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VIA ELECTRONIC MAIL

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Joint Forum Project Office  
Joint Forum of Financial Market Regulators  
5160 Yonge Street.  
Box 85, 17<sup>th</sup> Floor  
North York, Ontario  
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Dear Joint Forum Members,

I am writing to provide the Joint Forum with Tradex Management Inc.'s first round of comments on proposed Framework 81-406: Point of sale disclosure for mutual funds and segregated funds. This comment letter will deal only with the content of the draft two-page document, "Fund Facts", that was released by the Joint Forum on June 15, 2007. A second comment letter will be sent to you regarding delivery of the proposed document. Tradex is one of the oldest mutual fund companies in Canada and is also a Member of the MFDA. Therefore, we have a very strong interest in governance and communications issues related to the mutual fund industry.

We have two general comments to make with respect to the draft "Fund Facts" document as follows:

- A. In our view the draft document does not provide the average investor with sufficient information to make an informed decision with respect to investing in a particular mutual fund. Therefore we believe that the information on the objectives of the Fund, its performance, etc. should be expanded.
- B. While we are strongly in favour of ensuring that investors get more and better information on the fees and expenses that they pay, we believe that this information should not be part of the "Fund Facts" document. Rather, in order to avoid confusing investors, this information should be provided to investors at the time they enter into an arrangement with a mutual fund dealer and updated on a regular basis thereafter. This could be done through the creation of some form of "client relationship document" (which might be part of the client application form).

The above having been stated, our specific comments with respect to the draft Fund Facts document are as follows:

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1. "Quick facts" section----this section is fine as is.
2. "What does the fund invest in" section---We believe that is section should include a summary of the key investment objectives of the Fund in addition to the listing of the fund's top 10 holdings (and the number of investments in the fund). We also believe that the top 10 table would be much more meaningful if percentages accompanied the top 10 holdings. The disclosure on "investment mix" is fine as is.
3. "How has the fund performed" section---With respect to the "average return" portion of this section we note that this information used to be contained in the simplified prospectus for mutual funds. However, with the introduction of the Management Report of Fund Performance (MRFP) this information was dropped. We support the re-introduction of this information but recommend that it should be in the form of a graph that shows not only the "end amount after 10 years" but also the path followed to arrive at the end result (as presented in the "old" prospectus format). We also believe that this information should be re-introduced in the MRFP since it would seem inconsistent to have information in a "summary document" that is not contained in the more detailed legal document. Furthermore, we believe that a table showing compounded annual returns for the previous 1,3,5 and 10 year periods versus the fund's benchmark is much more meaningful information to the investor. Therefore, we suggest that this information be added to the Fund Facts document.
4. "How risky is it?" section---we believe that this section needs greater qualification of "risk". In other words, we believe that any discussion of risk needs to be put in context. In addition to a sentence or two on the risks associated with different asset types, our recommendation would be to include a table with the "risk spectrum" that categorizes mutual funds from the safest (money market funds) to those with the highest risk (sector or foreign funds) and shows where this particular mutual fund fits on this risk spectrum.
5. "Who is this fund for" section---this section is fine as is.

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1. Under the "How much does it cost to buy?" section---in the draft document there is no mention of "no load" funds. In our own case (as a mutual fund dealer) we do not charge an initial sales charge or a deferred sales charge (or a wrap fee). Therefore, if this section is to be included in the document, there should be a category (tick box) stating. "There is no sales charge, deferred sales charge, wrap fee or other charge when you buy this fund".
2. "How does my adviser get paid?" section---again, the example does not apply to our own situation. In our case our "advisors" are salaried employees. They do not receive sales commissions or any other remuneration based on a sales or on the amount of assets under administration. The only information in this section that might apply to our own circumstance is the following; "XYZ Mutual Funds pays the commission to the company your adviser works for. The commissions are part of the fund's annual expenses."
3. "What if I change my mind?" section----this section is fine as is.

4. "For more information" section----mention should be made about getting a copy of the most recent annual and interim Management Report of Fund Performance (MRFP) as well as the prospectus and financial statements. Also, it would be helpful to give more information as to where these documents could be obtained (we would suggest wording similar to the wording on the front page of the MRFP) including reference to the fact that the information can be obtained on the SEDAR web site.

In summary, we are strongly in favour of ensuring that mutual fund investors receive adequate information both with respect to the funds that they are buying and with respect to the fees that they are paying. However, we believe that the proposed Fund Facts document does not provide investors with sufficient information on a particular fund to make an informed decision. Furthermore, in order to better inform investors, we believe that the section with respect to "how much does it cost" should be completely re-thought and moved to another document. This would also have the benefit of enabling the Fund Facts information to be expanded while, at the same time, maintaining the two-page format.

Yours truly,



Robert C. White  
President  
Tradex Management Inc.