 81-106 adds the requirement to prepare an interim management report on fund performance ("MRFP") within the same time period. One effect of this addition is that directors will require more time to review the materials prior to meeting and, accordingly, the statutory deadline effectively becomes shorter than noted above.

We recognize that, despite the changes in proposed NI 81-106, interim financial statements should still require a shorter time frame to complete than annual financial statements as the involvement of the auditors is at a lower level than a full audit and the interim MRFP is expected to be less comprehensive than the annual MRFP. Accordingly, we suggest that a 60-day filing deadline is more appropriate. Otherwise, to meet these deadlines, a mutual fund manager would have to devote a substantial amount of resources to these endeavours to the near exclusion of significant and routine business activity.

Further, while we acknowledge that public companies are under similar time constraints regarding financial statements, there is no requirement for boards of directors of public companies to approve interim financial statements. We observe that those companies have one set of financial statements to prepare and one set of Management's Discussion and Analysis ("MD&A") to prepare. A fund company such as Mackenzie has approximately 150 sets of financial statements to prepare on a semi-annual basis and, under proposed NI 81-106, will have approximately 150 MRFPs to prepare as well.

We reiterate our concerns raised in our previous letter that the CSA has underestimated the impact on external service providers (auditors, print vendors,

etc.) of the increased reporting requirements and the simultaneous shortened timelines. While we acknowledge the CSA's response to this comment from the previous draft of proposed NI 81-106, we urge the CSA to consider that the increased demand on service providers will likely lead to increased costs for these services.

The additional involvement of the board of directors, the additional involvement of auditors and the increased demands on our service providers will invariably increase the costs of preparing the interim financial statements. The shortened deadlines may also require fund companies to add additional personnel to comply with this requirement. This will add to the costs that are borne by investors. The CSA has granted relief in recent years to permit fund companies to send financial statements only to investors who opt to receive them. Part of that relief requires fund companies to report the opt-in rates to the CSA. Given the low opt-in rates reported to date (approximately 5% of investors in our funds to date), we urge the CSA to reconsider the cost-benefit equation in respect of this change.

Part 3 – Financial Disclosure Requirements

We continue to believe that the CSA should allow investment funds to disclose information that is relevant and material to investors. We understand the CSA's view that the only material item on the statement of net assets may be perceived to be investments at market value and agree that other line items should be disclosed. However, we believe that the CSA is being too prescriptive in the disclosure requirements on the other statements. One such example is securities lending revenue. For most of our investment funds this would be immaterial, yet the CSA now proposes to require this to be disclosed as a separate line item on the statement of operations. We recommend that the CSA reinstate the 5% threshold currently in the Regulations to the *Securities Act* (Ontario) such that disclosure of specific line items is only required if they are over 5% of the related subtotals (e.g., income, expenses, etc.).

Part 4 – Management Reports on Fund Performance

We applaud the proposed move away from quarterly reporting contemplated by the initial draft of NI 81-106. However, even as a semi-annual document, we continue to have concerns with respect to the various aspects of the MRFP, including the cost and content of the MRFP, as proposed by the CSA.

Cost: We expect that the preparation of the MRFP will be a significant drain on the resources of fund managers and significant additional costs will be incurred in producing these documents. Invariably, these costs will be passed on to investors. In order to present a meaningful analysis, the preparation of the MRFP in accordance with Form 81-106F1 will necessarily demand significant time and effort from our Investment Management (including external sub-advisors where applicable), Marketing, Financial and Legal departments. The CSA anticipates that these costs will be offset by a reduction in costs to produce

the financial statements and prospectuses. However, we believe that the anticipated cost savings are likely illusory insofar as prospectuses are concerned because prospectuses will still be required annually and all or substantially all of the information eliminated therefrom will now have to be produced semi-annually in the MRFP. Other than the elimination of the annual information form (based on the CSA's responses to specific comments, namely s.10.1, raised on the previous draft of proposed NI 81-106), which is neither commercially printed nor delivered to investors, it is not clear what cost savings the CSA anticipates.

Content: NI 81-106, as currently proposed, requires the inclusion of the investment objectives and a risk profile discussion in the MRFP. The objectives and intended risk strategy of the fund are outlined in its prospectus and are unlikely to change. As such, this information would be redundant to information already presented to investors through other disclosure requirements. Further, the CSA has proposed that the objectives are not be "copied" directly from the prospectus. We are not clear as to the rationale behind this restriction since the prospectus language is already in "plain English" and has been reviewed and approved by CSA members as being acceptable. By requiring it to be rewritten, the possibility arises that, compared to the disclosure in the simplified prospectus, investors could interpret the rewritten objectives differently which could result in increased liability for fund companies.

Form 81-106F1, in Part A (item 1(c) - Format) suggests that the CSA expects the average Annual MRFP to be 4 pages in length. The MRFP contents, as currently drafted, require: two Financial Highlights Tables; a Past Performance bar graph and an Annual Compound Return table for each series of each fund. Our funds generally have at least four series per fund and the above content requirements will considerably lengthen the MRFP for our funds. Since not all the series are offered for sale, the prospectus disclosure is not as lengthy as the proposed NI 81-106 requirements and therefore additional costs will be incurred for preparation and production of the MRFP. Further, in order for the MRFP to be legible, the font size must be large enough, which will preclude the investment fund from attempting to "squeeze" all the information required into four pages. As commercial printing can only be done in multiples of four pages, the average MRFP will likely be contained in an eight page booklet.

We also have significant concerns over the requirement to disclose each fund's best and worst six-month performance periods, and accordingly recommend that this disclosure requirement be deleted. We believe highlighting six-month periods is an unnecessary focus on short-term performance, which leads investors to short-term thinking. This is contrary to the point that mutual funds generally are intended as long-term investments.

The disclosure is in many ways, redundant. Investors will already have the ability to gauge a fund's performance through the year-by-year returns of the bar charts and the annual compound returns tables. The disclosure is particularly

redundant for funds with a short track record. For example, a new fund with only a six-month track record will be required to show that record as both its best and worst performance period.

The disclosure is also of questionable relevance for funds with a particularly long track record of in excess of 10 years. It is conceivable that the market conditions that led to the best or worst period, may be related to particular events or statistical anomalies that cease to have relevance, and may mislead investors.

As Form 81-106F1 requires calendar year rate of return disclosure and, combined with the presentation of annual compound returns, we believe investors have sufficient performance data on which to base their investment decisions. Accordingly, we recommend the removal of the "best and worst" disclosure requirement.

Part 5 – Delivery of Financial Statements and Management Reports of Fund Performance

We agree with the proposal to allow investors to elect to receive any or all of the financial statements and MRFPs produced for the fund. However, NI 81-106, as currently drafted, proposes that investors be able to make this election at a fund level rather than at the fund company level. Mackenzie has traditionally mailed documents for all the Mackenzie funds held by a particular investor. It has been our experience that investors will generally not have different reporting needs for different funds held with the same fund company and, therefore, enabling different choices for each fund held is unnecessary.

Further, we submit that choosing delivery options on an individual fund basis will require a significant amount of effort to administer from a programming and delivery perspective and will result in costs that will far outweigh the benefits of offering so many alternatives in terms of documents to be received. If the election is made at the individual fund level and the investor holds multiple funds managed by the same fund company, these would all be held in one (or at most, two – open and registered) account(s) at the fund company. Many database fields would have to be added to allow for the different elections and these would have to be programmed to interact with one another. This requires extremely complex programming, as there is no limit on the number of funds held by any one investor. This also increases the administrative maintenance to keep track of the different elections each time an investor switches funds within a fund company. This process is simplified when the election is made at the fund company level. We recommend that the investor's election on receiving documents be made at the fund company level, rather than at the individual fund level.

The CSA has proposed that the investment fund send annually a reminder to each investor the status of their current election on the various proposed

documents. We disagree with the proposal to send annual reminders and believe this should be a one-time request by investors for the following reasons:

- Sending annual reminders to investors regarding the options for continuous disclosure is an expensive endeavour that provides little benefit. Investors are provided all relevant information in this regard in the simplified prospectus and they are sufficiently responsible in terms of their reporting needs to remember whether or not they have chosen to receive some or all of the proposed documents.

- Customized mailings are significantly more expensive to produce and distribute than generic mailings, are not practical, and these costs could be greater than the costs of simply mailing all documents to all investors. In addition, where investments are held in nominee name, there is no annual mailing that reaches all investors and, therefore, this will be an added cost to the funds.

- We have received negative investor reaction from the requirement in our financial statement delivery relief to mail opt-in cards on an annual basis. Many of our investors have told us that once they have made their choice (either to opt-in or not) they do not want to hear from us again on the issue.

We suggest that the toll-free number required under Part 7.3 (usually to the customer service departments of fund companies) would provide investors with a means of determining and, if desired, changing their current election status. Each mutual fund could provides this information in the simplified prospectus, the notes to financial statements, and on their website.

The CSA has proposed that where a standing instruction is solicited this solicitation of instructions be conducted no later than three months after NI 81-106 comes into force. We believe this will result in additional costs to the investment fund since there may be no other mailings to investors at that time. In addition, it will provide investors with no context whatsoever in which to make an informed decision. This would be an ironic result for a National Instrument intended to provide investors with greater means to make informed investment decisions. We suggest that the investment fund have the discretion to determine the timing of first solicitation of standing instructions (i.e., combine with other mailing to all investors or in conjunction with annual or interim disclosure dates) rather than within a three-month period following the effective date. Given the requirement to mail the first MRFP to all investors, that would seem the ideal time to require the standing instructions to be solicited.

Part 6 – Quarterly Portfolio Disclosure

We note that the initial draft of NI 81-106 required quarterly MRFPs and quarterly financial statements, of which portfolio disclosure was a part. Given that the quarterly disclosure requirement was removed from this draft of NI 81-106, we do

not understand why the requirement for quarterly disclosure of portfolio information was maintainted. The MRFP is intended to update the investor on the fund's activities and enable the investor to monitor the fund's performance and compliance with its investment objectives and strategies. In that context, a requirement for quarterly portfolio disclosure is an inexplicable contradiction.

As discussed at length in our earlier comment letter, we disagree with the requirement for quarterly portfolio disclosure as the information is not necessary for investors to evaluate fund performance and could lead to inappropriate short-term decision-making. We reiterate our view, expressed by the CICA, that the more relevant information is summarized portfolio information that would enable investors to focus on the risks and opportunities associated with the type of investment and geographic area or industry as current events surrounding an industry, a significant investment holding or country are more likely to have an impact on a fund's performance than individual securities.

One of the comments in our previous letter was that, rather than full portfolio disclosure on a quarterly basis, alternatives should be considered. Among the alternatives we had suggested were to disclose a fund's top 25 holdings or the fund's top holdings constituting up to 50% of net asset value. Our intention in making that suggestion was that the choice between the two should depend on the size of, and the decision should be made by, the fund because, in a concentrated portfolio, the top 25 holdings could constitute at least 80% of the fund. The basis for this comment was concern over releasing proprietary information about the funds, front-running and market-timing. The newly drafted requirement does not address these concerns.

Notwithstanding the foregoing, to the extent this requirement is maintained substantially in its current form, we recommend that investment funds should have the ability to remove references to securities where the fund is in the midst of or about to begin a buying or selling program in order to avoid front running. This is a practice now followed in releases of information about securities in funds and some fund companies, including Mackenzie, have adopted policies on the dissemination of fund portfolio information to regulate the frequency of release of fund holdings information and other factors such as when securities will not be reported**.**

Part 7: Financial Disclosure – General

We remain unclear as to why the CSA has precluded the binding of MRFPs related to various funds held by an investor. This is especially complicated when an investor has chosen to receive both the financial statements and the MRFP for a particular period. We note that the CSA has attempted, in various sections of the proposed instrument, to align the requirements for investment funds with those of public companies. Public companies currently combine the information presented in the MD&A with the financial statements to provide investors with a complete picture of the organization. This allows the MD&A to be

complementary to, and read in conjunction with, the financial statements. We believe a similar approach should be adopted for investment fund reporting.

Further, the CSA anticipates each MRFP to be approximately four pages in length. As discussed earlier, each MRFP will likely be longer than four pages and commercial printing must be in page multiples of four. Great efficiencies can, therefore, be achieved if MRFPs of different funds can be bound together which could result in significant savings for the fund compared to the costs of complying with proposed NI 81-106 as currently drafted. Similar synergies can be achieved by binding MRFPs and financial statements. Accordingly, the restriction on binding should be removed and the investment fund should have the discretion to decide how to bind financial statements and/or MRFPs within broader guidelines so as to avoid "telephone book" deliveries.

Part 10 – Proxy Voting Disclosure for Securities Held

We believe that the requirements to establish, disclose and, where requested, deliver to investors, proxy voting policies and procedures are reasonable. However, we do not believe that disclosure of proxy voting on individual securities provides useful information to most investors. Fund managers have a fiduciary responsibility to act in the best interests of investors and are compensated for making such decisions on behalf of investors.

Part 13 – Change of Auditor Disclosure

The CSA proposes to apply the requirements of Part 4.11 of National Policy 51-102 (Continuous Disclosure Obligations) to investment funds although it has not proposed to remove the existing requirement for investor approval for a change of auditor as set out in Part 5.1 (d) of NI 81-102. We disagree that this is outside the scope of NI 81-106.

The CSA recently granted relief to an investment fund for a change of auditors without the requirement of investor approval, since members of an independent review committee approved the change. We believe that this was in contemplation of the coming into force of proposed National Instrument 81-107 Independent Review Committee For Mutual Funds (specifically Part 3.2 (1) 4). If NI 81-106 and NI 81-107 were not implemented together, then a significant inconsistency would exist. Accordingly, we respectfully request that NI 81-106 should implement the relief above pending the adoption of NI 81-107.

Part 15 – Calculation of Management Expense Ratio

We have the following comments with respect to this Part:

1. We strongly disagree with the semi-annual calculation of the management expense ratio ("MER"). For example, if the size of a fund changes significantly over the course of a year – whether by increasing or decreasing – fixed operating expenses will yield significant differences as measured in basis points when calculated on a six month versus 12 month

basis. Any rapidly growing or declining fund will suffer this impact and, in those cases, the six-month MER is likely to be significantly different than the MER that would be calculated on annual basis. By extension, calculating the MER on a semi-annual basis may require the manager to potentially commit to waivers or accept relatively higher MERs if the manager chooses not to absorb or waive any fees at the interim period. This decision would be based on information available only to the interim date (such as average assets) and when a full year's information is known, the manager may be precluded from changing its decisions because of the differences with the prior public disclosure.

2. The inclusion in Part 15.1(a)(i)(B) of "any other fee, charge or expense of the investment fund that has the effect of reducing the investment fund's net asset value" indicates that fees that would be included in calculating the return of the fund (i.e., fees for forward contract used by RSP clone funds) should be included in the calculation of MER. The Companion Policy should clearly articulate that all portfolio transaction costs (not just brokerage commissions as currently drafted) be excluded from total expenses since they are included in the purchase cost or deducted from the proceeds of sale of the related investment.

3. We agree with the proposal to exclude all non-optional fees from the calculation of MER although the requirements in Part 15.1(3)(a) and (b) to disclose such fees paid directly results in virtually the same disclosure as if the fees had been included in the calculation of MER. This type of information is already available to those investors affected by the non-optional charges and disclosure of this type does not add any value. As such, we recommend that the provision in the above reference sections be removed.

Part 18 – Effective Date and Transitional

We recommend that the effective date for NI 81-106 be amended from "financial years of an investment fund that end on or after December 31, 2004" to "financial years of an investment fund that begin on or after January 1, 2005". We also suggest that the CSA add a second transitional year since the volume of work required and deadlines proposed by the Rule, as currently contemplated, will require investment funds, and suppliers of services to investment funds, to potentially re-engineer their processes to meet all the reporting requirements.

We trust you will find the foregoing comments useful. We would be pleased to discuss them further.

Yours very truly,
MACKENZIE FINANCIAL CORPORATION

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APPENDIX I: SPECIFIC COMMENTS

NI 81-106 – Reference	Comments
1.1 – Definitions	"management fees" - definition is too restrictive, list of excluded expenses is not complete and many other expenses are not management fees (e.g., unitholder reporting, trustee fees, etc.). We suggest that this definition be amended to read: "management fees" means the total fees paid or payable by an investment fund to its manager or one or more portfolio advisers, including incentive or performance fees, but excluding operating expenses.
1.1 – Definitions	"net asset value" - GAAP currently does not require that long-term liabilities of an investment fund be carried at fair value. Requiring the fair valuation of long-term liabilities might conflict with GAAP in certain cases, such as in the valuation of mortgages held by real estate funds and preferred shares of exchange traded funds. We suggest that the reference to long-term liabilities be removed.
2.9 – Change in Year End	This section (and section 2.7(3) of the Companion Policy) now requires that for the transition year, the comparative periods in the financial statements be the corresponding months from the prior year. This requirement could result in funds having to redo their financial statements for the prior year (for example, in the case where a fund changes its financial year-end from December 31 to September 30). Currently, funds are permitted to provide the comparative financial statements for the current year (in the example above, 9 months, in a transition year) along with the 12-month period previously presented for the prior year. This provision appears to require that funds prepare financial statements for the prior year to cover the corresponding period (in the example above, a 9-month period for the prior year). We ask that the CSA preserve the current ability of funds to provide comparative financial statements for the current year (9 months, in a transition year) along with 12 months of the prior year.

NI 81-106 – Reference	Comments
2.12(2) – Disclosure of Auditor Review of Interim Financial Statements	We ask that the CSA clarify the disclosure requirements if the review on the interim statements was carried out, not during the period prior to the filing of the interim financial statements but rather at a different time (i.e., in conjunction with the filing of a simplified prospectus, where a review of the interim financial statements was required in order to obtain a comfort letter)). We ask the CSA to clarify what disclosure would be required in this circumstance and provide suggested disclosure or format for the notice to be included with the interim financial statements for a circumstance in which a review has not been carried out.
3.1 – Statement of Net Assets	We ask that the CSA clarify the following: If short term debt instruments are aggregated with cash and term deposits as a line item on the statement of net assets, and not listed on the statement of investment portfolio, is there any requirement to separately report the short term debt instruments by currency? Our view is that, at most, the distinction should be between domestic or reporting currency and foreign currencies. We ask the CSA to bear in mind that a requirement to separately report short-term debt by each currency is onerous, could result in lengthy disclosures and does not, in our view, provide commensurate additional value.
3.3 6. – Statement of Changes in Net Assets	We suggest to the CSA that terms be made consistent with the tax nature of distributions/dividends as GAAP / tax differences are such that a taxable capital gain could occur and be distributed, but no gain is realized for GAAP purposes. We suggest the wording be: "…distributions, showing separately the amount out of taxable income, taxable capital gains and return of capital."
3.6(1) 4. – Notes to Financial Statements	This section requires details of the total commission paid to dealers by the investment fund for its portfolio transactions during the period reported upon, including dollar amounts of commissions paid and soft dollar transactions. Having to disclose soft dollars in addition to total commission paid is redundant. Access to information at third party advisors as well as the ability to verify/audit this information is limited. This section would require arbitrary allocation of transactions to a specific fund.

NI 81-106 – Reference	Comments
	In its responses to comments, the CSA (on page 24 of Appendix B to the Notice and Request for Comment) indicates its belief that it is possible to estimate the per fund soft dollar transactions since the total soft dollar transactions and the actual transaction costs per fund are known. Thus the per fund soft dollar transactions would be estimated by subtracting from the total amount paid to a broker the usual market rate for commissions normally charged by that broker. However, this method of estimating per fund soft dollar transactions does not contemplate any 'preferential pricing' of trades based on volume that does not otherwise involve soft dollar services provided by the broker to the manager. We recommend that the CSA adopt other disclosure (outside of the financial statements) to accomplish the goal of this section (i.e., require in the MRFP disclosure of the percent of soft dollar transactions to total brokerage transactions for the fund manager). This would remove audit issues associated with verifying data from sources other than the books and records of the fund. We also ask the CSA to generally clarify what information relating to soft dollar transactions is to be disclosed. We note that the required disclosure appears to be on a fund-by-fund basis - does it also require specific dealer disclosure? Would this section also require disclosure of all DSC commissions paid? The CSA should also provide a definition of what transactions are considered to be soft dollar transactions for the purposes of NI 81-106.
3.6(1) 6. – Notes to Financial Statements	A requirement to disclose any fees or expenses paid by manager in the notes is too broad. We ask that the CSA clarify the following: What information is to be disclosed relating to amounts waived? Will this section require a listing of expense items and related dollars? We note that this would be very difficult, and subject to judgment on a firm-by-firm basis. We note, as a consequence, that there would likely be significant inconsistencies among fund companies as to what is disclosed.

NI 81-106 – Reference	Comments
	If a manager chooses to pay for certain expenses rather than for example soft dollar the expense (which does not require disclosure of 'soft dollar services' provided), would this need to be disclosed?
3.7 – Inapplicable Line Items	We suggest that the CSA reintroduce the 5% "threshold" currently in the Regulations to the Securities Act (Ontario) and that this section be amended as follows: "… or for which the line item is less than 5% of total revenue or expense, as applicable.
7.2(2) – Documents Available on Request	Section 7.2(2) and section 5.4(1) appear to have different deadlines for the provision of required documents to investors. Section 5.4(1) provides that a fund must send documents to registered holders or beneficial owners no later than 10 days after filing those documents. However, if an investor specifically requests the document, the deadline, pursuant to section 7.2(2) is the later of the filing deadline of the document requested and 10 days after the receipt of the request. We recommend that the delivery requirements of section 7.2(2) be amended to mirror those of section 5.4(1) to be 10 days after filing of the documents.
Response to comment on multi class presentation (Previous section 4.5, - Statement of Change in Net Assets). CSA Response to Comments (Page 24 of Appendix B to the Notice and Request for Comment)	In response to a request for clarification as to whether it would be acceptable to summarize security activities for several classes of funds together, the CSA noted as follows: "Sections 8.2 of the Rule and 2.4 of the Policy clarify that financial statements of different classes of an investment fund that is referable to the same portfolio may be combined together or prepared separately. If combined together, those statements that would be different for each class, such as the statement of operations, must be separated." It is our understanding that the CSA was attempting to codify current practice regarding multi class funds. However, we do not believe that the CSA has achieved this goal. Currently, financial statements of multi-class entities are generally provided in one of two ways: (1) by the whole fund; or (2) separately by series or groups of series. In either case, the Statements of Net Assets, Operations and Changes in Net Assets are almost identical (i.e., the whole fund's results are presented in both cases). The only difference between whole fund statements and series specific versions is the presentation of other information such as MER and performance. When all

NI 81-106 – Reference	Comments
	series are combined, all series specific MER, performance, etc. is disclosed. When separate statements are issued by series, the MER and performance for only that series is presented. If the CSA wishes to require the provision of information on the varying results by series, we submit that this is already achieved by the requirement to disclose in the notes the material differences between series (3.6(1) 3.), to calculate separate MERs and through the discussion of performance by series and financial highlights by series in the management report.
10.2 – Requirement to Establish Policies and Procedures	We ask that the CSA clarify, perhaps in the Companion Policy, that section 10.2 permits policies to be established by the manager for funds it manages, and not separate policies for each fund. In addition, we ask the CSA to clarify the requirements of section 10.2(e) to advise clients of any changes to the policies and procedures.
14.2 – Net Asset Value – Calculation, Frequency and Currency	Section 14.2(6) as proposed indicates that the Net Asset Value Per Unit ("NAVPU") must be calculated in U.S. or Canadian dollars or both. Would the requirements of this section preclude the launch a Euro money market fund? We think that this requirement should be amended so that there is one NAVPU (per security) per fund and it must be calculated in the reporting currency of the fund (which is usually Canadian dollars). If alternate currencies are also quoted, the basis for that calculation should be disclosed in the prospectus, AIF and financial statements (generally these are simply the reporting currency NAVPU converted to U.S. dollars at the present day's exchange rate). Future redemptions are done at the future reporting currency NAVPU converted at the foreign exchange rate at time of redemption. This is opposed to foreign denominated funds that execute their operations in a foreign security and thus do have a different foreign exchange risk profile.

NI 81-106 – Reference	Comments
16.2(2) – Additional Filing Requirements	We ask the CSA for clarification between section 16.2(2) which states that the documents must be filed on the same date as, or as soon as practicable after, the date on which the fund sends the documents to unitholders and section 2.2 of NI 81-106CP which requires that the financial statements be sent to unitholders within 10 days of being filed.
Part 18 – Effective Date and Transitional	We ask that the CSA clarify how this rule would be applied to various year-ends in the transition period (i.e., in a manner similar to Appendix A of the Companion Policy for change in year ends).

NI 81-106CP - Reference	Comments
2.6(2)(c) – Delivery of Continuous Disclosure Documents	The last paragraph of section 2.6(2)(c) commences: "Section 5.1 specifies that if an investment fund chooses option (b), it cannot switch to option (c) at a later date." We do not see anything in section 5.1 of NI 81-106 that requires the support of this prohibition and therefore recommend the deletion of the sentence in NI 81-106CP.
10.1(4) – Calculation of Management Expense Ratio	We suggest that section 10.1(4) of the Companion Policy be redrafted as follows: “Brokerage and other portfolio transaction charges are not considered to be part of total expenses as they are included in the cost of purchasing, or netted out of the proceeds from selling, portfolio securities.” In our view, the logic that holds for brokerage costs should be extended to other transactional costs that are imbedded in the cost / proceeds of securities.

Form 81-106F1 – Reference	Comments
Management Reports of Fund Performance – General	**We believe that there is a contradiction in the requirements on providing forward-looking information. The CSA has stated in the summary of changes to the Form, and the Response to Comments – Part B Item 1.6 that forward-looking information is now optional. However, the instructions to Form 81-106F1 Item 2.5 indicates that**

Form 81-106F1 – Reference	Comments
	forward-looking information is a necessary part of the discussion to be included in the MRFP.
Part B, Item 3.1(1) – Financial Highlights	We ask the CSA to reconsider the table "The Fund's Net Asset Value per [Unit/Share]" as a reconciliation of opening to closing NAV per unit. Given the denominator being used in the calculation, this table cannot be created without a "plug" in order for the opening and closing NAV per unit/share to tie into the financial statements. We suggest the information in this table can be presented without the NAV per unit/share, beginning and end of the period. Alternatively, if the CSA believe that a reconciliation of NAV per unit/share is necessary, we ask that additional guidance be included in the instructions.
Part B, Item 3.1(1) – Financial Highlights	We are not certain as to the added value of disclosing the number of securities held. If this requirement is maintained, we have the following questions: With respect to the number of securities held, should the disclosure include individual short-term investments in the total (i.e. count each Canadian T-bill separately)? We presume that "number of investments held" means number of issuers, and not the count of shares held and ask that the CSA confirm our understanding. If holdings include common shares, preferred shares and ADRs of the same issuer, are these counted as one, or three? How would several bonds issued by the same issuer be counted?
Part B, Item 3.1(3) &(4) – Financial Highlights	Subsection (4) states that realized and unrealized gains and losses should distinguish between securities and foreign exchange gains and losses However, pursuant to the March 31, 2004 IFIC letter to the OSC and subsequent discussions of section 1100 GAAP issues with the OSC, the requirement to show realized and unrealized gains and losses separated between gains and losses from securities transactions and gains and losses from foreign exchange in section 3.1(4) of NI81-106F1 should be deleted.

Form 81-106F1 – Reference	Comments
	Passively managed fund of fund structures, in our view, should be exempted from the requirement to provide a portfolio turnover rate. Our view is that the basis for an exemption in this situation would be similar to the exemption that money market funds have from having to provide portfolio turnover rates.
Part B&C, Item 5 (Instructions 8&9) – Summary of Investment Portfolio	We remind the CSA of the difficulties associated with Fund of Fund portfolio disclosure, as there is a need to wait for the quarterly filings of 3rd party funds before the top fund can complete a summary of investment portfolio. Could the most recent underlying fund data be used, provided there is sufficient disclosure of the period of the underlying fund's data?
Part C, Item 3 – Financial Highlights	Would the interim financial highlights table show 5 years of annual data, and the latest interim data? If so, this would be inconsistent with the interim financial statements, where the requirement is to disclose 5 years of interim comparative data.