

July 27, 2004

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
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
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 3S8
E-mail: jstevenson@osc.gov.on.ca

-and-

Anne-Marie Beaudoin
Directrice du secretariat
Autorité des marchés financiers
Tour de la Bourse
800, square Victoria C.P. 246, 22e étage Montreal, Quebec
H4Z 1G3 Fax: (514) 864-6381
E-mail: consultation-en-cours@lautorite.qc.ca

**Re: Changes to Proposed National Instrument 81-106 Investment Fund Continuous Disclosure –
Comments of Guardian Group of Funds Ltd.**

Guardian Group of Funds Ltd. (“GGOF”) had responded to the previous version of Proposed National Instrument 81-106 (“NI 81-106”) and we thank the CSA for having considered industry comments that has resulted in, in our view, an improved proposed NI 81-106. Nonetheless, we continue to have some significant concerns with the proposed NI 81-106. The areas of greatest concern are discussed below.

As an overriding comment, we continue to believe there is a “disconnect” between what the CSA thinks that investors want and what we in the industry see that investors actually want.

GGOF’s experience has been that less than 5% of the purchasers of our funds have requested to receive Annual Reports. An informal survey of several other mutual fund companies confirmed that our experience was typical of the industry as a whole.

Despite the results of the COMPAS survey, we have no doubt that most fund investors would react differently after receiving voluminous Financial Statements and/or Management Reports of Fund Performance either together or separate reports for each fund that they hold (in most cases from more than one fund company) than they did in response to a direct question from a market researcher.

We have concerns about several aspects of the proposed National Instrument and we have participated in IFIC’s development of an industry response. However, there are some critical matters that we want to highlight for the CSA in the hope that the final NI 81-106 will show that these concerns have been addressed.

HEAD OFFICE

Commerce Court West
Suite 4100, P.O. Box 577
Toronto, Ontario M5L 1G6

tel: (416) 947-4099
toll free: 1 800 668-7327
www.ggof.com

Areas of Greatest Concern

Part 18 – Effective Date and Transitional

If there are no material amendments to the proposed NI 81-106, its implementation will necessitate some significant systems, operational and procedural changes. Our current experience is that any major programming change to our unitholder reporting system requires a 6-9 month lead-time. New procedures would also need to be implemented involving our Investment department (including external sub-advisors), fund accounting, marketing, our printers, the Board of Directors and the funds' auditors.

Since the comment period ends on July 27th, 2004 and the CSA will require some time to consider the comments and, possibly, publish a final version of NI 81-106, it is unreasonable to have the instrument apply to reports for financial years ended on December 31, 2004. It would be more appropriate to have the National Instrument apply to years ended after December 31, 2004, to allow the industry to properly prepare for the required changes.

Costs and benefits

Our preliminary assessment of the likely costs of implementing the requirements of proposed NI 81-106 is that they will be substantially higher than the current mutual fund reporting regime. All or some of these additional costs will be passed on to the unitholders without any appreciable benefit accruing to them. In order to manage the costs and to provide better value to unitholders the CSA should consider requiring only Annual and Semi-Annual Management Reports of Fund Performance and removing the requirement for the delivery of Financial Statements and for Proxy Voting reporting.

The strongest response identified by the COMPAS survey was the desire among a majority of investors to receive a written analysis of overall fund performance. This would be the Management Report of Fund Performance ("MRFP"). Fund Financial statements are difficult for most investors to read and to understand and provide little information about the performance of the fund and the reasons for that performance – in absolute or relative terms. That is the only information that a vast majority of unitholders require. Commentary in the MRFP could refer to numbers derived from the financial statements, as appropriate. The financial statements could be available to unitholders on request but without any requirement on the part of the fund manager to ask the investor to positively respond if they wanted to receive the financial statements. Fund financial statements would also be available on the fund manager's website and on SEDAR.

Voting of proxies is an important part of the investment management process. In GGOF's case, 99% of our assets under management are advised by external professional portfolio advisors under the terms of an Investment Management Agreement ("IMA"). The IMA gives the portfolio advisors the responsibility for voting proxies pertaining to the portfolios that they manage. They are required to follow our Proxy Voting Guidelines and to act in the best interest of the funds that they advise. Reporting to the funds' unitholders on all proxies voted with respect to all securities held in those funds is neither meaningful nor relevant to such unitholders. Part 10.3 and 10.4 should be deleted.

Thank you again for the opportunity to comment on the Proposed National Instrument. We trust that our concerns will be appropriately considered.

Yours truly,

'Steven P. Rostowsky'

Steven P. Rostowsky
Chief Financial Officer &
Chief Compliance Officer

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HEAD OFFICE

Commerce Court West tel: (416) 947-4099
Suite 4100, P.O. Box 577 toll free: 1 800 668-7327
Toronto, Ontario M5L 1G6 www.ggof.com