

Dec 19, 2008

John Stevenson, Secretary  
Ontario Securities Commission  
20 Queen Street West, Suite 1903, Box 55  
Toronto, ON M5H 3S8

M<sup>re</sup> Anne-Marie Beaudoin  
Corporate Secretary  
Autorité des marchés financiers  
800, square Victoria, 22e étage  
C.P. 246, tour de la Bourse  
Montréal (Québec) H4Z 1G3

**Re: Proposed Framework 81-406  
Point of Sale Disclosure for Mutual Funds and Segregated Funds**

We are responding to the request for comments on Framework 81-406 Point of Sale Disclosure for Mutual Funds and Segregated Funds (the "Framework") published by the Joint Forum of Financial Market Regulators (the "Joint Forum") on October 24, 2008. This letter is submitted on behalf of RBC Asset Management Inc. ("RBC AM") and Phillips, Hager & North Investment Management Ltd. ("PH&N"). RBC AM and PH&N provide a broad range of investment products and services to investors through mutual funds, prospectus-qualified pooled funds and separately managed portfolios. Combined as at October 31, 2008, RBC AM and PH&N have \$102 billion in IFIC-reported mutual fund assets under management and an additional \$49 billion in other institutional and private client assets under management.

At the outset, we would like to thank the Joint Forum for considering our comments made in response to 2007 proposed framework and for the opportunity to comment on the current version of the Framework. As we have indicated in our earlier letters, RBC AM and PH&N are fully supportive of the overall goal of this initiative to provide more meaningful information to investors in making their informed decision to invest in a fund. We welcome the introduction of a clear and concise disclosure document, and the corresponding elimination of the obligation to deliver the simplified prospectus.

While we appreciate the efforts the Joint Forum has made to address the industry's concerns, we would like to reiterate our comments on several points that we feel have not yet been adequately addressed by the Framework. As well, we will provide further input on the revised

content of the *Fund Facts* document. We hope that the Canadian Securities Administrators (the "CSA") will address these comments in the implementation phase of the Framework.

### ***Two-Staged Implementation Process***

We have contributed to and support the proposals outlined in the Investment Funds Institute of Canada's submissions filed with the CSA on November 24, 2008. We firmly believe in the recommendation to separate production and delivery aspects of the Framework implementation. The proposed two-staged implementation process, whereby the availability of the Fund Facts is expedited, is beneficial for both investors and the industry and will allow for the more complex delivery aspects of the proposal to be dealt with separately, ensuring that all related issues and concerns are fully considered.

### ***Delivery of the Fund Facts***

As indicated in our previous submissions to the Joint Forum of October 2007, we do not believe that the proposal to deliver the Fund Facts at or before the point of sale is in the best interest of all investors. We have participated in and support the proposals outlined in the RBC affiliated distributors submission. More specifically, we agree with the recommendation that all investors be allowed the option to receive the disclosure document with the trade confirmation. We strongly encourage the CSA to consider a flexible, investor driven approach in which all investors have the option to choose whether they want to receive the Fund Facts before or at the point of sale, in addition to receiving it with the trade confirmation.

We are also encouraged by the provision in the Framework that the delivery obligation can be accomplished by directing the investor to the relevant Fund Facts on the fund manager's website. We urge the CSA to explore further web access as a means of pre-sale delivery since electronic access could accommodate the ever increasing number of investors who are willing and able to access disclosure electronically at their convenience.

### ***Fund of Funds***

We will proceed under the basis that any fund of funds may be treated as an individual mutual fund for which only one *Fund Facts* document would be delivered.

### ***Wrap Products and Asset Allocation Services***

We note that the Framework no longer precludes the grouping of *Fund Facts* into a consolidated document. Our interpretation is that dealers will be permitted to deliver to the investor a single, consolidated document containing the Funds Facts for each of the funds included in a wrap program or asset allocation service.

### ***Fund Facts Content***

a) How has the fund performed?

We welcome the provision that fund managers will be allowed flexibility in certain areas to describe their funds accurately. We would like to confirm that this extends to the fund performance area. Certain types of funds have objectives other than total returns. For example, Monthly Income Funds are designed to generate regular, tax efficient distributions as opposed to total return. In these circumstances, only providing performance disclosure may not provide sufficient information for an investor to properly compare their options.

We note that further guidance on the method of calculating average returns will be provided in the implementation phase of the Framework. In particular, we note that the “Average Return” section of the *Fund Facts* prototype is shown based on a person who invested in the fund 10 years ago. It is not clear how this will apply to funds with less than a 10 year history and how investors will compare across funds.

Further, we note that different reporting periods are used in the *Fund Facts* prototype. In particular, it appears that the performance data is presented on a calendar basis (as at the end of the most recent calendar year) while the rest of the information (Top 10 investments, Investment mix) is reported as at the date of the *Fund Facts* sheet. In light of the objective to provide information to investors in a comparable format, we would strongly suggest that performance information be displayed on a calendar basis for all mutual funds, even if other information is updated more frequently (ie. quarterly).

b) Who is this fund for?

Suitability is the obligation of the advisor. The suitability language within the Simplified Prospectus is designed as a guide for both the advisor and the client. We would caution against the use of explicit warning statements, as in many cases a particular fund may be a component of a more broadly diversified portfolio. For example, the warning on an emerging markets equity fund may say “Don’t buy this fund unless you can tolerate significant fluctuations in the value of your investment”. However, an emerging markets fund may be appropriate as a small part of a more broadly diversified portfolio. Another example can be taken from the draft Fund Facts document, which was for Series A of XYZ Canadian Equity Fund. The warning states “Don’t buy this fund if you need a steady source of income from your investment”. However, a Series T version of this fund may be suitable for a client seeking income. Guidance on suitability is important, and we recommend that any suitability disclosure is balanced in tone. We caution against broad explicit statements that do not take into account the role the advisor fills in assessing a client’s needs and building an appropriate portfolio to meet those needs.

Thank you for the opportunity to submit our comments. We would be pleased to discuss with you any of the matters outlined in this letter.

Yours truly,



Brenda J. Vince  
President, RBC Asset Management Inc.