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Delivered via email

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Re: Proposed Amendments to NI 81-101, NI 81-102, NI 81-106, NI 81-107 and Related Proposed Consequential Amendments and Changes; Modernization of the Continuous Disclosure Regime for Investment Funds (the “Proposed Changes”)

We are pleased to provide comments on behalf of IGM Financial Inc. (“IGM”) in response to the request for comments and feedback by the Canadian Securities Administrators (“CSA”) on the Proposed Changes to modernize the continuous disclosure regime for investment funds.

<u>Our Company</u>

IGM, a member of the Power Financial group of companies, is a leading wealth and asset management company supporting financial advisors and the clients they serve in Canada, and institutional investors throughout North American, Europe and Asia. Through its operating companies, IGM provides a broad range of financial planning and investment management services to help Canadians meet their financial goals. Our services are carried out principally through our subsidiaries; IG Wealth Management ("IGWM") and Mackenzie Investments ("Mackenzie").

IGWM is one of Canada's largest manufacturers and distributors of investment funds. IGWM carries out its asset management activities through its subsidiary IG Investment Management Ltd. ("IGIM") and its distribution activities through its subsidiaries Investors Group Financial Services Inc. and Investors Group Securities Inc.

Mackenzie is a leading investment management firm providing investment advisory and related services to retail and institutional clients. Mackenzie primarily distributes its retail investment products through approximately 175 dealers and more than 30,000 independent financial advisors across Canada.

General Comments

We are very supportive of providing investors with useful and streamlined information to help inform their ongoing investment decisions and we further welcome the steps taken to reduce regulatory burden for investment fund managers ("IFMs") in the Proposed Changes. We believe that delivering information to investors that can be easily understood and importantly, will be utilized, is paramount.

We are therefore pleased to see the proposal to eliminate certain series level disclosures from the Financial Statement reporting requirements, as set out in Workstream 3. We agree that this disclosure will not impact investors' ability to make decisions about their investment fund holdings, and often only makes the Financial Statements lengthy without the corresponding investor benefit.

We are also generally supportive of the proposal to create a new, standardized report on related party transactions, which will be filed as an appendix to the IRC annual report to securityholders pursuant to Workstream 2. As part of the IGM and Power Corporation group of companies, the ability by IGWM and Mackenzie to summarize related party transactions in a single report is a welcome regulatory burden reduction.

However, we are concerned that the proposed amendments to NI 81-107 expand the scope of related party disclosure in the appendix to the IRC Annual Report and goes well beyond what is currently required for disclosure in the MRFPs pursuant to Form 81-106F1. Specifically, proposed ss. 2.5(1)(c)(ii) contains a requirement to provide "*a brief description of any provision in securities legislation or any order made under securities legislation that imposes a requirement to do any of the following: (A) provide disclosure about the transaction; and (b) keep a record in respect of the transaction*". In our view, this expanded disclosure does not provide any investor benefit and increases regulatory burden. In addition, the proposed amendments to NI 81-107 also introduce a new definition of 'related party to an investment fund' rather than referring to the definition in the CPA Canada Handbook as is currently done for the MRFPs and the financial statements. We believe this may lead to investor confusion without any corresponding benefit. We strongly recommend reverting to the well-established definition of related party transactions.

Given the above, our comments below will focus on the proposed Fund Report and specifically Proposed Form 81-106A. While we see benefit in the Fund Report in streamlining disclosure to meet investor needs and preferences, we strongly encourage the CSA to consider the recommendations below before the final version is adopted to improve the report's usefulness for investors, further the objective of comparability between funds and reduce regulatory burden for IFMs. Chief among those changes we propose are to reconsider the proposed disclosure for the investment objectives and strategies section, eliminate the concept of "satisfying" or "success in achieving" investment objectives, remove the ESG specific instructions and defer to existing guidance, remove the liquidity profile section, and to move away from maintaining both an interim and final Fund Report.

Finally, we urge the CSA to allow at least 24 months for IFMs to comply with the Proposals once they become final, particularly as they relate to the Fund Report. Changing from the MRFP to the Fund Report will require significant people and financial resources, including IT, project management, compliance and coordination with service providers. We note that IFMs already have underway resources dedicated to the implementation of the CSA's Total Cost Reporting ("TCR") enhancements, and therefore will need to balance this implementation with new regulatory requirements.

Investment Objectives and Investment Strategies – Item 4 of 81-106A

While we agree that it is important to continue to include some commentary about the Fund's performance consistent with the "Results of Operations" section of the MRFP's, we have significant concerns with several aspects of the proposal for the redesigned "Investment Objectives and Investment Strategies" section. Overall, we recommend changing the headings of the columns to remove all references to 'satisfaction of investment objectives' and re-orienting this table to a row format rather than columns as the responses will vary in length, and using rows will save a significant amount of space by eliminating the result of having lengthy columns next to blank space.

Column 2 of the Table: "Fund's satisfaction of its investment objectives and use of investment strategies during the last 12 months"

In our view, the heading and the requirement to disclose such information is extremely problematic. Whether a fund has satisfied its investment objectives would, in our view, be determined by whether the fund has invested in accordance with its objectives and fundamental investment strategies. Absent a compliance breach, we would expect an IFM to provide a positive response to their assessment of a fund's "satisfaction" (or as described in Instruction (2), a fund's "success") in respect of achieving its investment objectives, as commentary in the alternative would be confusing and/or misleading to investors and could create significant liability risk for IFMs. Accordingly, we do not see this language as useful to help inform investor decision-making.

We note that the example provided to satisfy the middle column in the sample Fund Report is an assessment of how the fund's NAV has changed in the period. We submit that how a fund's NAV has changed is not related to whether a fund has "satisfied" or adhered to its investment objectives. NAV is impacted by i) investment performance and ii) purchases and redemptions. The example cited incorrectly implies that a fund with net redemptions would not have met its investment objectives.

Our strong recommendation is therefore to change the heading of column 2 to "Results of Fund Operations over the period" where the IFM could include a description of factors that affected fund performance in the period, similar to the MRFP, and pursuant to the guidance in CSA Staff Notice 81-334 ("the Staff Notice"), if the Fund is an ESG-related fund, a description of material changes to the portfolio related to the Fund's ESG objectives and/or strategies. Alternatively, if the CSA wants a discussion of the change in NAV then we would suggest changing the heading to "Summary of Changes in Total Net Asset Value".

Instructions for Column 2 are unclear and overly focused on ESG

The instructions provided for Column 2 of the table should be similarly modified to conform with our comments above.

We note that the instructions for ESG disclosure introduce a new, and disproportionately burdensome standard of disclosure for ESG Funds that, in our view, is inconsistent with the guidance in the Staff Notice. The Staff Notice already provides a robust framework for ESG-related disclosure and our strong suggestion would be to remove the ESG specific instructions in paragraphs (b) to (e) and instead state that in the case of an ESG-related fund, IFM's should refer to the Staff Notice for guidance.

As drafted, paragraphs (b) to (e) ask for discussions around "ESG-related aspects" or "ESG-related criteria" but it is unclear which types of funds, as defined in the Staff Notice, the instructions are intended for. In the Staff Notice, an "ESG-Related Fund" is required to disclose in its MRFP how the composition and changes to the composition of the investment portfolio relate to the fund's ESG-related investment objectives and/or strategies, where such information is material. However, only "ESG Objective Funds" are required to disclose, as part of the summary of the fund's operations in the MRFP, the ESG-related aspects of those operations, including the fund's progress or status in meeting its ESG-related investment objectives. This would include, where applicable, disclosing any quantitative metrics used to assess the results of operations.

Column 3 of the Table: "Factors that may impact the fund's satisfaction of its investment objectives and use of investment strategies going forward"

Similar to our comments related to the heading for Column 2, we also consider the heading under Column 3 to be problematic. We are extremely concerned with the inclusion in a disclosure document of forward-looking information, and, as mentioned above, the concept of "satisfaction of investment objectives". As drafted, the CSA seems to be suggesting IFMs predict future economic conditions and other factors that could impact performance of the fund.

We would suggest changing the heading of column 3 to "Recent developments affecting the Fund" where the IFM could include similar information to that included in the Recent Developments section of the MRFP.

Costs Disclosure – Item 6 of 81-106A

We are of the view that two years of FER disclosure should be included in the table rather than just the current year, and that the approach should follow the CSA's alternative suggestion of including the previous year's FER as a separate column in the table, with the corresponding removal of such information from the Summary. In our view this approach is more informative and accurate. In addition, we believe the "Summary" box should be eliminated for the reasons set out below.

Item 6(a) - Summary

In the current version of the Proposed Changes, the sample Fund Report requires that the series with the highest FER be highlighted in the "Summary" section, with disclosure of any change from the previous year, if that change resulted in an increase of the FER. We believe the "Summary" section as currently drafted can be confusing and/or misleading for investors for two reasons.

First, directing investors to the series with the highest fees will in many cases not be the series that the investor holds. Highlighting the FER of one series will also, in our view, draw attention to the Summary rather than to the relevant information for the series that the investor holds.

Second, we believe it is equally important that the investor be able to see decreases in FERs and not just increases. The proposed summary section only includes a change if the FER has increased from the previous year.

Item 6(b) – Did you know...

We encourage the CSA to remove the "Did you know..." section. In our view, this information is duplicative to information already provided in the prospectus and/or Fund Facts/ETF Facts. If the CSA determines to keep this item in the Fund Report, we have the following additional comments.

In our view, some of the language used in this section of the sample Fund Report can be confusing and/or misleading to investors. For example, the first column states "A fund's management expense ratio (MER) is the total of the fund's management fee (which includes the trailing commissions) and its operating expenses". However, an MER does not always include a trailing commission, for instance in series where advisor compensation is paid outside of the fund. Accordingly, in order for this statement to be accurate, we would suggest including the words "if applicable". In addition, in the third column, the statement "Fund expenses reduce the return on your investment", while true, does not include accompanying disclosure of the use by the IFM of expenses and/or accompanying benefits to the investor. For instance, the cost of investment management services is covered though those fund expenses. We suggest that language be added to explain what these fees may be for.

Item 6(c) – Table

As previously noted, we recommend showing two years of the FER as well as the breakdown of MER and TER for the same time periods for each series offered by the IFM in the table. This will allow the investor to see whether the changes in FER (both increases and decreases) are being caused by a change to the MER or by a change to the TER. With a table highlighting the current year's FER next to the previous year's FER, the investor will be able to see the changes year over year specifically for the series that they hold.

In light of the incoming TCR enhancement regime, we believe that the column "Fund expenses per $1,000 invested" is unnecessary and redundant, as investors will receive more accurate information in their Annual Report on Charges and Other Compensation. With respect to instruction (13), we would suggest moving the disclosure that describes the FER to the "Did you Know…" section or to a footnote so as not to make the FER column overly wide.

Finally, rather than having the cross reference to "Other Material Information" for additional explanations, or to find disclosure about the MER without waivers or absorptions, we recommend that the footnote under the table be replaced with the statement: "[name of fund manager] waived some of the fund's expenses. If it had not done so, the MER would have been higher". This is consistent with keeping the Fund Report easy to read and understand.

Performance Information – Item 7 of 81-106A

Item 7 includes a requirement that performance information be disclosed in respect of the series of an investment fund with the highest management fee rather than showing performance for every series offered by the investment fund. As previously discussed above, we do not think that the series with the highest management fee should be the representative series shown. Instead, we propose that Series F (or an equivalent fee-based series) be used in this section. In our view, performance information that excludes the compensation paid for advice is a more accurate reflection of the performance achieved by the IFM and is more easily comparable across funds and IFMs.

Risk Profile – Item 10 of 81-106A

Item 10 requires disclosure of any change in risk rating since the last Fund Report but does not include disclosure of the actual risk rating. We do not believe this will provide meaningful information to the investor. We suggest including the risk rating in the risk profile table as a separate column.

Liquidity Profile – Item 11 of 81-106A

Today, units of investment funds governed by NI 81-102 are, by definition, redeemable on demand. Additionally section 2.4 of NI 81-102 requires that investment funds are managed in a way that is always consistent with this obligation by limiting investment in illiquid assets. Liquidity risk is also required to be managed by IFMs by a combination of requirements imposed by NI 81-102 and the requirement to maintain liquidity risk management policies in accordance with CSA Staff Notice 81-333 – *Guidance on Effective Liquidity Risk Management For Investment Funds*. Accordingly, we question the necessity of this information in what is intended to be a document to help inform investor decision-making.

If the CSA determines to keep this item in the Fund Report, we have the following additional comments.

Item 11 requires a discussion of any “material liquidity issues” during the 12-month period for the fund. However, there is no standard definition of what constitutes a material liquidity issue. This is particularly important because one of the main purposes of the MRFP, and in the future the Fund Report, is to establish a mechanism of comparability between funds across different IFMs. Where IFMs are left to establish their own internal definitions of “material liquidity issues”, there may be a vast difference between firms.

We also believe the proposed requirement to disclose a liquidity pie chart will lead to comparability issues and may be confusing and/or misleading to investors depending on each IFM’s definition of a “normal market condition” and the liquidity methodologies applied to the different investment holdings of the fund. This is particularly true for investment holdings where limited or inconsistent estimated liquidity information is available (fixed income, derivatives, private funds, etc.). Even for investment holdings where liquidity statistics are readily available (e.g. daily trading volume for listed equities), the methodologies selected by each IFM can result in notable fund liquidity differences. For example, one IFM may choose to use 10% of 30-day average volume for equity holdings, while another chooses 30% of 30-day average volume for equity holdings. The result is that the former will appear less liquid than the latter. For the reasons outlined, we believe the proposed Liquidity Profile disclosure should be removed altogether or clarified significantly to facilitate more accurate comparisons across IFMs.

Borrowing and Leverage – Item 12 of 81-106A

In our view, the proposed disclosure under this section is duplicative to disclosure already required in fund financial statements under NI 81-106 3.12(1). Accordingly, we do not believe that repeating this disclosure in the Fund Report will add any additional value to investors and only adds to regulatory burden. Given this disclosure is not required under IFRS, one possibility is to remove it form the financial statements and include it on the Fund Report and the other is to eliminate it from the Fund Report

Frequency of Preparation

We strongly urge the CSA to not require both an interim and annual Fund Report. We did not see any research from the CSA related to evaluating investors’ preferences or need for both an interim Fund Report and annual Fund Report, and we submit that most of the information proposed for the Fund Report will not change significantly between an interim and annual Fund Report. If the CSA’s ultimate goal is to provide investors with useful information while reducing the regulatory burden for IFMs, we believe that the requirement for an annual Fund Report would satisfy these goals. Additionally, we note that the requirement for an IFM to file a press release, material change report and prospectus amendment when there is a material change to a fund remains another way to ensure key information is being provided to investors in a timely way to make informed decisions.

Summary

We reiterate our support for the changes proposed in Workstream 2 and Workstream 3. We also support the concept of the Fund Report as a replacement for the MRFPs and welcome many of the changes proposed. However, as we've indicated, we strongly encourage the CSA consider making the changes we have highlighted to the proposed Fund Report in order to improve the report's usefulness for investors, further the objective of comparability between funds and reduce regulatory burden for IFMs.

We appreciate the opportunity to provide you with our comments. We would welcome the opportunity to engage with you further on this topic. Please feel free to contact Joanna Barsky at Jbarsky@mackenzieinvestments.com, or myself, at Rhonda.Goldberg@igmfinancial.com if you wish to discuss our feedback further or require additional information.

Yours truly,

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