Kenmar Associates

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CSA Notice and Request for Comment – Proposed Amendments to National Instrument 81-101 Mutual Fund Prospectus Disclosure, National Instrument 81-102 Investment Funds, National Instrument 81-106 Investment Fund Continuous Disclosure, National Instrument 81-107 Independent Review Committee for Investment Funds; and Related Proposed Consequential Amendments and Changes; Modernization of the Continuous Disclosure Regime for Investment Funds

Educated Investor+ Tailored disclosure+ Direct delivery= Informed Investor

Kenmar appreciate the opportunity to comment on subject consultation.

We generally agree with Mr. H. Naglie's comment letter
https://www.osc.ca/sites/default/files/2025-01/com_20241227_81-101_naglieh.pdf

Investor testing and the application of behavioural finance principles will help ensure the disclosures are effective. Key industry suppliers may also have ideas on how to modernize disclosure using technology. OBSI complaint data can be used to assess need for better disclosure. The importance of plain language usage and compliance with the latest CSA standards cannot be over emphasized.

Cost information is critical and should be presented before performance in disclosure documents. Product cost is the number one determinant of fund performance.

Font size should not be reduced to accommodate new information to fit page count goals.

One area worthy of reconsideration is reporting by class/series .We think reporting by series will benefit investors. The CSA may want to benchmark against SEC and FCA practices. We often find that investors are unaware they qualify for a lower cost series of a fund.

Performance disclosure based on the highest dollar value in assets series may be more useful than by highest management fee series. Fund investors value the inclusion of a benchmark to help them assess value for money.

The inclusion of the liquidity profile needs to be concise and its purpose made clear.

While it is a positive that the new disclosures are more readable and useful, it is essential that they actually are delivered (electronically or paper) to investors who wish to receive the disclosures. We do not support access equals delivery as an effective means of *delivery*.

Greenwashing and AI washing must be dealt with by enforcement. Ditto for misleading fund names.

In addition, we recommend that the CSA provide plain language retail investor Guides on why and how to use the disclosures for better decision making.

The end goal metric of this initiative should be more retail investors using the disclosures to make informed investment decisions. Disclosure delivery to investors is a key success factor.

As an aside, we encourage the CSA to review rules on mutual fund ads, disclaimer clause wording/font size and placement of disclaimers. Retail fund investors can be more heavily influenced by marketing materials than by regulated disclosures. *See Fooled by Success: How, Why, and When Disclosures Fail or Work in Mutual Fund Ads* https://people.miami.edu/_assets-profiles/acad-bus/pdf/faculty-papers/marketing/mutual-fund-ads-2021.pdf

Please feel free to contact us if there are any questions regarding this Comment letter.

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REFERENCES:

Study finds mutual fund disclosures are unnecessarily complex
https://mitsloan.mit.edu/ideas-made-to-matter/study-finds-mutual-fund-disclosures-are-unnecessarily-complex

An Exploration of Greenwashing Risks in Investment Fund Disclosures: An Investor Perspective: CFA Institute
https://rpc.cfainstitute.org/sites/default/files/-/media/documents/article/industry-research/greenwashing-report.pdf

The Promise & Perils of Plain English Mutual Fund Disclosures by Anne M. Tucker, Yusen Xia: *SSRN*

Abstract The SEC requires mutual funds to write disclosures for the average investor using plain English. These requirements make funds' investment strategies and associated risks transparent and accessible for investors. Increasing investor understanding furthers the SEC's regulation-through-disclosure regime—the primary method through which mutual funds are regulated. But our examination of funds' summary prospectus—an abbreviated discussion of a fund's strategies and risks—suggests that funds often fail to meet the plain English standard. Our analysis of all summary prospectuses filed between 2010 and 2020 reveal that mutual funds write long, hard-to-read, and complex disclosures. Importantly, we find that failure to draft disclosures in plain English is more than a technical error. Using a regression model, we find systematic patterns suggesting that funds may skirt the SEC's plain English rules to dampen the revelation of past poor performance. In particular, positive past returns predict easier-to-read disclosures, but an increase in fund risk predicts harder-to-read disclosures. Our results suggest three recommendations. First, given this reality, the SEC should update their plain English guidance to funds. Second, the SEC may benefit from adopting text mining measures to better monitor and enforce disclosure standards. Finally, given the incentives to draft over inclusive and exhaustive disclosures, the SEC may want to sever liability for summary prospectus risk omissions if full disclosure is made elsewhere. The Promise & Perils of Plain English Mutual Fund Disclosures by Anne M. Tucker, Yusen Xia: SSRN