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Sent via email

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Subject: Proposed new fund Category – the ONTARIO Long-Term Fund (OLTF) Consultation via special category mutual fund

This consultation seems odd in that it comes across as a marketing pitch for the Ontario long-term fund. This fund would invest in risky, illiquid assets through an intermediary entity. It is put forward as an opportunity for retail investors.

There is no evidence of market research presented indicating a retail investor market exists or is required for such a complicated fund.

I only have a few comments at this time:

1. Given the name of the fund and the extensive time and effort the OSC has expended on the development of the new Category, a minimum percentage allotment to Ontario based assets should be defined.
2. The advisors associated with OLTF recommendations should carry professional credentials, act in a fiduciary capacity and have experience advising on portfolios containing illiquid assets.
3. The cash drag in order to meet OLTF liquidity needs could materially adversely impact the potential premium assumed to be associated with the purchase of illiquid assets.
4. Unlike institutional investors, who may have long investment horizons and greater risk tolerance/ capacity, retail investors are far less equipped to bear the long-term constraints associated with private equity and other private market investments.
5. Even if an illiquidity premium exists in theory, its benefits to retail investors are severely diminished—if not entirely negated—by the substantial layers of fees imposed by private equity funds to accommodate the logical liquidity constraints the Commission plans to impose on the fund .
6. OLTF Fund Facts should present returns compared to an acceptable benchmark to increase visibility of relative performance as an aid in investor decision making prior to purchase. Risk disclosure should be delineated in plain language along with a suitable risk metric and risk scale as appropriate.

Given that the consultation asks 24 questions and multiple sub questions it appears this is just an embryonic idea in line with the OSC's fostering capital formation mandate.

The big winners would be fund asset managers, intermediaries, the owners of the assets, independent valuators, mutual fund Dealers, financial advisors and small investors anticipating a higher potential return from the illiquidity premium.

Given the risky nature of the assets, the limited ability to redeem, the possibility of a complete suspension of redemptions and continuing fees, I just do not see why retail investors, other than HNW Investors, would want to invest in such a fund or how it could be found suitable for them.

Rather than spend hours commenting on the Proposal I think it best I wait until the foundations of this fund are better defined in round 2 of this consultation.

Respectfully,

Harvey Buksa