BY EMAIL: comments@osc.gov.on.ca;
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September 5, 2012

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

Attention: The Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto ON, M5H 3S8

Me 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

Dear Sirs/Mesdames:

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RE: CSA Notice and Request for Comment – Implementation of Stage 2 of Point of Sale Disclosure for Mutual Funds

AGF Investments Inc. ("**AGF**") is pleased to respond to the request for comments on the *"Implementation of Stage 2 of Point of Sale Disclosure for Mutual Funds – Proposed Amendments to National Instrument 81-101, Form 81-101F3 and Companion Policy 81-101CP and Consequential Amendments"* (the "**Stage 2 Proposals**"), as set out in the CSA Notice published on June 21, 2012 (the "**CSA Notice**").

AGF continues to support the Canadian Securities Administrators' ("**CSA**") goal of providing concise and clear regulated disclosure for investors, including through the development of the point-of-sale disclosure initiative (the "**POS Initiative**"). Overall, AGF believes that the POS Initiative will prove beneficial and valuable to investors as the new delivery requirements within two days of purchase are rolled out in lieu of the current prospectus delivery. AGF is, however, concerned with certain of the content changes included in the second publication of the Stage 2 Proposals. Our primary concerns include:

- the issues that could result from the arbitrary listing of a fund's "top" 3 or 4 specific fund risks;
- the misleading nature and lack of value of using a Guaranteed Investment Certificate ("**GIC**") as a performance comparable; and
- the undue emphasis on short-term performance by requiring the disclosure of a fund's worst 3-month return

Each of these concerns is addressed in further detail below.

Issues Relating to "Top" Specific Fund Risks

While AGF does see merit in investors knowing what a fund's primary risks are, AGF submits that the CSA's proposed requirement to include a list of no more than four "top" risks of the fund raises a number of issues that ought to be considered, including the following:

- As there is no prescriptive basis upon which to determine what a fund's top risks are, the identification of these "top" risks by a fund manager will invariably lead to a lack of comparability between funds and fund companies' products, even if the fund is in the same product category (e.g. Canadian equity). What one fund company regards as top risks for a Canadian equity fund, for example, may not correspond with what another fund company sees for the similar fund category. On the assumption that one of the CSA's goals is to maintain a level of easily understood (for investors) comparability between fund companies' products, this proposal could hamper that goal and create investor confusion.

- Similarly, risks are subjective to the specific investor. What may be considered to be a top risk to one investor, may not be as important to another. Consequently, a fund manager's view of the main risks of the fund is inherently subjective, and may not necessarily align with what risks may influence a particular investor's investment decisions.

- Listing a sampling of 3 to 4 top risks (i.e. the name of the risks only), without providing clarity about what those risks mean, is likely not useful information for investors. AGF submits that most investors won't be able to better understand the risks of the funds (what we understand to be a goal of the CSA) by just reading a title heading of a risk. On this basis, this added enhancement to the FF documents may not have the intended effect of creating better disclosure – it may, in fact, have the opposite effect of creating more ambiguity or confusion.

- A list of top risks is not a static piece of disclosure. It wouldn't be a stretch to assume that a list of 3 to 4 top risks may frequently change. On that basis, what would be the CSA's approach to dealing with this type of disclosure change? AGF submits that it would be onerous to require fund companies to constantly be updating FF documents for the listing of top risks.

For the reasons articulated above, AGF respectfully submits to the CSA that if this type of requirement is to be implemented, some further consideration will need to be given with respect to:

(i) attempting to create a standardized/prescribed method to ensure that certain fund categories (e.g. Canadian equity) are comparatively aligned across fund companies in at least some of their "top" risks as a way to allow for better consistency/comparability;

or

(ii) ensuring that investors understand that the "top" risks that are indicated are commensurate with the portfolio manager's view (i.e. the identification of the risks is a subjective measure);

and

(iii) appreciating that a risk's title alone may not provide enough transparency about what the risk means – however, if a description is to be added, is it to align with the existing prospectus disclosure?;

and

(iv) understanding that a list of "top" risks is static as at the point in time of the date of the particular FF document – i.e. this type of "top" risk disclosure should not be subject to a material change assessment, particularly since a full listing of risks is already disclosed in the prospectus.

<u>GIC Comparable – Misleading and Lack of Value</u>

AGF does not believe that a FF document requirement to compare a mutual fund's performance against the performance of a GIC provides much value to an investor – in fact, AGF argues that such a comparable could have the negative effect of being misleading to investors.

Investors who invest in mutual funds have completely different investor profiles, risk tolerances and investment goals as compared to those investors who may invest in a GIC. Most investors understand, and all existing mutual fund disclosure emphasizes, that mutual funds are not guaranteed investments. The existing legislative requirements for

FF documents already mandate the inclusion of the statement: *"Like most mutual funds, this fund doesn't have any guarantees. You may not get back the amount of money you invest."* AGF believes that this statement is entirely sufficient to emphasize the point that investors cannot be guaranteed positive performance on their investments. In other words, there is no value in making performance comparisons with an investment (i.e. a GIC) that is not at all similar in scope to a mutual fund investment.

As noted above, a GIC is not a comparable benchmark to be used to illustrate comparative performance data with most mutual funds. This is especially true in the case of equity funds. There is no doubt that the possible differential in performance between an equity fund and a GIC may be vastly different – this is the very nature of an equity product. However, investors who invest in these equity funds do not expect returns relative to that of a GIC – they just aren't on the same scale of comparability. To try and compare the two could prove very misleading for investors.

If a benchmark is to be used to compare a fund's performance, AGF submits to the CSA that further consideration should be given to determining appropriate benchmarks that can be used based on a particular fund's classification (e.g. equity, fixed income, blended). This may take further time and analysis to determine more specific and suitable industry-wide benchmarks, however AGF believes that this will provide more useful information to investors (than that of a GIC comparable) in the long-run.

Worst 3-Month Returns – Undue Emphasis on Short-term Performance

AGF believes that the proposed requirement to disclose a fund's worst 3-month return unduly emphasizes short-term performance. The CSA indicated in the CSA Notice that the intent of the disclosure is to better inform investors about the possible loss of investing in the fund. AGF respectfully disagrees that this type of disclosure would have such intended effect.

AGF's assumption is that by adding this type of mandated disclosure, the CSA is aiming to underscore the volatility in a fund's performance. Notwithstanding this intention, AGF does not believe that a 3-month measure can accurately measure a fund's volatility. An investor needs to see the longer-term illustration of a fund's performance (as already disclosed under the FF documents' content requirement of "Year-by-year returns") in order to properly gauge whether the fund's volatility is commensurate with their own investment profile. The short span of a 3-month indication of volatility is not really indicative of how the fund is performing on an overall basis, and arguably does not provide investors with helpful or useful information.

AGF's general position is that the existing performance disclosure in the FF documents is an adequate indication of the range of volatility, and is not enhanced by requiring a 3-month "worst return" disclosure section. That being said, if there is a strong desire on the part of the CSA to extract and highlight this information for investors, AGF would alternatively support the disclosure of a "worst" and "best" performance depiction on a broader 12-month and 3-year scale. AGF proposes disclosure of a table along the following lines:

	Best Returns		Worst Returns	
	Fund	**Benchmark**	**Fund**	**Benchmark**
over a 12-month period	• %	• %	• %	• %
over a 3 year period	• %	• %	• %	• %

We thank you for the opportunity to raise the above issues with you. We look forward to constructive dialogue to ensure that the Stage 2 Proposals lead to rules that truly benefit investors.

Yours very truly,

Mark Adams
Senior Vice President, General Counsel & Corporate Secretary
AGF Investments Inc.