



**Fidelity Investments Canada Limited**

483 Bay Street, Suite 200

Toronto, Ontario

M5G 2N7

Peter S. Bowen

Tel: (416) 307-5230

Fax: (416) 307-5535

Email: peter.bowen@fmr.com

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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 the Northwest Territories  
Registrar of Securities, Government of Yukon  
Registrar of Securities, Legal Registries Division, Department of Justice, Government of Nunavut

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

- and -

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

Dear Sirs/Mesdames:

**Re: Proposed Amendments to National Instrument 81-106 Investment Fund  
Continuous Disclosure, Form 81-106FI and Companion Policy 81-106CP  
Investment Fund Continuous Disclosure and Related Amendments**

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We are writing in response to the request for comments on the proposed amendments to National Instrument 81-106 Investment Fund Continuous Disclosure (the “Rule”), Form 81-106F1 Contents of Annual and Interim Management Report of Fund Performance (the “Form”) and the Companion Policy 81-106CP Investment Fund Continuous Disclosure (the “Policy”). The Rule and the Form are together referred to as the “Instrument”.

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### **General Comments**

We commend the initiative taken by the CSA to modify the requirements of the Instrument regarding the calculation of net asset value in accordance with Canadian GAAP following the introduction of section 3855 Financial Instruments – Recognition and Measurement of the CICA Handbook.

We have chosen to focus on a few areas of concern in this comment letter. We support the comments made by the Investment Funds Institute of Canada (“IFIC”).

### **Specific Comments**

#### *Net Asset Value Determination*

We strongly support the proposed amendments which will permit investment funds to have two different net asset values, one for financial statements prepared in accordance with Canadian GAAP and the other based on fair value of assets and liabilities of the fund. We are comfortable that this change will resolve outstanding concerns regarding systemic dilution that would otherwise occur if transactional net asset values were required to be determined in accordance with Canadian GAAP.

### *NAV Reconciliations*

Section 3.6 (1) 5 of the instrument requires a reconciliation of the net assets and net asset value on a series and per unit basis when there is a difference between the two. We support all of the options presented in IFIC's response letter, however we feel that limiting the reconciliation to NAV per unit and excluding the reconciliation of the NAV per series would be the most effective alternative. The requirement to reconcile both on a series and per unit basis is redundant and the NAV per unit is of the most interest to the investor. Furthermore, we feel that the instrument should provide clarity regarding the materiality of the difference between net assets per unit and net asset value per unit. Many fund companies calculate their NAV per unit to more than 2 decimal places and a variance of less than \$0.01 (e.g. \$0.004) would only apply to those funds whose NAVs are determined to this level of precision. We recommend that the language reflect consistency between NAVs determined to different precisions - that is, fund companies shouldn't be penalized because their NAVs go to a greater degree of precision.

### *Repurchase and Reverse Repurchase Transactions Disclosure*

Part 3, Section 3.2 (4.1) of the instrument requires the revenue from repurchase and reverse repurchase transactions to be disclosed on the statements of operations. We feel that this requirement adds little value and in fact will lead to investor confusion. In particular, revenue from reverse repurchase transactions is, economically, interest and disclosing it as a separate line item in the financials statements is unnecessary and will prove confusing to investors. We note that the proposed disclosure is not consistent with the requirements of either Canadian GAAP or US GAAP. Further, US regulations do not require separate disclosure of revenue from reverse repurchase agreements.

### *Statement of Investment Portfolio for Fund on Funds*

Section 3.5 (8.1) of the instrument requires an investment fund which invests substantially all of its assets in one other investment fund to disclose the holdings of the underlying fund in the statement of investment portfolio or the notes to that statement. We concur with IFIC that that disclosure of the top 25 investment holdings of the bottom fund along with their underlying composition would be more useful to investors rather than the entire list of underlying assets.

### *Financial Highlights Table in the MRFP*

Part 3.1(1) of the Form states that the information should be derived from the fund's audited financial statements and the net assets per unit is presented. We recommend that the requirement should instead use net asset value per unit and not net assets per unit, as the net assets per unit is not meaningful to investors and will cause confusion. As noted in section 3.1 of the Form, this table is meant to assist investors in understanding the Fund's financial performance; accordingly, it should be based on the net asset value, which is what investors are concerned with.

## **Conclusion**

Again, we strongly support the overall approach contained in the proposed Instrument. We urge you to consider the concerns we have raised in this letter and our proposals for dealing with those concerns. We appreciate the opportunity to comment on the Instrument, and look forward to a continuing dialogue regarding the implementation of Investment Funds Continuous Disclosure that best serves the interests of investors.

Yours very truly,

*[signed] "Peter S. Bowen"*

Peter S. Bowen  
Vice President & Fund Treasurer  
Fidelity Investments Canada Limited