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August 23, 2013

Delivered By Email: comments@osc.gov.on.ca, consultation-en-cours@lautorite.qc.ca

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
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

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 and Mesdames:

RE: CSA Notice and Request for Comments

Canoe Financial LP ("**Canoe**" or "**we**") is pleased to provide comments in response to the CSA Notice and Request for Comment published on March 27, 2013 (the "**Notice**") concerning the next phase of the CSA's previously announced modernization project (the "**Modernization Project**").

I. Introduction & Summary

Canoe Financial is an investment management firm focused on building financial wealth for Canadians through investing in Canada. Its 'GO CANADA!' investment thesis reflects Canoe's strategic confidence in Canada as a place to invest. With continued global urbanization, increasing worldwide demand for resources, and Canada's sound fiscal structure, Canoe believes this country provides long-term growth potential for investors. Canoe is one of Canada's fastest-growing mutual fund companies and currently manages approximately $1.7 billion in assets through its investment products, which include conventional mutual funds, flow-through limited partnership offerings, pooled funds and listed closed-end funds.

Canoe believes that investors are looking for a different type of investment product through a closed-end fund (a "**CEF**") than is available in conventional mutual funds. A CEF is a unique product that supports a particular investment objective, and potentially a different investment time horizon, while still providing daily liquidity through a stock exchange listing, and with fees that are generally lower than conventional mutual funds, all of which benefits investors. We believe that making CEFs too similar to mutual funds through regulation may have the effect of making one product redundant, reducing investor choice.

II. Issues for Comment

This comment letter responds to specific questions of the CSA relating to the proposed National Instrument 81-102 – *Mutual Funds* ("**NI 81-102**") amendments set out in Annex A of the Notice. This comment letter also includes Canoe's additional comments on the Notice and proposed amendments.

Due to the length of many of the CSA's questions, we have not reproduced the questions in full in this comment letter.

A. Specific Questions of the CSA Relating to the Proposed NI 81-102 Amendments

1. Annual Redemptions of Securities Based on NAV

We respectfully submit that although many CEFs have similar investment objectives, strategies and restrictions to mutual funds, the differences between mutual funds and CEFs are sufficient to support different regulatory frameworks. Generally, CEFs have an annual redemption at net asset value, versus daily redemptions at net asset value for mutual funds. Less frequent redemptions allow for greater investment flexibility such as more private investments and leverage opportunities. Further, the implementation of revised rules must consider not only the current investment environment, but must also allow for innovation so that investment fund companies can react to the changing needs and demands of investors and changing economic and financial conditions.

We understand that investor protection is a priority for the Modernization Project. We believe it is equally important to provide Canadian investors with a diverse selection of investment products appropriate to their individual investment needs. If certain investment products are not provided in Canada, there is an increased likelihood that some investors will seek such products in other jurisdictions that may be riskier, provide less clear disclosure of risks and not offer the same investor protections.

As a result of the proposed proficiency requirements for dealing representatives to sell alternative investments, not all investors will have access to non-81-102 CEFs unless their particular dealing representative meets these proficiency requirements. We understand the need for appropriate proficiency requirements to assist an investor in making a decision on investing in certain funds with complex investment strategies. However, we believe there is demand for product that allows for more investment flexibility than the proposed changes to NI 81-102 would allow, but does not include all of the investment complexity of a fund that would require enhanced proficiency requirements.

We believe there are investors with longer term investment horizons who are seeking products that provide access to illiquid investments, leverage and other unique investment opportunities that may be more difficult to access as a non-high net worth or institutional investor. A CEF can provide these opportunities due to the investment flexibility under the existing regulations.

This product is typically sold by prospectus, which entails a syndicate of dealers who, with their counsel, ensure the product is appropriate for investors and disclosure of the relevant risks is properly made.

We have had the opportunity to obtain some information about other markets, specifically the market in the United Kingdom. In the United Kingdom, regulation is administered at the manager level, in respect of CEFs. Otherwise, the manufacturers are generally allowed as much product flexibility as the market will bear. Open-end funds are subject to more restrictions over their operations and investment objectives and strategies, clearly demonstrating the belief that the two investment products are sufficiently different and that there is sufficient demand to allow for different regulatory oversight. We believe that Canada should remain competitive with other developed and sophisticated capital markets in this respect.

2. Concentration Restriction

CEFs encompass a number of products with different investment objectives, some of which may require more investment concentration. A key point of differentiation between a CEF and a redeemable investment fund is that a CEF can offer different investment opportunities than an open-end fund, primarily due to an infrequent redemption.

Given our belief that maintaining investment flexibility is key for this industry, we believe regulations should be focused on the manager, to ensure the manager has relevant expertise to manage the strategies and objectives of the fund and, equally important, to ensure that all of the restrictions, risks and features of the funds are properly and thoroughly disclosed, rather than restricting the investment universe for fund managers.

In certain circumstances the market has come to accept higher investment concentration limits. For example, the standard concentration restriction for a flow-through fund is 20%. In certain years it can be more difficult to find quality flow-through opportunities so a higher concentration restriction allows fund managers to purchase a higher concentration of higher quality product rather than forcing greater diversification with a possible result of a lower overall investment outcome. As a fund manager with a history of sourcing our own private placements of quality flow-through product, in circumstances where a flow-through fund is less than $20M, a higher concentration restriction allows Canoe more access to higher quality flow-through, as we can invest a larger amount with one issuer, which is more attractive to larger (and potentially lower risk) issuers. After the initial investment, further diversification can be achieved as the portfolio manager may divest from its original investments and reinvest in other issuers.

We believe an exception should exist that provides the flexibility for a manager to invest at higher concentration levels where it believes it appropriate for the particular CEF, and where it is consistent with offering document disclosure.

3. Investments in Illiquid Assets

Different investment objectives and strategies may result in the need for more or less flexibility to hold illiquid assets. Investors may be looking for unique investment opportunities in this space, particularly those investments offering higher yields; otherwise they would simply invest in an open-end mutual fund or an ETF. Therefore, in the context of a fund's investment objectives and strategies, there should be greater flexibility allowed in the amount of illiquidity a fund can retain. With an annual or even less frequent redemption, CEFs are well positioned to manage with less liquidity.

Further, as an investment fund manager, we continuously struggle with the definition of illiquidity, particularly in the Canadian market where trading volumes can be light at times for equity securities

of certain issuers and in respect of fixed income securities. Further, there are certain non-public securities that actively trade in the grey market or trade over-the-counter, for which market pricing is relatively easy to obtain and is reflective of a third party transaction valuation. These securities are automatically considered to be illiquid, despite in some cases trading more freely and with more relevance than certain thinly traded public securities.

In addition, in our experience we have found that more and more quality issuers and management teams are choosing to remain private.

A CEF, as an accredited investor, may have access to investments that an average investor does not have; further, it can trade among other accredited investors, and can do so in larger quantities, without impacting the security's price.

Once again, a restriction in this area would severely impact funds that actively participate in private placements of publicly traded issuers such as flow-through funds. Frequently, flow-through securities are purchased via private placement as are privately sourced investment opportunities that are primarily sold to institutional investors and not available to most individual investors. As a result, the securities often have a four month hold period. Under the current definition of illiquidity, a restricted security is considered illiquid. Therefore, despite it being the intention of the fund to hold on to that security for four months, and the fact that if needed, the fund can usually sell the investment to another accredited investor within the restriction period, the security is still considered illiquid. In order for a flow-through fund to flow the full tax benefits to investors at the end of the first year, it is required to be fully invested by the end of the first year it is issued. As noted above, good quality flow-through investments can be difficult to find. A potential restriction on the investment process, because a fund is nearing its illiquidity concentration restriction as a result of having investments with four month holds, can impede the portfolio manager in his or her ability to obtain the most suitable investments for the fund.

Therefore, we believe an illiquidity restriction of 25% for CEFs should adequately address the issues described above and could still provide the investor protection around NAV and liquidity during redemptions. Managers have a clear awareness of the timing of an annual redemption, providing them ample opportunity to prepare for it and locate a buyer for any investment that may be categorized as less liquid.

We believe that a CEF should be provided relatively greater flexibility in managing the level of illiquid investments and not require adjustment where increased market valuations were the cause of the breach of the illiquidity cap.

4. Borrowing

In establishing 30% of NAV as the proposed borrowing limit, current practice of 10% to 33% of NAV was noted. Current practice is reflective of current market conditions, needs and requirements of each fund in achieving its objectives. These factors change over time. The lack of restriction in use of leverage by a CEF results in it being better equipped to respond to changes in these factors than a redeemable fund. In this situation, however, we believe the current practice is not necessarily an appropriate guide for setting a limit.

In the market place, restrictions on borrowing, whatever the type, are set by the lending institutions following the assessment of various criteria. For CEFs, these criteria often include: investment objectives, type of assets, liquidity of assets, liquidity and redemption terms of the fund. As the criteria differ by fund, so do the maximum borrowings offered by the lending institutions.

While it was noted that CEFs generally borrow from Schedule I and II Canadian banks, it may at times be more appropriate to borrow from a foreign bank or other institution. This may occur where

a fund has an objective to benefit from investing in foreign markets which may be denominated in foreign currencies and desires leverage denominated in the same currencies to hedge currency exposure. An appropriate quantity of leverage in that currency may not be available from a domestic institution. Leverage may also be available at a lower cost to the fund, and to the investor, through a foreign bank. Banks globally are increasingly subject to regulation and capital requirements that provide protection to a fund.

Further, a requirement to borrow from a Schedule I or II bank would restrict a fund from issuing debt securities. Currently, investors have an insatiable appetite for investments that offer yield. Canada's high yield market is fairly limited and very difficult to access by the average investor. The ability for a fund to offer high yield debt securities would meet this investor demand, while providing existing equity holders with a longer term financing. In the current low interest rate environment, funds may be in the position to secure long term financing at historically low rates.

In addition, the requirement to borrow from a Schedule I or II bank would not be in the spirit of competition; there are many reputable lending institutions, such as Alberta Treasury Branches, that would not be considered a Schedule I or II bank and therefore, would be a prohibited lender. The manager is responsible for negotiating a lending facility that provides the best service, rates and appropriate flexibility, for the benefit of its investors. Restricting borrowing to certain types of lending institutions limits the competition and therefore the ability for the manager to achieve this objective. In addition, Canadian banks are a narrow group and tend to act in unison towards certain industry sectors, which may not always serve investors well.

We have had the opportunity to speak to industry participants in the United Kingdom, where the CEF market is a popular investment alternative. In this market, CEFs are afforded all of the same financing alternatives as non-investment fund companies, similar to the current environment in Canada. The market participants collectively determine the types of financing activities a CEF can issue based on what the market will bear. As in Canada, this may change over time. Implementing specific regulations around leverage reduces the options provided to investors, not only in the near term, but also in the long term as investor demands may change and the market may be unable to respond due to an inflexible regulatory environment.

Setting a limit on leverage is also viewed as a potential impediment to achieving long term fund objectives. Due to their nature as non-redeemable investment funds, only a low level of liquidity is required on an ongoing basis for CEFs to cover recurring expenses. Increased debt loads, if viewed as necessary or appropriate to achieve a funds' objective, are, as a result, able to be easily managed.

Limiting leverage to cash borrowings is viewed as further restricting a fund's ability to meet its objectives. Some CEFs employ the use of derivatives or short selling as a normal part of their portfolio. These funds, if no longer permitted to enter into these positions, may find it difficult or impossible to achieve their objectives and provide investors with returns similar to those provided in the past. In certain market conditions the ability to short-sell may be the fund's best opportunity to generate positive market returns. The ability to enter into these positions is a point of differentiation between CEFs and redeemable investment funds, which investors expect. It is not viewed as appropriate to classify funds with these positions as alternative funds under National Instrument 81-104 – *Commodity Pools* unless this section contains a complete set of separate rules for CEFs, being separate from NI 81-102. Though, we do believe that managing a fund's overall leverage, including derivatives and shorts, is in the best interest of investors.

CEFs are distinguished from open end or redeemable investment funds through their more varied objectives which provide opportunities for uncorrelated returns on investments by investors. To achieve these varied objectives, CEFs require the ability to employ various mechanisms, one of which is leverage. Fundamentally, the ability to deliver products with uncorrelated returns provides

the opportunity for greater returns and for less risk. Objectives, strategies and risks are outlined in offering documents for CEFs. These offering documents are regulated, typically subject to approval by a syndicate on initial offer for sale and available to all potential and existing investors. To this end brokers, investment advisors and individual investors have the ability to assess the suitability of an investment for their portfolio.

Finally, if achieving investor protection is the objective of limiting leverage, we respectfully submit that in order to meet their investment needs, investors may incur leverage personally at interest rates far greater than those available to institutional clients, such as an investment fund. When an advisor is determining investment suitability for his or her client, he or she will consider total leverage exposure, including within the portfolio of investments. Certain investors may wish to take advantage of the preferential borrowing terms available to institutional investors. When assessing the overall risk of a client's portfolio, consideration should be given by the advisor to the borrowing capacity of the investments in the portfolio and ensuring that the risk profile of the investments are suitable for the individual client. This is where investor protection in respect of leverage should take place, rather than at the fund level, which would result in restricting the types of products available to all investors, some of whom may be perfectly suited to a leveraged investment.

5. Investments in Mortgages

We would respectfully request further clarity on the definition of a non-guaranteed mortgage. Certain mortgages are not guaranteed but have sufficient collateral to support the mortgage value and present less risk.

6. Fund of Fund Structures

Sub-section 2.5(2) of NI 81-102 was proposed for CEFs in regulating investments in mutual funds. On the surface we believe this is a reasonable restriction. However, specific to sub-section 2.5(2)(c), it may not be appropriate to restrict mutual fund investments to the domestic market. CEFs which have global investment strategies may not be able to achieve their objectives or their objectives may be more easily or more appropriately achieved through investment in foreign mutual funds.

It was further proposed that fund-of-fund investments be restricted from investing in other CEFs. Where CEFs do not require significant levels of liquidity to fund continuous redemptions, it is not viewed as a significant risk if a portion of the investment portfolio is invested in other CEFs. CEFs may have investment strategies whereby a significant number of markets, sectors or other categories of investment are to be covered in meeting their investment objective. CEFs may not be able to achieve these objectives if fund-of-fund investments are restricted solely to local jurisdiction mutual funds.

We recognize the concern around overall maximum leverage potentially being exceeded through the investment in other CEFs; however, as noted above, we believe these restrictions should not be imposed, as it would be more appropriate to leave this judgement to the portfolio manager. In a typical public company, market regulators leave that decision to the management and board of directors and we believe the same hands-off approach should be afforded to the management of CEFs.

7. Organization Costs of New Non-Redeemable Investment Funds

The CSA has expressed a concern that the financial risk of launching a CEF that is not sustainable in the long term is borne entirely by the investor, and therefore concluded that having the manager pay for those costs will further align the manager's and investor's objectives. We believe requiring the manager to absorb the full costs of launching a CEF is too large a burden, as the costs, in our

experience, are much higher in the launch of a CEF than in an open-end fund. CEFs have restricted access to public financing opportunities without a prospectus and the costs associated with bank-led syndicate offerings are high. However, this approach also offers investor protection through the review of the fund terms and the prospectus; therefore it is reasonable for the investors to bear these costs. In addition, the costs of a CEF over the last number of years have been capped at 1.5% of the proceeds of the initial public offering. In the event the fund is small, the manager is forced to bear a portion of these costs in any event. Further, this cap requires the manager to ensure the expenditures are efficiently managed, which was another concern expressed by the CSA. Should the Manager be forced to bear the full costs associated with a CEF offering, there will likely be less willingness to offer such products and as a result ultimately fewer options to investors.

Another key difference between a typical equity focused open-end fund and a CEF are the fees charged to the fund. Management fees charged to the most commonly issued series of an open-end fund are significantly higher. Therefore, despite the initial upfront costs of a CEF borne by the investor being higher, the ongoing management fees are lower; as a result CEF investors are potentially compensated for the absorption of the initial organizational costs.

Furthermore, certain upfront costs are not incurred initially by an open-end fund but are absorbed by the fund and the investors once it becomes operational, such as printing and mailing costs and auditor costs. These costs can be significant to the upfront costs of a CEF. In respect of auditor costs, our experience has been that they are substantially higher with an initial public offering of a CEF than with a launch of an open-end fund. A CEF also incurs upfront costs that are not incurred by an open-end fund such as legal fees for agent's counsel. Again, each of these costs are incurred for further investor protection and the investors should reasonably be expected to absorb these costs.

From our experience, upfront costs associated with the launch of a publicly traded CEF are substantially higher than those incurred for the launch of a fully redeemable fund. As a result, it would be a much greater financial burden on CEF managers to launch a CEF than the financial burden on an open-end fund manager, which does not meet the objective of "leveling the playing field" between the two managers. As noted, the bulk of the costs associated with the offering are related to the agents' fees, which the regulators have suggested are appropriately charged to the fund, and we do not disagree, we are simply suggesting that there needs to be a balance in the treatment of all parties and the costs and fees incurred by each, in respect of an offering.

8. Dilutive Issuances of Securities

We respectfully disagree with the concept that book value accretion or dilution is a relevant measure of value for investors in CEFs. The concept of NAV dilution for a CEF, though an important theoretical measure, is a lower priority for investors in this type of fund as they have little and in some cases, no opportunity to access NAV.

We believe that the best or most accessible measure of value for a publicly traded entity is its market price. It is not unusual for a publicly traded entity to trade below its book value (calculated NAV) and investors are aware of such possibility. Often, investors have acquired the CEF at such a discount that NAV is much less relevant to their ongoing investment decision. We submit that the market price of a CEF is influenced not only by the NAV, but also by other value factors such as yield, liquidity, fees (including the availability of a service fee), performance and the term to maturity. As such, we are of the view that capital raising activities such as a warrant offering, or other growth events, which enhance the value factors most desired by investors, must be evaluated for their positive effects on the trading price of the units of a CEF in addition to their effects on the NAV of the fund.

Investors' primary liquidity option for a CEF is trading their units on an exchange. Units of CEFs often trade on an exchange at a market price that is tangibly different than NAV. Therefore, many

investors in a CEF may purchase their investment at some discount to NAV. We believe that investors in a CEF perceive value based on the change of the market value of their investment relative to their individual accounting cost base. We believe that dilution in NAV per unit is more accurately evaluated for a CEF when considered with other value factors which affect the trading price of the units, including the value of a lower management expense ratio (the "**MER**") of the fund and maintaining/enhancing market liquidity of the units of the fund.

We believe that capital raising events are necessary to maintain a fund, its liquidity and to maintain the MER at a reasonable level, which are all in the best interests of securityholders. We understand that a potential conflict of interest may exist when a manager makes decisions on capital raising options. Accordingly, capital raising options, including warrant offerings, are discussed with the IRC in advance in accordance with NI 81-107.

As a result of a CEF's annual redemption feature, we respectfully submit that if a CEF does nothing to increase or maintain its size, securityholders will also experience dilutive effects on the value of their securities through increases in MER and decreased liquidity. For example, the CEFs we manage generally decreases in size by 10% per year solely due to their annual redemption feature. Without the ability to maintain or grow these funds through offerings such as warrant offerings, the MER of the CEFs would increase due to the fixed nature of some of their costs. By maintaining its size, a CEF is able to allocate expenses over a larger asset base to lower its MER. Maintaining or lowering the MER in turn preserves or increases NAV which ultimately funds the CEF's yield. We believe the CEF's sustainable yield is a primary influence on the trading price of a CEF.

We believe that if a CEF is unable to maintain or grow the size of the fund through capital raising activities such as warrant offerings, liquidity for securityholders will also decline and lead to an increase in the discount of the price of the units versus NAV. We believe that the best interests of securityholders are served by maintaining and improving a CEF's liquidity profile. Decreased liquidity in a CEF will result in higher transaction costs for investors due to a higher bid/ask spread and the increased market impact on unit price to complete larger trades in a less liquid security. It is not in the best interest of investors to prohibit growth events in CEFs as the size of a fund directly impacts its trading volumes. Low trading volumes can restrict an investor from freely trading in and out of the fund.

Specifically with respect to warrant offerings, we respectfully disagree with the CSAs' position banning all warrant offerings for CEFs. Warrant offerings that would increase the size of a CEF may provide benefits to the CEF's investors that outweigh the potential effects that may occur due to dilution. It is appropriate for this assessment to be made by the investment fund manager and the IRC on a case by case basis instead of instituting an outright ban of a capital raising mechanism that can provide a cost-effective means of increasing the size of the CEF and decreasing the MER for all investors. In addition, for CEF warrant offerings securityholders have a practical choice between exercising the warrants and selling the warrants to mitigate any potential dilutive impact on the value of their securities. The incremental benefits of a warrant offering to securityholders in terms of enhanced liquidity, maintenance or reduction of the MER and enhanced investment opportunities afforded to the CEF due to the growth event, may make a warrant offering, on balance, a positive event for securityholders. We do agree that the prospectus and continuous disclosure documents for a CEF that wants the ability to issue warrants should clearly outline the risks associated with a potential warrant offering.

We respectfully submit capital raising events, such as warrant offerings, can at times be accretive to investors in a CEF. For example, in the event that a warrant offering is unsuccessful, where no warrants are exercised and there is no dilution, investors still have the opportunity to sell their warrants on the TSX and effectively monetize the option value (time and volatility value) of the warrants. Since the value is realized prior to the warrants' expiration, the value is entirely incremental to the investor should the warrant offering not lead to the issuance of new units. While it

is not the manager's goal for a warrant offering, an unsuccessful warrant offering may result in an accretive outcome for investors.

B. Additional Comments on the Notice

1. Fundamental Changes

Proposed New Securityholder Approval Requirements

The majority of CEFs include, as part of their offering documents, the requirement for securityholder approval for significant changes to objectives and nature. Including this as a regulatory requirement is not viewed as an impairment to managing a fund or meeting its objectives.

Changes in investment objectives, nature or structure may be necessary over the life of a fund due to regulatory, tax or market conditions. These changes would only be proposed to the extent required and approved on the basis that they were of benefit to the securityholder. This net benefit test provides justification for the fund to bear such costs.

An exception was noted from securityholder approval requirements where a CEF was structured from inception to convert to a mutual fund upon occurrence of a specified event. CEFs may have other changes of nature or structure incorporated into their offering documents, outside of conversion to a mutual fund. These may include a change in method of investing, leverage or restrictions on investments on achieving certain targets, on certain events or dates. We suggest that this requirement be broadened to incorporate other such fundamental changes that are in existence at the time a CEF is established.

Termination of Non-Redeemable Investment Funds

It was proposed that non-redeemable investment funds terminate no earlier than 15 days and no later than 30 days after filing a press release to disclose the intended termination. This may be operationally problematic where various regulatory, listing and other service providers are required to complete a number of tasks in a set order. Where there is a necessity to meet this timing from the time of proposal rather than after securityholder approval the timing may not be able to be met.

2. Incentive Fees

We believe that requiring a performance fee be calculated with reference to a benchmark may be appropriate for certain CEFs. However, the benchmark requirements should be such that as long as the benchmark is properly disclosed and described it does not necessarily need to be a broad benchmark. Due to the fact that many CEFs are leveraged, the benchmark should be adjusted for leverage, or other unique qualities that make the benchmark more reflective of the Fund's investment objectives and strategies.

Consideration should also be given to allowing for performance fees that are based on a hurdle and not necessarily a benchmark as certain portfolio managers, including those of open-end investment funds, have an investment style that is driven by keeping volatilities lower, meaning underperformance is likely in up swinging markets but this is counter balanced with downside protection. A management style such as this is not geared towards benchmark performance but more properly compared to a hurdle.

3. Redemptions

We have reviewed the CSA's proposals in respect of applying the provisions of Part 10 of NI 81-102 to non-redeemable investment funds and agree with all of the proposed areas that should apply except the requirement to send an annual reminder of the redemptions and the need to regulate the

timing of payment of redemption proceeds. An annual reminder is costly if the requirement is for a separate mail out, one that investors could not opt out of. We believe that the disclosure in the AIF around the annual redemption should provide investors with enough information about the redemption. However, if the CSA believes that further information is required we propose to include that disclosure in the MRFP, rather than a separate disclosure document so that unnecessary additional costs to investors are avoided.

4. Sales Communications

There are certain investment products, such as flow-through funds where an after tax return is relevant to investors overall assessment of the investment. The restrictions of section 15.1 of NI 81-102 would not permit this type of data to be presented. Due to the unique features of CEFs, the marketing restrictions need to be sufficiently flexible to allow for presentation of information that allows investors to properly assess the investment's performance and specific attributes.

5. Other Provisions

We believe further clarification is required regarding the requirement to maintain and make available records in accordance with Part 18 of NI 81-102. Given most CEFs trade on the stock exchange and the manager does not have access to the information required under Part 18 of 81-102, it would be impossible to comply with this section.

6. Transition Period

We respectfully submit that the existing CEFs should be grandfathered under the current framework. As stated, many of the existing funds operate under their constating documents with similar restrictions. While there may be some differences, existing investors have made an investment decision under the current framework and future investors will have access to the same documents in order to make their investment decision. The cost of changing the documents, where required, will be charged to the Fund and we don't believe this is a necessary expense given the above comments.

(signed) "Nevin Markwart"

Nevin Markwart
President and Chief Executive Officer