

INVESTOR ADVISORY PANEL

January 31, 2025

Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission of 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

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Re: Modernization of the Continuous Disclosure Regime for Investment Funds

On behalf of the Ontario Securities Commission's Investor Advisory Panel (the "Panel"), I wish to thank you for this opportunity to comment on the Canadian Securities Administrators' (the "CSA") proposal to modernize the continuous disclosure regime for investment funds (the "Proposal").

The Panel is an initiative of the Ontario Securities Commission (the "OSC") to ensure investor concerns and voices are represented in the OSC's policy development and rulemaking process. Our mandate is to solicit and articulate the views of investors on regulatory initiatives that have investor protection implications.

General Comments

The Panel supports the Proposal, and commends the CSA for its efforts to enhance the quality of disclosure provided to investors. In our view, the proposed new Fund Report is a significant improvement over the

current Management Report of Fund Performance (“MRFP”) and will make investment fund disclosure more accessible and functional for retail investors.

Specific Comments

Regarding the specific consultation questions set out in the Proposal, the Panel provides comments as follows:

3. *Frequency of Preparation*

The Panel supports the proposal that the Fund Report continue to be filed twice a year. In our view, this achieves an effective balance between the time required to prepare each Fund Report, and providing investors with meaningful continuous disclosure. We believe that eliminating the interim Fund Report would be detrimental to investors, as it would reduce transparency and the availability of timely information that could influence investing decisions.

5. *Years of FER Disclosure*

The Panel believes that investors should be able to readily determine whether fees are increasing or decreasing over time. While the proposed Fund Report does identify increases and decreases in FER compared to the previous Fund Report, we recommend that at least two years’ worth of costs information would be beneficial for investors. We also recommend that information regarding changes to FER be set out in table format, given its importance. In our view, changes to a fund’s FER can be an indication of a fund’s approach to stewardship, and the information should be available to investors.

8. *Classes/Series of Performance Information*

The Panel recommends that performance information be disclosed for both the class or series with the highest management fee, and the class or series with the lowest management fee. We also recommend that the Fund Report include clear directions, including the link to the designated website, for how an investor can find performance information for the class(es) or series that will not be included in the Fund Report, if applicable. We understand and support a continuous disclosure document that is easier to read, but we believe that investors should be able to easily access information about their investments that is not included in the new Fund Report.

10. *Liquidity*

The Panel supports including this information in the Fund Report. However, considering that retail investors may not always understand the implications or limitations of illiquidity, we believe that additional descriptive and comparative language may help to highlight potential concerns for the investor. Adding a legend to this section of the Fund Report that clarifies the types of investments in the different segments of the pie chart (each segment illustrates the number of days needed to convert the holdings into cash under normal market conditions) could help investors compare this information across funds and enable informed conclusions drawn from this disclosure.

12. *Other Material Information*

The Panel recommends that, where appropriate, this section of the Fund Report include material change reporting information that would be relevant to an investor. In our view, this would be consistent with the Client Focused Reforms, particularly an advisor's obligation to monitor "significant change" in accordance with their Know Your Product obligations.

13. *Designated Website Disclosure*

The Panel does not have any recommendations for a requirement to move disclosure from the Fund Report to an investment fund's designated website. However, we recommend that documents on the designated website – including the Fund Report – be available in both PDF and HTML format, in order to make disclosure documents accessible to as many investors as possible.

16. *Additional Suggestions*

The performance section of the sample Fund Report provides information in different formats. The year-by-year returns are presented in a bar chart, while the annual compound returns, measured against the fund's benchmark, are presented in a table. We are of the view that both types of returns should be presented in the same format, if possible. The Panel believes that the bar chart will engage an investor's attention more than the table,¹ and that this should be considered in determining the final design choices for this aspect of the Fund Report.

17. *Investor Education*

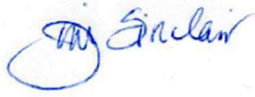
We commend the CSA on its commitment to ensure that investors understand (a) why the MRFP is being replaced with the Fund Report, and (b) the new features and content within the document. We recommend that both a digital campaign and an annotated Fund Report be utilized to achieve these goals.

In our view, an annotated Fund Report is an opportunity for investors to improve their financial literacy and for the OSC to further educate investors on areas of significance to their decision-making process. Preparing an annotated Fund Report could also inform potential future improvements to the Fund Report. The [interactive sample Fund Facts document](#) is a good example of an annotated document that can help investors understand the purpose of the disclosure and the information it contains. For the Fund Report, the Panel suggests that the annotated document explain why the information in the document is important, and how it can help investors make informed decisions. In our view, the annotated Fund Report should include guidance regarding the importance and meaning of the information about costs and performance, including benchmarks.

Again, thank you for the opportunity to comment on the Proposal. We would be pleased to clarify or elaborate on our comments should the need arise.

¹ This is consistent with the research conducted by the Behavioural Insights Team in support of the Proposal: [Investment Fund Continuous Disclosure Modernization Final Report](#), pp. 11-12.

Sincerely,

A handwritten signature in blue ink that reads "James Sinclair". The signature is written in a cursive style with a large, stylized initial "J" and "S".

James Sinclair
Acting Chair, Investor Advisory Panel