BY ELECTRONIC MAIL: comments@osc.gov.on.ca, consultation-en-cours@lautorite.qc.ca

September 6, 2012

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

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:

RE: Request for Comments – Implementation of Stage 2 of Point of Sale Disclosure for Mutual Funds – Proposed Amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure* ("NI 81-101"), Form 81-101F3 and Companion Policy 81-101CP and Consequential Amendments (2nd Publication) (the "Proposed Amendments")

Thank you for the opportunity to provide comments to the Canadian Securities Administrators ("CSA") on the Proposed Amendments.

This letter is submitted on behalf of RBC Global Asset Management Inc. ("RBC GAM") and Fidelity Investments Canada ULC ("Fidelity"). RBC GAM and Fidelity provide a broad range of investment products and services to investors through mutual funds, pooled funds and separately managed portfolios. As at June 30, 2012, RBC GAM and Fidelity had, respectively, over $180 billion and over $65 billion in assets under management.

As we have indicated in our earlier submissions on the proposed amendments to NI 81-101, RBC GAM and Fidelity strongly support the overall goal of this initiative to provide more meaningful information to investors so that they may make informed decisions when deciding to invest in a fund. We reiterate our interest in, and support of, the Fund Facts document.

For ease of reference, we have reproduced the summary of changes to the content of the Fund Facts (as set out in Appendix B of the Proposed Amendments) followed by our comments.

1. ***Permitting all recognized and publicly available identification codes for the class or series of the mutual fund securities to be disclosed on the top of the first page***

We support this change. Permitting the Fund Code to be disclosed on the first page of the Fund Facts can only serve to minimize any confusion concerning the identification of a particular fund.

2. ***Amending the Quick Facts section by adding background on the history and relative size of the class or series of fund securities***

We support the CSA's addition to the Fund Facts of the separate headings for the "Date fund started" and the "Date class/series started." This addition is useful to investors as it allows a distinction to be made between the fund, in general, and a certain series of the fund. For instance, giving the date that a certain series is launched relative to the date the fund started will signal to investors that there is performance data for the fund that exists prior to the date of a certain series.

We believe, however, that the addition of the size of the particular series does not provide any information that is relevant to an investment decision. It may also be confusing to investors in the sense that a mutual fund's assets are not referable to a particular series, but to the fund as a whole.

3. ***Adding the percentage of each holding to the list of "Top 10 Investments" in order to provide additional information on potential concentration risk***

We note that there is already a requirement to provide quarterly disclosure of portfolio information and are concerned that increasing the frequency of this disclosure could alert other investors to a fund's trading strategy. This would be particularly concerning in the case of less liquid stocks where it may take weeks or months for a fund to establish, or exit, a relatively large position. We would support using already publicly disclosed information from the quarterly portfolio disclosures.

In addition, Fidelity has very stringent worldwide policies in place that limit portfolio disclosure. Throughout the organization protecting the confidentiality of our fund portfolios is viewed as being of paramount importance, and crucial to our success as a fund manager. We do not believe that the perceived usefulness of this information outweighs the risk of harm to a fund's portfolio, particularly in light of the fact that this information may quickly become dated.

4. *Adding stronger warning language about the risks of investing in mutual funds*

We agree with the addition of the stronger warning language. We are very supportive of being clear to investors about the risks of investing, and suggest that the general disclosure refer to investing in general rather than specifically to investing in mutual funds.

5. *Including an explanation of the risk scale and the relationship between risk and losses*

(a) Explanation of risk scale

We agree in concept with your proposal. Given that most fund companies use volatility as their primary measure of risk for these purposes, it is important that investors understand exactly what is being measured or quantified and how this translates into an assessment of "risk" for a fund. We believe it is important to clarify that volatility is a measure of return variability rather than a measure of the risk of losses and also to describe volatility in plain language. We therefore suggest the following language:

> ***Investment risk****. When you invest in a fund, the value of your investment can go down as well as up. In some cases, you may see large changes in value. These changes can happen quickly*
>
> *XYZ Mutual Funds is required to rate the level of risk of its funds. The scale ranges from Low to High based on how the fund is invested and the range of past returns of this fund and similar funds (referred to as volatility or variability). In most cases, a fund with a lower rating is expected to have returns that vary within a narrower range while a fund with a higher rating generally has returns that can vary more from year to year.*

Similarly, beneath the table in this section we do not believe that the description "Typically lower returns and less chance of losses" properly describes volatility. In our view, it would be appropriate to show the standard deviation range or scale (for example, as set out in the IFIC Risk Classification Methodology) for the category that the fund is assigned to and also to indicate that the rating is consistent with the prospectus.

(b) Relationship between risk and losses

We note that the Proposed Amendments require the worst quarterly returns of a series to be shown in the performance section of the document. While we agree that the potential for an investment to lose money is a meaningful piece of information, we find the proposed requirement problematic for a number of reasons:

(1) In our view, it would be more appropriate to show this type of information in the risk section rather than the performance section. This would allow the relevant information on risk (both volatility risk and the risk of loss of capital over certain

time periods) to be concentrated in one section of the document rather than spread throughout.

(2) In our view, a longer period of time than the most recent 10 year period should be included. We feel that the past 10 years does not truly reflect the potential for loss and would change each year. For example, the Fund Facts document for RBC U.S. Equity Fund in 2000 would have shown a 10 year period with the worst annual return being -3.1%.

(3) We feel that only showing a series' worst three month return is inappropriate and potentially misleading. In our view, this is inconsistent with the fact that mutual funds should be considered long term investments. In addition, it could be seen as "endorsing" a view that three months is an appropriate time horizon for evaluating a fund's performance. Many funds specifically state in the Fund Facts that the fund is not an appropriate investment if you have a short term investment horizon.

(4) We do not feel that a three month time period allows for comparability across various funds. For example, any equity fund launched in 2007 would certainly have a "worst" three month return that showed considerably weaker performance than an equity fund launched in 2008 post-financial crisis. This would also hold true for the various series of the same fund that may have different start dates (i.e., different series of the same fund would show different "worst" returns). In our view, three month return data has no true bearing on the potential risk of loss of a particular fund.

We propose that rather than showing the worst three month period, it would be more meaningful for investors if the worst and best three-month, one, three, five and ten-year returns of a general benchmark were shown. For example, U.S. equity funds could show this information for the S&P 500 (see example below) and it would provide investors with a much greater sense of the risk of losses over much more relevant time periods. It is also consistent across similar funds and is not "start date" dependent.

S&P 500 Total Returns (US$)				
	Worst		Best	
	Period Ending	Compounded Annual Return*	Period Ending	Compounded Annual Return*
1 mo	Oct-87	-21.5%	Oct-74	16.6%
3 mo	Nov-08	-29.6%	Oct-82	26.7%
6 mo	Feb-09	-41.8%	Jun-75	41.8%
1 yr	Feb-09	-43.3%	Jun-83	61.0%
3 yr	Mar-03	-16.1%	Jul-87	33.4%
5 yr	Feb-09	-6.6%	Jul-87	29.7%
10 yr	Feb-09	-3.4%	Aug-00	19.5%
15 yr	Jun-12	4.8%	Jul-97	19.7%
20 yr	Mar-82	6.5%	Mar-00	18.3%

*Periods 1 year and less are simple returns.
Note: Total return data from 1960 onwards

We feel that the provision of information concerning the returns of a general benchmark will provide investors with greater context in assessing the risk of their investment. We further believe that this approach would highlight risk more specifically than the current risk disclosure, which is only based on volatility and limited to the placement of risk on a scale.

6. ***A new requirement to include a list of no more than four main risks of the mutual fund, while continuing to direct investors to the simplified prospectus for a more detailed discussion of risk factors***

We agree that investors should be referred to the simplified prospectus for additional narrative on the risks of a fund in order to avoid the oversimplification and confusion that would result from different fund companies describing the same risks differently. To that end, we feel that the language preceding the identification of the top risk factors should be enhanced to make it very clear that the risk factors provided are some among others that also exist.

7. ***Adding a comparison of the mutual fund's performance to a lower-risk investment – specifically, the one-year Guaranteed Investment Certificate (GIC)***

We believe that comparing a mutual fund's performance to a GIC is misleading for investors and does not provide meaningful information from a risk perspective. This is particularly so when it is not accompanied by an adequate explanation of the differences between the two investments. The result is an "apples and oranges" comparison where mutual funds look like exceptionally good investments in strong equity markets and exceptionally bad investments in weak equity markets.

As the CSA's stated intention with this comparison is to highlight the risk of investing in mutual funds, we feel that our suggestion above regarding showing the worst returns of a comparable broad-based index is more effective in this respect. We reiterate that we believe that information on risk should be concentrated in the risk section of the document.

8. ***Adding the worst three-month return to the performance section to better inform investors about the possible loss of investing in the mutual fund***

We reiterate our belief that the disclosure relating to the potential for a fund to lose money should be in the risk section of the Fund Facts. Please see our response in section 5 above.

9. ***Adding a requirement to confirm whether trailing commissions are paid and disclosure of any potential conflicts arising from the payment of trailing commissions***

We are confused as to why trailing commissions have been singled out for this type of disclosure, since the placement of any investment for commission or fees could presumably have the same influence.

MFDA members are essentially restricted to selling mutual funds. In our view, a conflict does not arise in the context of an MFDA member giving preference to mutual funds over other investments. In any event, there is existing infrastructure at the distribution level (i.e. MFDA and IIROC rules) that regulates potential conflicts of interest. Also, there are a multitude of other investment products that also pay commissions. We therefore propose the following language, which we feel conveys a more balanced and fair understanding of potential conflicts of interest:

> *Trailing commissions may be payable on mutual funds, but other investments may also pay commissions. You should compare the commissions that are payable on mutual fund investments to other investments. Commission payments on all investment products may be a factor in influencing the dealer or its representative to recommend one investment over another.*

We thank you for the opportunity to comment on the Proposed Amendments and we would appreciate the opportunity to meet with you to discuss our comments further.

Yours truly,

"Jonathan Hartman"

Jonathan Hartman
Vice President, Head of Investment Solutions
RBC Global Asset Management Inc.

- and -

"W. Sian Burgess"

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