

VIA EMAIL

December 22, 2016

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumers Services Commission, New Brunswick
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Superintendent of Securities, Nunavut

Attention:

The Secretary
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Me Anne-Marie Beaudoin
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Dear Sirs/ Mesdames:

Re: Modernization of Investment Fund Product Regulation – Alternative Funds Response to CSA Notice and Request for Comment (“Alt Fund Proposal”)

Introduction

Wildeboer Dellelce LLP wishes to provide its comments to the Alt Fund Proposal published by Canadian Securities Administrators (the “CSA”) on September 22, 2016. Wildeboer Dellelce LLP is a thirty lawyer business law firm based in Toronto which has a significant practice advising investment funds and portfolio managers, sponsors, dealers, lenders and investors in all manner of investment product offerings. We have been fortunate to have advised many managers of alternative products including assisting with the formation of pools of capital investing in hedge strategies, private equity, private lending, infrastructure, real estate, mortgages and fund-of-fund platforms. We believe that it is critical that such



products, properly constructed and suitable for individual investors, be made available more generally through registered mutual fund dealers across Canada. Below we set forth our specific comments to each of the questions posed by the CSA. In constructing this letter, we have consulted broadly with clients to provide you with as much technical and industry “colour” as possible but the comments themselves represent solely the views of the authors and the firm.

Structure of Regulation of Investment Funds

At the outset we feel that some consideration should be given to the regulatory “categories” of investment fund that are being created by the Alt Fund Proposals. Conventional mutual funds are the manner in which most (retail) individual investors participate in the public capital markets and at relatively small investment amounts can gain access to the skills of a registered portfolio manager. Such portfolio managers are able to construct and actively manage a diversified portfolio of public securities for small retail investors. More recently exchange traded funds (“ETFs”) have provided to retail investors the ability to construct diversified portfolios which track various public market indices. These two types of mutual fund are the typical manner in which retail investors move beyond deposit products and seek investment returns.

In 2014 the CSA harmonized the rules governing closed-end investment funds (“CEFs”) with much of National Instrument 81-102 (“NI 81-102”), and in particular certain provisions of Section 2 (Investment Restrictions). The Alt Fund Proposals liberalize further the investment restrictions applicable to conventional mutual funds, create another category of mutual fund but impose further investment restrictions to the operation of CEFs. For the reasons set forth below, we believe that (i) liberalized investment restrictions for conventional mutual funds should be permitted; (ii) the new category of Alternative Funds should be implemented as soon as possible; and (iii) the adoption of further investment restrictions in respect of CEFs is not appropriate for the reasons indicated below. We will address points (i) and (ii) under our responses to the specific questions posed by the CSA below. We did want to address point (iii) before addressing the CSA’s questions.

Since the late 1980s, with the advent of significant issuances by CEFs in Canada, virtually all innovative asset classes and investment techniques have made available to retail investors in Canada through the CEF structure. The offering of CEFs permitted investment fund managers to refine offerings through a syndicate of investment dealers who assisted with the structure and description of the proposed offering. As such, dealers are liable under provincial securities legislation for the disclosure in the prospectus motivating careful consideration by them of the appropriate structures, governance and investment restrictions applicable to the operations of the CEF. The relatively high cost to establish such structures ensured that investment dealers were compensated for the work needed in their corporate finance groups to customize the offerings for sale to their clients. Since CEFs were not mutual funds it was not possible to sell the securities through the mutual fund dealer network. Instead such offerings were restricted to sale through investment dealers.

Among their advantages, these products permitted sponsors to hold less liquid assets and to engage in more sophisticated investment strategies through a listed vehicle than could be accommodated in mutual funds which needed to maintain daily or weekly liquidity under NI 81-102.

The successful use of such strategies in CEF offerings has directly led to liberalization of the rules in NI 81-102 relating to mutual funds. We have seen in the past 15 years a series of exemptive orders and then changes to NI 81-102 permitting broader use by mutual funds of a number of investment techniques including permitted derivatives, short selling, securities lending and repurchase/reverse repurchase agreements.

The Alt Fund Proposals are significant to the Canadian retail structured product market as they will permit certain asset classes and investment techniques to be available to retail clients through the mutual fund dealer distribution channel. As mutual funds, they will also be capable of being offered continuously and to being redeemed as frequently as daily at the net asset value per security. Subject to our comments below, we are supportive of the Alt Fund Proposals in the form they were published provided that the necessary regulatory regime applicable to mutual funds should not stifle necessary innovation of other retail structured products such as CEFs.

We believe that if investment restrictions of CEFs are not returned to their pre-2014 levels that the shortcomings in their high cost and narrow base of distribution will marginalize such offerings. We think this would have a significant negative effect on the offering of novel and innovative products in the future or that such offerings will only occur through other fund distribution platforms which do not provide the same level of investor protections. When addressing CEF investment restrictions, we believe that the CSA should rely exclusively on the role of market intermediaries, such as investment fund managers, portfolio managers and investment dealers, to design and deliver well-structured and well-described securities offerings.

CSA Request for Comment - Specific Questions of the CSA Relating to the Proposed Amendments

Definition of “Alternative Fund”

1. *Under the Proposed Amendments, we are seeking to replace the term “commodity pool” with “alternative fund” in NI 81-102. We seek feedback on whether the term “alternative fund” best reflects the funds that are to be subject to the Proposed Amendments. If not, please propose other terms that may better reflect these types of funds. For example, would the term “nonconventional mutual fund” better reflect these types of funds?*

The CSA has said that it is seeking to regulate mutual funds which either: (i) invest in “alternative asset classes”; or (ii) engage in certain investment techniques such as short selling, borrowing or non-hedging use of permitted derivatives. There is a risk that in using the term “Alternative Fund” that casual observers will believe that such funds invest only in alternative asset classes, such as private equity, infrastructure, private lending, mortgages or real estate strategies. The entire rule set proposed will permit limited access for such funds to alternative asset classes given the continued need for frequent liquidity at net asset value. ETFs are known as “beta” funds as they provide passive market returns. We believe that actively managed Alternative Funds with a more diversified set of investment strategies and techniques would be best labelled “Alpha Funds”.

Investment Restrictions

Asset Classes

2. *We are seeking feedback on whether there are particular asset classes common under typical “alternative” investment strategies, but have not been contemplated for alternative funds under the Proposed Amendments, that we should be considering, and why.*

The categories of alternative investment strategies are constantly expanding. Given the need for frequent redemptions at net asset value, it is likely that only commodity pools and certain hedge fund strategies will be able to utilize the Alt Fund Proposals. We discuss below certain circumstances where the Alt Fund Proposals will not permit commodity pools or certain hedge fund strategies to be performed in their most efficient form. If regulation of the investment

restrictions applicable to CEFs is returned its pre-2014 state then most alternative assets classes such as private equity, private lending, mortgages, infrastructure and real estate could be housed in such investment funds. This would allow CEFs to continue their role as a “financial services sandbox” for the retail structured products industry while protecting the investing public interest.

Concentration

3. *We are proposing to raise the concentration limit for alternative funds to 20% of NAV at the time of purchase, meaning the limit must be observed only at the time of purchasing additional securities of an issuer. Should we also consider introducing an absolute upper limit or “hard cap” on concentration, which would require a fund to begin divesting its holdings of an issuer if the hard cap is breached, even passively, which is similar to the approach taken with illiquid assets under NI 81-102? Please explain why or why not.*

One of the fundamental characteristics of a mutual fund is to provide diversification to small retail investors. As one of the central tenets of mutual fund regulation since the 1970s, care should be taken in making Alternative Funds less diversified. The exceptions in section 2.1(2) of NI 81-102 should apply to all mutual funds, including Alternative Funds. It is also important to consider that raising the concentration restriction to 20% of net assets may still not permit Alternative Funds to engage in many alternative strategies which are both concentrated and illiquid.

Illiquid Assets

4. *We are not proposing to raise the illiquid asset limits for alternative funds under the Proposed Amendments. Are there strategies commonly used by alternative funds for which a higher illiquid asset investment threshold would be appropriate? Please be specific.*

Many forms of alternative investing typically utilize much higher levels of illiquid investments. This is certainly true for private equity, venture capital, private debt, infrastructure, real estate and mortgages. The design of any investment product always begins with attempting to match the liquidity of the underlying asset class (and the particular investment strategies utilized) to the promised liquidity of the investment fund’s securities. Since Alternative Funds are mutual funds governed by NI 81-102 they must maintain a portfolio that is sufficiently liquid to meet this obligation continuously. Amending the rules for certain kinds of mutual funds (however well disclosed) may result in the misapprehension of certain products by certain investors. A far safer and more effective solution would be to permit Alternative Funds to hold up to 10% of their net assets in securities of investment funds not governed by NI 81-102. Such non-NI 81-102 investment funds could provide Alternative Funds with access to less liquid alternative asset classes while not exposing investors to liquidity risk.

5. *Should we consider how frequently an alternative fund accepts redemptions in considering an appropriate illiquid asset limit? If so, please be specific. We also seek feedback regarding whether any specific measures to mitigate the liquidity risk should be considered in those cases.*

As discussed above, we believe that it will only be “liquid alternatives”, such as commodity pools and certain hedge fund strategies, that will be able to safely access the Alternative Fund regime. If the CSA permit Alternative Funds to redeem their securities more infrequently, this may permit certain additional strategies to safely utilize such platforms but such strategies will be less homogenous and less capable of being benchmarked on performance. This will make it more difficult to use point of sale documents and to use standard deviation as a useful measure of risk

(see also in this regard #14 below). Furthermore, any lengthening of the redemption cycle for Alternative Funds (being the notice required, the frequency of the redemption and the speed of settlement of redemption proceeds) may require certain changes to the *Income Tax Act* (Canada) which requires that all mutual fund corporations and certain mutual fund trusts provide redemption of their securities “on demand”. On balance, it would seem a better course of action to have a single definition of “redemption on demand” for all mutual funds, whether conventional mutual funds or Alternative Funds, rather than having two types of mutual funds with different redemption cycles.

6. *We are also proposing to cap the amount of illiquid assets held by a non-redeemable investment fund, at 20% of NAV at the time of purchase, with a hard cap of 25% of NAV. We seek feedback on whether this limit is appropriate for most nonredeemable investment funds. In particular, we seek feedback on whether there are any specific types or categories of nonredeemable investment funds, or strategies employed by those funds, that may be particularly impacted by this proposed restriction and what a more appropriate limit, or provisions governing investment in illiquid assets might be in those circumstances. In particular, we seek comments relating to non-redeemable investment funds which may, by design or structure, have a significant proportion of illiquid assets, such as ‘labour sponsored or venture capital funds’ (as that term is defined in NI 81-106) or ‘pooled MIEs’ (as that term was defined in CSA Staff Notice 31-323 Guidance Relating to the Registration Obligations of Mortgage Investment Entities).*

As suggested above, we are of the view that there should be no limitation on the percentage of illiquid assets held by a CEF. It should be left to the sponsor and underwriters to determine appropriate investment restrictions for a CEF based upon the liquidity of the underlying assets and the frequency of redemptions promised to investors. Having a clear distinction between the investment restrictions applicable to CEFs and Alternative Funds will permit other forms of alternative assets and strategies to be offered through investment dealer distribution. It could be expected that longer duration private lending, private equity, real estate, mortgages and infrastructure assets could be offered in this more flexible and customized format.

7. *Although non-redeemable investment funds typically have a feature allowing securities to be redeemable at NAV once a year, we also seek feedback on whether a different limit on illiquid assets should apply in circumstances where a nonredeemable investment fund does not allow securities to be redeemed at NAV.*

See our general comments at the outset of our letter and our specific observations to question #5 above. The annual redemption feature that has been observed by the CSA arose in the mid-2000s in an attempt to narrow the discount at which CEF securities traded relative to their intrinsic net asset value per security. It was utilized only in respect of offerings where the strategy could safely permit the CEF to meet this requirement. We think the correct way to view this is that the underlying liquidity of the proposed asset class should drive the appropriate investment restriction (not the other way round).

Borrowing

8. *Should alternative funds and non-redeemable investment funds be permitted to borrow from entities other than those that meet the definition of a custodian for investment fund assets in Canada? Will this requirement unduly limit the access to borrowing for investment funds? If so, please explain why.*

One of the principal drivers of the Alt Fund Framework is to provide greater flexibility and diversity in the instruments and strategies available to mutual funds governed by NI 81-102. To be able to accomplish this objective, Alternative Funds need to access ways of borrowing beyond what is offered by eligible custodians under section 6 of NI 81-102. With respect to conventional “cash” borrowing, we understand that imposing this requirement will materially raise the cost of these activities without providing material benefits. Generally speaking, the most expensive cash borrowing a fund can obtain is from a conventional custodian. It is to the economic benefit of investors to permit “cash” borrowing from entities beyond conventional custodians and, at a minimum, to ensure that investment funds with assets held through sub-custodian accounts outside Canada are able to avail themselves of cash borrowings from entities which qualify under Section 6.3 of NI 81-102. We understand that such measures would not create any incremental risks to the fund.

Total Leverage Limit

9. *Are there specific types of funds, or strategies currently employed by commodity pools or non-redeemable investment funds that will be particularly impacted by the proposed 3 times leverage limit? Please be specific.*

Conventional Mutual Funds

We believe one of the most overlooked types of investment fund impacted by the proposed leverage limit is “conventional mutual funds” that currently utilize specified derivative instruments within the existing regime under Sections 2.7, 2.8 and 2.9 of NI 81-102. One may think that a leverage limit would not impact conventional mutual funds because they, by design, are not to employ leverage. However, we understand that certain of such mutual funds would be offside the proposed three times leverage limit based on the proposed methodology of determining the leverage limit.

Under the current regime in Section 2.7 of NI 81-102, conventional mutual funds are able to use specified derivatives for hedging or non-hedging purposes, subject to the counterparty limit of 10% of net asset value in Section 2.7(4) (which limit is not currently based on the notional value of such permitted derivatives but rather the mark-to-market value). The use of “aggregate notional amount” to determine the leverage limit in the proposed Section 2.9.1(2)(c), without allowing for netting for hedging transactions, would mean that such conventional mutual funds would no longer be able to run certain strategies. Since these types of conventional mutual funds currently operate under the existing regime of Sections 2.7, 2.8 and 2.9 of NI 81-102, we assume the intent of the Alt Fund Proposals is not to force these conventional mutual funds to reposition themselves as Alternative Funds because of the leverage limit and methodology proposed in Section 2.9.1. As such, we wanted to point out that the three times leverage limit (and use of use of “aggregate notional amount” for specified derivatives) impacts not only existing commodity pools and CEFs, but also certain conventional mutual funds.

CEFs

We agree that the introduction of the Alternative Fund category, and putting appropriate parameters around the leverage they employ, is good for Canadian retail investors. However, subjecting Alternative Funds and CEFs to effectively the same leverage limit would be detrimental to CEFs and detrimental to the creative and innovative benefits that have historically flowed from CEFs. Put another way, given their narrower distribution through investment dealers and higher initial costs, we believe that if CEFs and Alternative Funds are subject to the same

leverage limit the impact will be that investment fund managers will cease to launch such offerings resulting in less innovative products being made available to retail investors.

The leverage limit (and its prescribed methodology) is one investment restriction in particular where CEFs and Alternative Funds should be treated differently. We recommend that the Alt Fund Proposals be revised such that the leverage limit (and its prescribed methodology) should not apply to CEFs at all. We believe the current process where market intermediaries, such as investment fund managers, portfolio managers and investment dealers, determine any applicable leverage limits for a CEF should be maintained. We recommend the same approach with respect to the proposed short-selling and borrowing limits of 50% of net asset value in proposed Sections 2.6(2)(d), 2.6.1(1)(c)(v) and 2.6.2. Among other reasons, because the type of investing strategies and investment instruments utilized by CEFs are incredibly broad and diversified, it is challenging to develop and implement one set of limits that apply to all CEFs. Letting market intermediaries design and deliver well-structured and well-described securities offerings, including the setting of any applicable leverage, borrowing and shorting limits, is the most appropriate way to regulate these types of investment restrictions for CEFs.

Notwithstanding our recommendation, if the CSA still wishes to implement borrowing, shorting and/or aggregate leverage limits on CEFs, we think that it is essential to the survival of the CEFs, as an innovative and creative investment structure available to retail investors, that the CSA set different and higher leverage, borrowing and shorting limits for CEFs than may be set for Alternative Funds. This issue can be address through a combination of: (1) an increased limit (e.g. four times instead of three times leverage limit for CEF and 150% shorting and borrowing limit for CEF); (2) permitting CEFs to offset or net hedging transactions, whether done via specified derivatives or shorting; and/or (3) allowing CEFs to prescribe their own methodology for determining leverage, borrowing, shorting limits/exposure and mandating that the methodology be set out in the CEF's offering documents.

10. *The method for calculating total leverage proposed under the Proposed Amendments contemplates measuring the aggregate notional amount under a fund's use of specified derivatives. Should we consider allowing a fund to include offsetting or hedging transactions to reduce its calculated leveraged exposure? Should we exclude certain types of specified derivatives that generally are not expected to help create leverage? If so, does the current definition of "hedging" adequately describe the types of transactions that can reasonably be seen as reducing a fund's net exposure to leverage?*

We believe all investment funds should be allowed to include offsetting or hedging transactions to reduce its calculated leveraged exposure. We cannot think of any specific types of specified derivatives to exclude, but we defer to other commenters with more technical knowledge of the instruments utilized by portfolio managers. In discussions we had with our various clients, they thought the current definition of "hedging" was adequate.

The CSA's questions focus on a fund's aggregate notional amount of specified derivatives in connection with the proposed leverage limit and methodology under Section 2.9.1(1) and 2.9.1(2)(b), respectively. We believe that further consideration is required in respect of more than just the specified derivatives component of the aggregate limit and methodology. Below we have set out specific comments/issues we have with respect to each of the element of the methodology in proposed Section 2.9.1 and other related provisions.

Section 2.9.1(2)(a) – Borrowing

As “cash” borrowing is relatively straightforward, in terms of use and measurement, we are generally supportive of the methodology proposed in proposed Section 2.9.1(2) (a). The only item we want to comment on is addressed in our response to Item #8 above. We think that Alternative Funds (and CEFs) should be able to borrow from parties other than the custodian of such funds.

Section 2.9.1(2)(b) – Shorting

It is critical that when determining any aggregate leverage limit (e.g. Section 2.9.1(2)(b)) and any shorting limit (e.g. Section 2.6.1(1)(c)(v)) that short positions entered into for hedging purposes be excluded from the calculation of these limits. If for some public interest purpose such transactions cannot be excluded from the calculation, they should be permitted to be set off from the relevant “long” position in determining compliance with the relevant investment restriction.

The primary rationale advanced for these restrictions is to reduce risk and limit financial leverage to which the mutual fund and its investors are exposed. With respect to reducing risk and shorting, revising proposed Sections 2.9.1(2)(b) and 2.6.1(1)(c)(v) to include an exception for hedging, would mean that a mutual fund could only rely on such exception where the short position offsets or reduces a specific risk or price change in accordance with the definition of “hedging” in NI 81-102. The Instrument already contemplates this distinction in the utilization of specified derivatives for hedging and non-hedging purposes and such rationale should extend to include the ability of a fund to effect short sales in order to accomplish the same objective. Any short position entered into for a hedging purpose is designed to reduce, not increase, risk created by an offsetting long position. Excluding such short positions from these limits seems logical and justified based on the public interest goals of the investment restriction.

Section 2.9.1(2)(c) – Specified Derivatives

Whether conventional mutual funds, Alternative Funds and CEFs are subject to the same or different limits in respect of aggregate leverage, it is critical for all such investment funds that when determining any aggregate leverage limit that specified derivatives used for hedging purposes be “offset” or “netted out” (e.g. Section 2.9.1(2)(c)). The issue arises because the methodology in the proposed Section 2.9.1(2)(c) currently uses “the aggregate notional amount of the investment fund’s specified derivative positions” (emphasis added).

Certain investment funds (including conventional mutual funds) that run arbitrage or hedge based strategies utilizing specified derivatives often gain exposure to certain long positions and/or hedge their portfolio positions by utilizing permitted derivatives. This “lower risk” strategy seeks to take advantage of mispricing between securities of the same or similar issuers or in credit arbitrage portfolios to hedge out interest rate risk. These strategies are among the most likely to be introduced under the Alt Fund Proposals. Unfortunately if the three times leverage limit and/or the methodology adopts the use of “aggregate **notional** amount”, existing strategies would need to be abandoned and the objectives of the Alt Fund Proposals largely blunted. The practical reality is that most over the counter derivative contracts enable parties to novate or net out mark-

to-market price movements and to set-off other obligations such that the financial risk to a fund is measured as the aggregate margin posted with a counterparty from time to time. This aggregate margin is composed of the initial margin on the trade date and the variable margin posted under the terms of the contract. The aggregate margin permitted to be on deposit with any one counterparty is currently limited to 10% of the net assets of the fund. The proposal to use aggregate notional amount relies on the spot price of the underlying asset on the trade date and does not represent a meaningful ratio for the purpose of measuring the real financial exposure of the fund. Based on our experience and discussions with clients, we believe this risk would be mitigated, if not eliminated, for most of these strategies if the methodology in the proposed Section 2.9.1(2)(c) is revised to allow the fund to continue to utilize mark-to-market calculations when using specified derivatives for such purposes. Furthermore it may be that the leverage calculations for Alternative Funds and CEFs should differ as would beget a gradual adoption of such investment techniques by mutual fund managers of Alternative Funds.

11. *We note that the proposed leverage calculation method has its limits and its applicability through different type of derivatives transactions may vary. We also acknowledge that the notional amount doesn't necessarily act as a measure of the potential risk exposure (e.g. interest rate swaps, credit default swaps) or is not a representative metric of the potential losses (e.g. short position on a futures), from leverage transactions. Are there leverage measurement methods that we should consider, that may better reflect the amount of and potential risk to a fund from leverage? If so, please explain and please consider how such methods would provide investors with a better understanding of the amount of leverage used.*

Please see our responses to items #9 and #10 in respect of other considerations related to specified derivatives.

Interrelated Investment Restrictions

12. *We seek feedback on the other Interrelated Investment Restrictions and particularly their impact on non-redeemable investment funds. Are there any identifiable categories of non-redeemable investment funds that may be particularly impacted by any of the Interrelated Investment Restrictions? If so, please explain.*

Given their narrower distribution through investment dealers and higher cost, we believe that the proposed narrowing of the investment restrictions for CEFs will result in fewer less innovative offerings. If investors (or more frequently their advisors) wish exposure to alternative asset classes it will be left to offerings of at-risk notes, segregated funds or non-investment funds to provide such offerings. In the case of certain such offerings, retail investors will not enjoy the benefits of corporate finance review and underwriter liability.

Disclosure

Fund Facts Disclosure

13. *Are there any other changes to the form requirements for Fund Facts, in addition to or instead of those proposed under the Proposed Amendments that should be incorporated for alternative funds in order to more clearly distinguish them from conventional mutual funds? We encourage commenters to consider this question in conjunction with proposals to mandate a summary*

disclosure document for exchange-traded mutual funds outlined in the CSA Notice and Request for Comment published on June 18, 2015.

We think the Alt Fund Proposals in this regard are useful but will require periodic review to ensure these legends are helpful for readers.

14. *It is expected that the Fund Facts, and eventually the ETF Facts, will require the risk level of the mutual fund described in that document to be disclosed in accordance with the CSA Risk Classification Methodology (the Methodology) once it comes into effect. In the course of our consultations related to the Methodology, we have indicated our view that standard deviation can be applied to a broad range of fund types (asset class exposures, fund structures, manager strategies, etc.). However, in light of the proposed changes to the investment restrictions that are being contemplated, we seek feedback on the impact the Proposed Amendments would have on the applicability of the Methodology to alternative funds. In particular, given that alternative funds will have broadened access to certain asset classes and investment strategies, we seek feedback on what modifications might need to be made to the Methodology. For example, would the ability of alternative funds to engage in strategies involving leverage require additional factors beyond standard deviation to be taken into account?*

Depending upon the alternative strategies employed, different risk measures have been found helpful. We think however that a single measure of risk across all retail mutual funds is an important regulatory objective as it fosters helpful benchmarking and comparisons. It is our understanding that the shortcomings to the use of standard deviation to the strategies to be housed in Alternative Funds are not significant and are outweighed by the advantages to a single measure of risk.

Point of Sale

15. *We seek feedback from fund managers regarding any specific or unique challenges or expenses that may arise with implementing point of sale disclosure for non-exchange traded alternative funds compared to other mutual funds that have already implemented a point of sale disclosure regime.*

We are unaware of any such challenges.

Transition

16. *We are seeking feedback on the proposed transition periods under the Proposed Amendments and whether they are sufficient to allow existing funds to transition to the updated regulatory regime? Please be specific.*

If the investment restrictions applicable to CEFs are not returned to pre-2014 levels we believe serious consideration should be given to not applying section 2 of NI 81-102 to any CEF formed before publication of the Alt Fund Proposals. These funds have delivered returns to investors consistent with their offering documents and in the event they no longer meet investor expectations they can be sold over a securities exchange or periodically redeemed at their net asset value per security.

We trust that the foregoing is helpful to you in your deliberations. Should you have any questions concerning the above please do not hesitate to contact the undersigned.

Yours truly,

"Ronald Schwass"

Ronald Schwass

"Geoffrey Cher"

Geoffrey Cher

"Nick Gray"

Nick Gray