

Via email

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**Proposed new fund Category – the ONTARIO Long-Term Fund (OLTF)
Consultation Request**

I appreciate the opportunity to comment on this revolutionary consultation. It comes at a time when Ontarians face high debt, expensive home prices, increased food costs, increased taxation and political instability. Giving retail investors the opportunity to invest in a risky, illiquid mutual fund came as a surprise to me.

My concerns about the OLTF fund include, but are not limited to:

- Complex, high risk, illiquid fund not a good fit with typical unsophisticated retail investor
- Increased investing complexity – retail investor need, not just suitability, should be a recommendation consideration by advisor
- High investment product design risks re liquidity management, possible wind down of OLTF under certain conditions
- Inability to exit a fund that is not well managed, has increased fees or lost a star manager
- Also, I recommend a formal assessment of retail client's *tolerance for illiquidity*. It is one thing to assert a long time horizon but another to be able to sit by patiently during the long hold period
- There are cheaper, simpler ways to diversify small accounts
- At best, 90% of cash would be invested in long-term assets; 50% invested is not fair to investors looking for that illiquidity premium
- Further erosion of the public market will occur
- Potential higher fund fees, fees to make withdrawals, fees for advice, CIV costs, opportunity loss could negate the presumed illiquidity premium
- If client passes, estate settlement could be stalled depending on balance of hold period remaining

- Question capability of fund salespersons to select qualified OLTF managers
- Unknown tax liabilities- need clarification
- Advisors will need advanced risk profiling and KYC tools
- High likelihood of a poor investor experience e.g. moving out of Ontario - should be a national program if deemed necessary and appropriate
- Mutual fund licensed salespeople advising on such a complex product and portfolio does not seem reasonable
- Unknown terms and conditions to deal with inevitable financial hardship cases

A significant educational effort will be needed to ensure these products are recommended to retail investors wisely. OLTF will need significant resources to handle marketing, public relations, and client service, including managing potentially large volumes of inquiries/requests. This is in sharp contrast to the current structure used to manage a primarily sophisticated client base.

I fail to see why such a fund is needed or appropriate for small retail investors. Better to spend limited regulator resources on disgorgement, support for the Ombudsman and senior investor protection.

A lot more research is needed before launching such a product on modest income Ontarians. There is however a real "opportunity " for asset managers .Main Street Ontarians will take all the risks.

Arthur Ross