

5.1.2 Changes to Companion Policy 81-101CP to NI 81-101 Mutual Funds Prospectus Disclosure

**CHANGES TO  
COMPANION POLICY 81-101CP  
TO NATIONAL INSTRUMENT 81-101 MUTUAL FUNDS PROSPECTUS DISCLOSURE**

1. ***The changes to Companion Policy 81-101CP To National Instrument 81-101 Mutual Fund Prospectus Disclosure are set out in this Annex.***

2. ***Subsection 2.1.1(4) is replaced by the following:***

The Instrument requires delivery of the fund facts document, which satisfies the prospectus delivery requirements under applicable securities legislation. The CSA also encourages the use and distribution of the fund facts document as a key part of the sales process in helping to inform investors about mutual funds they are considering for investment..

3. ***Section 2.1.1 is changed by adding the following paragraph:***

(5) The CSA generally consider volatility to be a suitable basis for determining the investment risk rating of a mutual fund. For this reason, Form 81-101F3 prescribes specific disclosure in the fund facts document explaining how volatility can be used as a measure to gauge the risk of an investment. If the disclosure is not compatible with the specific investment risk classification methodology that is used by the manager of the mutual fund, the CSA will consider applications for relief from Item 4 of Form 81-101F3. In making the application, the manager must demonstrate the suitability of using an alternative measure in determining the investment risk rating of its mutual fund. The application must also provide sample disclosure in place of the prescribed disclosure that would assist investors in understanding the investment risk rating of the mutual fund..

4. ***Subsection 2.2(1) is replaced by the following:***

(1) A simplified prospectus is the prospectus for the purposes of securities legislation. While the Instrument requires delivery of a fund facts document to an investor in connection with a purchase, an investor may also request delivery a copy of the simplified prospectus, or any other documents incorporated by reference into the simplified prospectus..

5. ***Section 2.7 is changed by adding the following paragraph:***

(2.1) General Instruction (8.1) of Form 81-101F3 permits a mutual fund to disclose a material change and proposed fundamental change, such as a proposed merger, in an amended and restated fund facts document. We would permit flexibility in selecting the appropriate section of the amended and restated fund facts document to describe the material change or proposed fundamental change. However, we also expect that the variable sections of the fund facts document, such as the Top 10 investments and investment mix, to be updated within 60 days before the date of the fund facts document. In addition, if a mutual fund completes a calendar year or files a management report of fund performance prior to the filing of the amended and restated fund facts document, we expect the fund facts document to reflect the updated information..

6. ***Subsection 4.1.3(3) is changed by replacing the reference to “section 2.3.2” with “section 2.3.1”.***

7. ***Subsection 7.1(1) is replaced by the following:***

**7.1 Delivery of the Fund Facts Document, Simplified Prospectus and Annual Information Form** – (1) The Instrument contemplates delivery to all investors of a fund facts document in accordance with the requirements in securities legislation. It does not require the delivery of the simplified prospectus, or any other documents incorporated by reference into the simplified prospectus, unless requested. Mutual funds or dealers may also provide investors with any of the other disclosure documents incorporated by reference into the simplified prospectus..

8. ***Section 7.4 is replaced by the following:***

**7.4 Delivery of Non-Educational Material** – The Instrument and related forms contain no restrictions on the delivery of non-educational material such as promotional brochures with either of the simplified prospectus and the annual information form. This type of material may, therefore, be delivered with, but cannot be included within, wrapped around, or attached or bound to, the simplified prospectus and the annual information form. The Instrument does not permit the binding of educational and non-educational material with the Fund Facts Document. The intention of the Instrument is not to unreasonably encumber the Fund Facts with additional documents..

9. *The Sample Fund Facts Document in Appendix A – Sample Fund Facts Document is replaced by the following:*

[Editor's note: The *Sample Fund Facts Document* follows on unnumbered pages.]

# XYZ Canadian Equity Fund – Series B

This document contains key information you should know about XYZ Canadian Equity Fund. You can find more details in the fund’s simplified prospectus. Ask your representative for a copy, contact XYZ Mutual Funds at 1-800-555-5556 or [investing@xyzfunds.com](mailto:investing@xyzfunds.com), or visit [www.xyzfunds.com](http://www.xyzfunds.com).

**Before you invest in any fund, consider how the fund would work with your other investments and your tolerance for risk.**

## Quick facts

<b>Fund code:</b>	XYZ123	<b>Fund manager:</b>	XYZ Mutual Funds
<b>Date series started:</b>	March 31, 2000	<b>Portfolio manager:</b>	Capital Asset Management Ltd.
<b>Total value of fund on June 1, 20XX:</b>	\$1 billion	<b>Distributions:</b>	Annually, on December 15
<b>Management expense ratio (MER):</b>	2.25%	<b>Minimum investment:</b>	\$500 initial, \$50 additional

## What does the fund invest in?

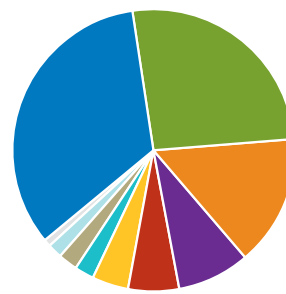
The fund invests in a broad range of stocks of Canadian companies. They can be of any size and from any industry. The charts below give you a snapshot of the fund’s investments on June 1, 20XX. The fund’s investments will change.

### Top 10 investments (June 1, 20XX)

1. Royal Bank of Canada	7.5%
2. Toronto-Dominion Bank	7.1%
3. Canadian Natural Resources	5.8%
4. The Bank of Nova Scotia	4.1%
5. Cenovus Energy Inc.	3.7%
6. Suncor Energy Inc.	3.2%
7. Enbridge Inc.	3.1%
8. Canadian Imperial Bank of Commerce	2.9%
9. Manulife Financial Corporation	2.7%
10. Canadian National Railway Company	1.9%
<b>Total percentage of top 10 investments</b>	<b>42.0%</b>

<b>Total number of investments</b>	<b>93</b>
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### Investment mix (June 1, 20XX)



#### Industry

Financial services	34.0%
Energy	26.6%
Industrial goods	16.5%
Business services	6.4%
Telecommunication	5.9%
Hardware	3.7%
Healthcare services	2.3%
Consumer services	2.1%
Media	1.9%
Consumer goods	0.6%

## How risky is it?

The value of the fund can go down as well as up. You could lose money.

One way to gauge risk is to look at how much a fund’s returns change over time. This is called “volatility”.

In general, funds with higher volatility will have returns that change more over time. They typically have a greater chance of losing money and may have a greater chance of higher returns. Funds with lower volatility tend to have returns that change less over time. They typically have lower returns and may have a lower chance of losing money.

## Risk rating

XYZ Mutual Funds has rated the volatility of this fund as **medium**.

This rating is based on how much the fund’s returns have changed from year to year. It doesn’t tell you how volatile the fund will be in the future. The rating can change over time. A fund with a low risk rating can still lose money.



For more information about the risk rating and specific risks that can affect the fund’s returns, see the Risk section of the fund’s simplified prospectus.

## No guarantees

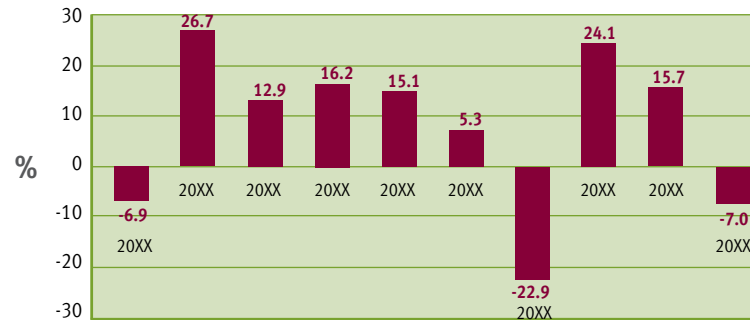
Like most mutual funds, this fund doesn’t have any guarantees. You may not get back the amount of money you invest.

## How has the fund performed?

This section tells you how Series B units of the fund have performed over the past 10 years. Returns are after expenses have been deducted. These expenses reduce the fund's returns.

### Year-by-year returns

This chart shows how Series B units of the fund performed in each of the past 10 years. The fund dropped in value in 3 of the 10 years. The range of returns and change from year to year can help you assess how risky the fund has been in the past. It does not tell you how the fund will perform in the future.



### Best and worst 3-month returns

This table shows the best and worst returns for Series B units of the fund in a 3-month period over the past 10 years. The best and worst 3-month returns could be higher or lower in the future. Consider how much of a loss you could afford to take in a short period of time.

	Return	3 months ending	If you invested \$1,000 at the beginning of the period
<b>Best return</b>	32.6%	April 30, 2003	Your investment would rise to \$1,326.
<b>Worst return</b>	-24.7%	November 30, 2008	Your investment would drop to \$753.

### Average return

The annual compounded return of Series B units of the fund was 6.8% over the past 10 years. If you had invested \$1,000 in the fund 10 years ago, your investment would now be worth \$1,930.

## Who is this fund for?

### Investors who:

- are looking for a long-term investment
- want to invest in a broad range of stocks of Canadian companies
- can handle the ups and downs of the stock market.

**!** Don't buy this fund if you need a steady source of income from your investment.

## A word about tax

In general, you'll have to pay income tax on any money you make on a fund. How much you pay depends on the tax laws where you live and whether or not you hold the fund in a registered plan, such as a Registered Retirement Savings Plan or a Tax-Free Savings Account.

Keep in mind that if you hold your fund in a non-registered account, fund distributions are included in your taxable income, whether you get them in cash or have them reinvested.

## How much does it cost?

The following tables show the fees and expenses you could pay to buy, own and sell Series B units of the fund. The fees and expenses — including any commissions — can vary among series of a fund and among funds. Higher commissions can influence representatives to recommend one investment over another. Ask about other funds and investments that may be suitable for you at a lower cost.

### 1. Sales charges

You have to choose a sales charge option when you buy the fund. Ask about the pros and cons of each option.

Sales charge option	What you pay		How it works														
	in per cent (%)	in dollars (\$)															
<b>Initial sales charge</b>	0% to 4% of the amount you buy	\$0 to \$40 on every \$1,000 you buy	<ul style="list-style-type: none"> <li>You and your representative decide on the rate.</li> <li>The initial sales charge is deducted from the amount you buy. It goes to your representative's firm as a commission.</li> </ul>														
<b>Deferred sales charge</b>	<b>If you sell within:</b> <table border="1"> <tr> <td>1 year of buying</td> <td>6.0%</td> </tr> <tr> <td>2 years of buying</td> <td>5.0%</td> </tr> <tr> <td>3 years of buying</td> <td>4.0%</td> </tr> <tr> <td>4 years of buying</td> <td>3.0%</td> </tr> <tr> <td>5 years of buying</td> <td>2.0%</td> </tr> <tr> <td>6 years of buying</td> <td>1.0%</td> </tr> <tr> <td>After 6 years</td> <td>nothing</td> </tr> </table>	1 year of buying	6.0%	2 years of buying	5.0%	3 years of buying	4.0%	4 years of buying	3.0%	5 years of buying	2.0%	6 years of buying	1.0%	After 6 years	nothing	\$0 to \$60 on every \$1,000 you sell	<ul style="list-style-type: none"> <li>The deferred sales charge is a set rate. It is deducted from the amount you sell.</li> <li>When you buy the fund, XYZ Mutual Funds pays your representative's firm a commission of 4.9%. Any deferred sales charge you pay goes to XYZ Mutual Funds.</li> <li>You can sell up to 10% of your units each year without paying a deferred sales charge.</li> <li>You can switch to Series B units of other XYZ Mutual Funds at any time without paying a deferred sales charge. The deferred sales charge schedule will be based on the date you bought the first fund.</li> </ul>
1 year of buying	6.0%																
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5 years of buying	2.0%																
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### 2. Fund expenses

You don't pay these expenses directly. They affect you because they reduce the fund's returns.

As of March 31, 20XX, the fund's expenses were 2.30% of its value. This equals \$23 for every \$1,000 invested.

#### Annual rate (as a % of the fund's value)

#### Management expense ratio (MER)

This is the total of the fund's management fee (which includes the trailing commission) and operating expenses. XYZ Mutual Funds waived some of the fund's expenses. If it had not done so, the MER would have been higher.

2.25%

#### Trading expense ratio (TER)

These are the fund's trading costs.

0.05%

#### Fund expenses

**2.30%**

#### More about the trailing commission

The trailing commission is an ongoing commission. It is paid for as long as you own the fund. It is for the services and advice that your representative and their firm provide to you.

XYZ Mutual Funds pays the trailing commission to your representative's firm. It is paid from the fund's management fee and is based on the value of your investment. The rate depends on the sales charge option you choose.

Sales charge option	Amount of trailing commission	
	in per cent (%)	in dollars (\$)
<b>Initial sales charge</b>	0% to 1% of the value of your investment each year	\$0 to \$10 each year on every \$1,000 invested
<b>Deferred sales charge</b>	0% to 0.50% of the value of your investment each year	\$0 to \$5 each year on every \$1,000 invested

## How much does it cost? cont'd

### 3. Other fees

You may have to pay other fees when you buy, hold, sell or switch units of the fund.

Fee	What you pay
Short-term trading fee	1% of the value of units you sell or switch within 90 days of buying them. This fee goes to the fund.
Switch fee	Your representative's firm may charge you up to 2% of the value of units you switch to another XYZ Mutual Fund.
Change fee	Your representative's firm may charge you up to 2% of the value of units you switch to another series of the fund.

### What if I change my mind?

Under securities law in some provinces and territories, you have the right to:

- withdraw from an agreement to buy mutual fund units within two business days after you receive a simplified prospectus or Fund Facts document, or
- cancel your purchase within 48 hours after you receive confirmation of the purchase.

In some provinces and territories, you also have the right to cancel a purchase, or in some jurisdictions, claim damages, if the simplified prospectus, annual information form, Fund Facts document or financial statements contain a misrepresentation. You must act within the time limit set by the securities law in your province or territory.

For more information, see the securities law of your province or territory or ask a lawyer.

### For more information

Contact XYZ Mutual Funds or your representative for a copy of the fund's simplified prospectus and other disclosure documents. These documents and the Fund Facts make up the fund's legal documents.

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To learn more about investing in mutual funds, see the brochure **Understanding mutual funds**, which is available on the website of the Canadian Securities Administrators at [www.securities-administrators.ca](http://www.securities-administrators.ca).

10. *These changes become effective on September 1, 2013 .*