

Nova Scotia Securities Commission

Rule 81-101(Amendment)

**Amendments to National Instrument 81-101
*Mutual Fund Prospectus Disclosure***

- and-

**Amendments to Companion Policy 81-101CP To National
*Instrument 81-101 Mutual Fund Prospectus Disclosure***

- and-

**Consequential Amendments to
National Instrument 81-102 *Mutual Funds*, Companion
Policy 81-102CP to National Instrument 81-102 *Mutual Funds*,
National Instrument 81-106 *Investment Fund Continuous Disclosure*,
Companion Policy 81-106CP to National Instrument 81-106
Investment Fund Continuous Disclosure and National Instrument 13-101
*System for Electronic Document Analysis and Retrieval (SEDAR)***

WHEREAS:

1. Pursuant to section 150 of the *Securities Act*, R.S.N.S. 1989, chapter 418, as amended (the Act), the Nova Scotia Securities Commission (the Commission) has power to make rules subject to compliance with the requirements of the Act;
2. Pursuant to section 19 of the Act, the Commission has power to issue and publish policy statements;
3. Amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure*, Amendments to National Instrument 81-102 *Mutual Funds*, Amendments to National Instrument 81-106 *Investment Fund Continuous Disclosure* and Amendments to National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)* (the “Rules”) and Amendments to Companion Policy 81-101CP to National Instrument 81-101 *Mutual Fund Prospectus Disclosure*, Amendments to Companion Policy 81-102CP to National Instrument 81-102 *Mutual Funds* and Amendments to Companion Policy 81-106CP to National Instrument 81-106 *Investment Fund Continuous Disclosure* (the “Companion Policies”), copies of which are


attached hereto, have been made a rule by one or more of the Canadian securities regulatory authorities; and

4. The Commission is of the opinion that the attainment of the purpose of the Act is advanced by this Instrument.

NOW THEREFORE the Commission hereby:

- (a) pursuant to the authority contained in section 150 of the Act and subject to compliance with the requirements of section 150A of the Act, approves the Rules and makes the same rules of the Commission;
- (b) pursuant to the authority contained in section 19 of the Act and subject to publication in the Royal Gazette or the Commission's website, issues the Companion Policies as policies of the Commission; and
- (c) declares that the Rules approved and made pursuant to clause (a) and the Companion Policies issued pursuant to clause (b) shall take effect on **January 1, 2011**, unless the Minister disapproves the Rules or returns them to the Commission in accordance with subsection 150A(3) of the Act in which event the Rules and the Companion Policies shall not become effective until the Rules are approved by the Minister.

IN WITNESS WHEREOF this Instrument has been signed by the Chair of the Commission, being the member of the Commission prescribed by the Chair pursuant to subsection 15(3) of the Act to attend the hearing of this matter and the quorum with respect to this matter, on the 13th day of October, 2010.


H. Leslie O'Brien, Q.C.

Attachments

**Amendments to
National Instrument 81-101 *Mutual Fund Prospectus Disclosure***

1. ***National Instrument 81-101 Mutual Fund Prospectus Disclosure is amended by this Instrument.***
2. ***Section 1.1 is amended by***
 - a. ***replacing “National Instrument 81-102” with “that Instrument” in paragraph (b) of the definition of “commodity pool”;***
 - b. ***adding the following definition after the definition of “financial year”:***

“fund facts document” means a completed Form 81-101F3 Contents of Fund Facts Document;;
 - c. ***repealing the definition of “NI 81-107”;***
 - d. ***replacing “National Instrument 81-102” in the definition of “precious metals fund” with “National Instrument 81-102 Mutual Funds”.***
3. ***Section 1.2 is amended by replacing “National Instrument 81-102” with “National Instrument 81-102 Mutual Funds”.***
4. ***Section 2.1 is replaced with the following:***
 - 2.1 Filing of Disclosure Documents – (1) A mutual fund**
 - (a) that files a preliminary prospectus must file the preliminary prospectus in the form of a preliminary simplified prospectus prepared in accordance with Form 81-101F1 and concurrently file
 - (i) a preliminary annual information form prepared and certified in accordance with Form 81-101F2; and
 - (ii) a preliminary fund facts document for each class or series of securities of the mutual fund prepared in accordance with Form 81-101F3;
 - (b) that files a *pro forma* prospectus must file the *pro forma* prospectus in the form of a *pro forma* simplified prospectus prepared in accordance with Form 81-101F1 and concurrently file
 - (i) a *pro forma* annual information form prepared in accordance with Form 81-101F2; and

- (ii) a *pro forma* fund facts document for each class or series of securities of the mutual fund prepared in accordance with Form 81-101F3;
 - (c) that files a prospectus must file the prospectus in the form of a simplified prospectus prepared in accordance with Form 81-101F1 and concurrently file
 - (i) an annual information form prepared and certified in accordance with Form 81-101F2; and
 - (ii) a fund facts document for each class or series of securities of the mutual fund prepared in accordance with Form 81-101F3;
 - (d) that files an amendment to a prospectus must
 - (i) file an amendment
 - (A) to the simplified prospectus and concurrently file an amendment to the related annual information form, or
 - (B) to the related annual information form if changes are made only to the annual information form;
 - (ii) if the amendment relates to the information contained in a fund facts document, concurrently file an amendment to the fund facts document; and
 - (iii) if the amendment relates to a new class or series of securities of the mutual fund that is referable to the same portfolio of assets, concurrently file a fund facts document for the new class or series; and
 - (e) must file an amendment to a fund facts document, if a material change occurs that relates to the information contained in the fund facts document, as soon as practicable and, in any event, within 10 days after the day the change occurs.
- (2) A mutual fund must not file a prospectus more than 90 days after the date of the receipt for the preliminary prospectus that relates to the prospectus..

5. Section 2.2 is amended by

- a. replacing “shall” in subsection (2) with “must”;**

- b. replacing “shall” in subsection (3) with “must”;**
- c. adding the following after subsection (3):**

 - (4) An amendment to a fund facts document must be prepared in accordance with Form 81-101F3 without any further identification and dated as of the date the fund facts document is being amended..
- 6. Section 2.3 is amended by**

 - a. replacing “shall” in subsection (1) with “must”;**
 - b. replacing the portion of paragraph (1)(a) preceding subparagraph (i) with the following:**

 - (a) file with a preliminary simplified prospectus, a preliminary annual information form and a preliminary fund facts document for each class or series of securities of the mutual fund;
 - c. replacing the portion of paragraph (1)(b) preceding subparagraph (i) with the following:**

 - (b) at the time a preliminary simplified prospectus, a preliminary annual information form and a preliminary fund facts document for each class or series of securities of the mutual fund are filed, deliver or send to the securities regulatory authority;
 - d. replacing “shall” in subsection (2) with “must”;**
 - e. replacing the portion of paragraph (2)(a) preceding subparagraph (i) with the following:**

 - (a) file with a *pro forma* simplified prospectus, a *pro forma* annual information form and a *pro forma* fund facts document for each class or series of securities of the mutual fund;
 - f. replacing the portion of paragraph (2)(b) preceding subparagraph (i) with the following:**

 - (b) at the time a *pro forma* simplified prospectus, a *pro forma* annual information form and a *pro forma* fund facts document for each class or series of securities of the mutual fund are filed, deliver or send to the securities regulatory authority;
 - g. adding the following after subparagraph (2)(b)(ii):**

- (ii.1) a copy of the *pro forma* fund facts document for each class or series of securities of the mutual fund, blacklined to show changes, including the text of deletions, from the latest fund facts document previously filed,;
- h. replacing “shall” in subsection (3) with “must”;***
- i. replacing the portion of paragraph (3)(a) preceding subparagraph (i) with the following:***
 - (a) file with a simplified prospectus, an annual information form and a fund facts document for each class or series of securities of the mutual fund;
- j. adding the following after subparagraph (3)(b)(ii):***
 - (ii.1) a copy of the fund facts document for each class or series of securities of the mutual fund, blacklined to show changes, including the text of deletions, from the preliminary or *pro forma* fund facts document,;
- k. replacing “2.3(1)(b)(ii) or 2.3(2)(b)(iv)” in subparagraph (3)(b)(iii) with “(1)(b)(ii) or (2)(b)(iv)”;***
- l. replacing “shall” in subsection (4) with “must”;***
- m. striking out “and” at the end of subparagraph (4)(a)(iii);***
- n. adding the following after subparagraph (4)(a)(iii):***
 - (iii.1) if the amendment relates to the information contained in a fund facts document, an amendment to the fund facts document, and;
- o. adding the following after subparagraph (4)(b)(ii):***
 - (ii.1) if an amendment to a fund facts document is filed, a copy of the fund facts document, blacklined to show changes, including the text of deletions, from the latest fund facts document previously filed,;
- p. replacing “2.3(1)(b)(ii), 2.3(2)(b)(iv) or 2.3(3)(b)(iii)” in subparagraph (4)(b)(iii) with “(1)(b)(ii), (2)(b)(iv) or (3)(b)(iii)”;***
- q. replacing “shall” in subsection (5) with “must”;***
- r. striking out “and” at the end of subparagraph (5)(a)(iii);***
- s. adding the following after subparagraph (5)(a)(iii):***
 - (iii.1) if the amendment relates to the information contained in a fund facts

document, an amendment to the fund facts document, and;

t. replacing “2.3(1)(b)(ii), 2.3(2)(b)(iv) or 2.3(3)(b)(iii)” in subparagraph (5)(b)(i) with “(1)(b)(ii), (2)(b)(iv) or (3)(b)(iii)”;

u. replacing “; and” with “,” at the end of subparagraph (5)(b)(ii);

v. adding the following after subparagraph (5)(b)(ii):

(ii.1) if an amendment to a fund facts document is filed, a copy of the fund facts document, blacklined to show changes, including the text of deletions, from the latest fund facts document previously filed, and; **and**

w. adding the following after subsection (5):

(5.1) A mutual fund must

(a) file the following documents with an amendment to a fund facts document unless subsection (4) or (5) applies:

(i) an amendment to the corresponding annual information form, certified in accordance with Part 5.1,

(ii) any other supporting documents required to be filed under securities legislation; and

(b) at the time an amendment to a fund facts document is filed, deliver or send to the securities regulatory authority

(i) details of any changes to the personal information required to be delivered under subparagraph (1)(b)(ii), (2)(b)(iv) or (3)(b)(iii), in the form of the Personal Information Form and Authorization, since the delivery of that information in connection with the filing of the simplified prospectus of the mutual fund or another mutual fund managed by the manager,

(ii) a copy of the amended and restated fund facts document blacklined to show changes, including the text of deletions, from the most recently filed fund facts document; and

(iii) any other supporting documents required to be delivered or sent to the securities regulatory authority under securities legislation..

7. The following section is added after section 2.3:

2.3.1 Websites

- (1) If a mutual fund or the mutual fund's family has a website, the mutual fund must post to at least one of those websites a fund facts document filed under this Part as soon as practicable and, in any event, within 10 days after the date that the document is filed.
- (2) A fund facts document posted to the website referred to in subsection (1) must
 - (a) be displayed in a manner that would be considered prominent to a reasonable person; and
 - (b) not be attached to or bound with another fund facts document.
- (3) Subsection (1) does not apply if the fund facts document is posted to a website of the manager of the mutual fund in the manner required under subsection (2)..

8. *Section 3.1 is amended by*

- a. *replacing the first reference to "shall" with "must" and deleting the second reference to "shall"; and*
- b. *adding the following after paragraph 1:*
 - 1.1. The most recently filed fund facts document for each class or series of securities of the mutual fund, filed either concurrently with or after the date of the simplified prospectus..

9. *Sections 3.3, 3.4 and 3.5 are amended by replacing "shall" with "must" wherever it occurs.*

10. *Section 4.1 is amended by*

- a. *replacing subsection (1) with the following:*

4.1 Plain Language and Presentation – (1) A simplified prospectus, annual information form and fund facts document must be prepared using plain language and in a format that assists in readability and comprehension.;
- b. *replacing "shall" with "must" wherever it occurs in subsection (2); and*
- c. *adding the following after subsection (2):*
 - (3) A fund facts document must

- (a) be prepared for each class and each series of securities of a mutual fund in accordance with Form 81-101F3;
- (b) present the items listed in the Part I section of Form 81-101F3 and the items listed in the Part II section of Form 81-101F3 in the order stipulated in those parts;
- (c) use the headings and sub-headings stipulated in Form 81-101F3;
- (d) contain only the information that is specifically required or permitted to be in Form 81-101F3;
- (e) not incorporate any information by reference; and
- (f) not exceed four pages in length..

11. Section 4.2 is replaced with the following:

4.2 Preparation in the Required Form - Despite provisions in securities legislation relating to the presentation of the content of a prospectus, a simplified prospectus, an annual information form and a fund facts document must be prepared in accordance with this Instrument..

12. Subsections 5.1(1) and (2) are amended by replacing “shall” with “must”.

13. Section 5.2 is amended by

a. replacing “shall” with “must” in paragraphs (1)(a) and (b); and

b. adding the following after subsection (1):

(1.1) Despite subsection (1), if attached to or bound with a single SP or multiple SP, the fund facts document must be the first document contained in the package..

14. Paragraph 5.3(2)(a) is amended by replacing “shall” with “must”.

15. Subsections 5.4(1) and (2) are amended by replacing “shall” with “must”.

16. The following section is added after section 5.4:

5.5 Combinations of Fund Facts Documents for Filing Purposes –For the purposes of section 2.1, a fund facts document may be attached to or bound with another fund facts document of a mutual fund in a simplified prospectus or, if a multiple SP, another fund facts document of a mutual fund combined in the multiple SP..

17. Section 5.1.2 is replaced with the following:

5.1.2 Date of Certificates – The date of the certificates required by this Instrument must be within 3 business days before the filing of the preliminary simplified prospectus, the simplified prospectus, the amendment to the simplified prospectus, the amendment to the annual information form or the amendment to the fund facts document, as applicable.

18. *Part 6 is replaced with the following:*

PART 6 EXEMPTIONS

6.1 Grant of Exemption – (1) The regulator or the securities regulatory authority may grant an exemption from the provisions of this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario, only the regulator may grant such an exemption.

(3) Except in Ontario, an exemption referred to in subsection (1) is granted under the statute referred to in Appendix B of National Instrument 14-101 *Definitions* opposite the name of the local jurisdiction.

6.2 Evidence of exemption – (1) Subject to subsection (2) and without limiting the manner in which an exemption may be evidenced, the granting under this Part of an exemption from any form or content requirements relating to a simplified prospectus, annual information form or fund facts document, may be evidenced by the issuance of a receipt for a simplified prospectus and annual information form, or an amendment to a simplified prospectus or annual information form.

(2) The issuance of a receipt for a simplified prospectus and annual information form or an amendment to a simplified prospectus or annual information form is not evidence that the exemption has been granted unless

(a) the person or company that sought the exemption sent to the regulator or securities regulatory authority a letter or memorandum describing the matters relating to the exemption and indicating why consideration should be given to the granting of the exemption:

(i) on or before the date of the filing of the preliminary or *pro forma* simplified prospectus and annual information form;

(ii) at least 10 days before the issuance of the receipt in the case of an amendment to a simplified prospectus or annual information form;
or

(iii) after the date of the filing of the preliminary or *pro forma*

simplified prospectus and annual information form and received a written acknowledgement from the regulator or securities regulatory authority that the exemption may be evidenced in the manner set out in subsection (1); and

- (b) the regulator or securities regulatory authority has not before, or concurrently with, the issuance of the receipt sent notice to the person or company that sought the exemption, that the exemption sought may not be evidenced in the manner set out in subsection (1)..

19. Form 81-101F1 Contents of Simplified Prospectus is amended

(a) in Item 3 of Part A by:

(i) replacing the third bullet under section 3.1 with the following:

- Additional information about the Fund is available in the following documents:
 - the Annual Information Form;
 - the most recently filed Fund Facts;
 - the most recently filed annual financial statements;
 - any interim financial statements filed after those annual financial statements;
 - the most recently filed annual management report of fund performance;
 - any interim management report of fund performance filed after that annual management report of fund performance.

These documents are incorporated by reference into this Simplified Prospectus, which means that they legally form part of this document just as if they were printed as a part of this document. You can get a copy of these documents, at your request, and at no cost, by calling [toll-free/collect] [insert the toll-free telephone number or telephone number where collect calls are accepted, as required by section 3.4 of the Instrument], or from your dealer.; **and**

(ii) replacing the third bullet under section 3.2 with the following:

- Additional information about each Fund is available in the following documents:
 - the Annual Information Form;
 - the most recently filed Fund Facts;
 - the most recently filed annual financial statements;
 - any interim financial statements filed after those annual financial statements;

- the most recently filed annual management report of fund performance;
- any interim management report of fund performance filed after that annual management report of fund performance.

These documents are incorporated by reference into this document, which means that they legally form part of this document just as if they were printed as a part of this document. You can get a copy of these documents, at your request, and at no cost, by calling [toll-free/collect] [insert the toll-free telephone number or telephone number where collect calls are accepted, as required by section 3.4 of the Instrument], or from your dealer..

(b) in Item 14 of Part A by:

(i) replacing the first bullet under subsection 14(2) with the following:

- Additional information about the Fund[s] is available in the Fund[’s/s’] Annual Information Form, Fund Facts, management reports of fund performance and financial statements. These documents are incorporated by reference into this Simplified Prospectus, which means that they legally form part of this document.;
and

(ii) replacing subsection 14(3) with the following:

- (3) For a multiple SP in which the Part A section is bound separately from the Part B sections, state, in substantially the following words:

A complete simplified prospectus for the mutual funds listed on this cover consists of this document and any additional disclosure document that provides specific information about the mutual funds in which you are investing. This document provides general information applicable to all of the [name of mutual fund family] funds. When you request a simplified prospectus, you must be provided with the additional disclosure document..

(c) in Part B by adding the following after Item 9:

Item 9.1: Investment Risk Classification Methodology

- (1) Briefly describe the methodology used by the manager for the purpose of identifying the investment risk level of the mutual fund as required by Item 5(2) in Part I of 81-101F3.

- (2) State how frequently the investment risk level of the mutual fund is reviewed.
- (3) Disclose that the methodology that the manager uses to identify the investment risk level of the mutual fund is available on request, at no cost, by calling [toll-free/collect call telephone number] or by writing to [address].

INSTRUCTION:

Include a brief description of the formulas, methods or criteria used by the manager of the mutual fund in identifying the investment risk level of the mutual fund..

(d) in Item 10 of Part B by:

(i) replacing Instruction (1) with the following:

(1) In responding to the disclosure required by this Item, indicate the level of investor risk tolerance that would be appropriate for investment in the mutual fund.; and

(ii) by adding the following after Instruction (1):

(1.1) Briefly describe how the manager has determined the level of investor risk tolerance that would be appropriate for investment in the mutual fund..

20. Form 81-101F2 Contents of Annual Information Form is amended by:

(a) in Item 19 by replacing subsection 19(1) with the following:

(1) Include a certificate of the mutual fund that states:

(a) for a simplified prospectus and annual information form,

“This annual information form, together with the simplified prospectus and the documents incorporated by reference into the simplified prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus, as required by the securities legislation of [insert the jurisdictions in which qualified] and do not contain any misrepresentations.”

(b) for an amendment to a simplified prospectus or annual information form that does not restate the simplified prospectus or annual information form,

“This amendment no. [specify amendment number and date], together with the [amended and restated] annual information form dated [specify], [amending and restating the annual information form dated [specify],] [as amended by (specify prior amendments and dates)] and the [amended and restated] simplified prospectus dated [specify], [amending and restating the simplified prospectus dated [specify],] [as amended by (specify prior amendments and dates)] and the documents incorporated by reference into the [amended and restated] simplified prospectus, [as amended,] constitute full, true and plain disclosure of all material facts relating to the securities offered by the [amended and restated] simplified prospectus, [as amended,] as required by the securities legislation of [insert the jurisdictions in which qualified] and do not contain any misrepresentations.”, and

(c) for an amendment that amends and restates a simplified prospectus or annual information form,

“This amended and restated annual information form dated [specify], amending and restating the annual information form dated [specify] [,as amended by (specify prior amendments and dates)], together with the [amended and restated] simplified prospectus dated [specify] [, amending and restating the simplified prospectus dated [specify]] [,as amended by (specify prior amendments and dates)] and the documents incorporated by reference into the [amended and restated] simplified prospectus, [as amended,] constitute full, true and plain disclosure of all material facts relating to the securities offered by the [amended and restated] simplified prospectus, [as amended,] as required by the securities legislation of [insert the jurisdictions in which qualified] and do not contain any misrepresentations.”.

(b) in Item 22 by replacing the portion of subsection 22(1) before the Instruction with the following:

(1) Include a certificate of the principal distributor of the mutual fund that states:

“To the best of our knowledge, information and belief, this annual information form, the financial statements of the fund [specify] for the financial period ended [specify] and the auditors’ report on those financial statements, together with the simplified prospectus and the fund facts document dated [specify], constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus and do not contain any misrepresentation.”; **and**

(c) in Item 24 by replacing the first bullet under subsection 24(2) with the following:

- Additional information about the Fund[s] is available in the Fund['s/s'] Fund Facts, management reports of fund performance and financial statements..

21. The following form is added after Form 81-101F2 Contents of Annual Information Form:

**National Instrument 81-101
Mutual Fund Prospectus Disclosure
Form 81-101F3
Contents of Fund Facts Document**

GENERAL INSTRUCTIONS:

General

- (1) *This Form describes the disclosure required in a fund facts document for a mutual fund. Each Item of this Form outlines disclosure requirements. Instructions to help you provide this disclosure are in italic type.*
- (2) *Terms defined in National Instrument 81-101 Mutual Fund Prospectus Disclosure, National Instrument 81-102 Mutual Funds, National Instrument 81-105 Mutual Fund Sales Practices or National Instrument 81-106 Investment Fund Continuous Disclosure and used in this Form have the meanings that they have in those national instruments.*
- (3) *A fund facts document must state the required information concisely and in plain language.*
- (4) *Respond as simply and directly as is reasonably possible. Include only the information necessary for a reasonable investor to understand the fundamental and particular characteristics of the mutual fund.*
- (5) *National Instrument 81-101 Mutual Fund Prospectus Disclosure requires the fund facts document to be presented in a format that assists in readability and comprehension. This Form does not mandate the use of a specific format or template to achieve these goals. However, mutual funds must use, as appropriate, tables, captions, bullet points or other organizational techniques that assist in presenting the required disclosure clearly and concisely.*
- (6) *This Form does not mandate the use of a specific font size or style but the font must be legible. Where the fund facts document is made available online, information must be presented in a way that enables it to be printed in a readable format.*
- (7) *A fund facts document can be produced in colour or in black and white, and in portrait or landscape orientation.*

(8) *A fund facts document must contain only the information that is specifically mandated or permitted by this Form. In addition, each Item must be presented in the order and under the heading or sub-heading stipulated in this Form.*

(9) *A fund facts document must not contain design elements (e.g., graphics, photos, artwork) that detract from the information disclosed in the document.*

Contents of a Fund Facts Document

(10) *A fund facts document must disclose information about only one class or series of securities of a mutual fund. Mutual funds that have more than one class or series that are referable to the same portfolio of assets must prepare a separate fund facts document for each class or series.*

(11) *The fund facts document must be prepared on letter-size paper and must consist of two Parts: Part I and Part II.*

(12) *The fund facts document must begin with the responses to the Items in Part I of this Form.*

(13) *Part I must be followed by the responses to the Items in Part II of this Form.*

(14) *Each of Part I and Part II must not exceed one page in length, unless the required information in any section causes the disclosure to exceed this limit. Where this is the case, a fund facts document must not exceed a total of four pages in length.*

(15) *A mutual fund must not attach or bind other documents to a fund facts document, except those documents permitted under section 5.4 of National Instrument 81-101 Mutual Fund Prospectus Disclosure.*

Consolidation of Fund Facts Document into a Multiple Fund Facts Document

(16) *Fund facts documents must not be consolidated with each other to form a multiple fund facts document, except as permitted by section 5.4 of National Instrument 81-101 Mutual Fund Prospectus Disclosure. When a multiple fund facts document is permitted under the Instrument, a mutual fund must provide information about each of the mutual funds described in the document on a fund-by-fund or catalogue basis and must set out for each mutual fund separately the information required by this Form. Each fund facts document must start on a new page.*

Multi-Class Mutual Funds

(17) *As provided in National Instrument 81-102 Mutual Funds, a section, part, class or series of a class of securities of a mutual fund that is referable to a separate portfolio of assets is considered to be a separate mutual fund. Those principles apply to National Instrument 81-101 Mutual Fund Prospectus Disclosure and this Form.*

PART I INFORMATION ABOUT THE FUND

Item 1: Introduction

Include at the top of the first page a heading consisting of:

- (a) the title “Fund Facts”;
- (b) the name of the manager of the mutual fund;
- (c) the name of the mutual fund to which the fund facts document pertains and, if the mutual fund has more than one class or series of securities, the name of the class or series described in the fund facts document;
- (d) the date of the document; and
- (e) a brief introduction to the document using wording similar to the following:

This document contains key information you should know about [insert name of the mutual fund]. You can find more detailed information in the fund’s simplified prospectus. Ask your adviser for a copy, contact [insert name of the manager of the mutual fund] at [insert if applicable the toll-free number and e-mail address of the manager of the mutual fund] [if applicable] or visit [insert the website of the mutual fund, the mutual fund’s family or the manager of the mutual fund] [as applicable].

INSTRUCTION:

The date for a fund facts document that is filed with a preliminary simplified prospectus or simplified prospectus must be the date of the certificate contained in the related annual information form. The date for a fund facts document that is filed with a pro forma simplified prospectus must be the date of the anticipated simplified prospectus. The date for an amended fund facts document must be the date of the certificate contained in the related amended annual information form.

Item 2: Quick Facts

Under the heading “Quick Facts”, include disclosure in the form of the following table:

Date fund created: (see instruction 1)	Portfolio manager: (see instruction 4)
Total value on [date]: (see instruction 2)	Distributions: (see instruction 5)
Management expense ratio (MER): (see instruction 3)	Minimum investment: (see instruction 6)

INSTRUCTIONS:

- (1) *Use the date that the securities of the class or series of the mutual fund described in the fund facts document first became available to the public.*
- (2) *Specify the net asset value of the mutual fund as at a date within 30 days before the date of the fund facts document. The amount disclosed must take into consideration all classes or series that are referable to the same portfolio of assets. For a newly established mutual fund, simply state that this information is not available because it is a new mutual fund.*
- (3) *Use the management expense ratio (MER) disclosed in the most recently filed management report of fund performance (MRFP) for the mutual fund. The MER must be net of fee waivers or absorptions and, despite section 15.1(2) of National Instrument 81-106 Investment Fund Continuous Disclosure, need not include any additional disclosure about the waivers or absorptions. For a newly established mutual fund that has not yet filed a management report of fund performance, state that the MER is not available because it is a new mutual fund.*
- (4) *Specify the name of the company or companies providing portfolio management services to the mutual fund. The mutual fund may also include the name of the specific individual(s) responsible for portfolio selection.*
- (5) *Include disclosure under this element of the “Quick Facts” only if distributions are a fundamental feature of the mutual fund. Disclose the expected frequency and timing of distributions. If there is a targeted amount for distributions, the mutual fund may include this information.*
- (6) *Specify both the minimum amount for an initial investment and for each additional investment. This can include minimum amounts for pre-authorized contribution plans.*

Item 3: Investments of the Fund

- (1) Briefly set out under the heading “What does the fund invest in?” a description of the fundamental nature of the mutual fund, or the fundamental features of the mutual fund that distinguish it from other mutual funds.
- (2) For an index mutual fund,
 - (a) disclose the name or names of the permitted index or permitted indices on which the investments of the index mutual fund are based, and
 - (b) briefly describe the nature of that permitted index or those permitted indices.
- (3) Include an introduction to the information provided in response to subsection (4) and subsection (5) using wording similar to the following:

The charts below give you a snapshot of the fund's investments on [insert date]. The fund's investments will change.

- (4) Include under the sub-heading "Top 10 investments [date]" a table disclosing:
 - (a) the top 10 positions held by the mutual fund;
 - (b) the total number of positions; and
 - (c) the percentage of net asset value of the mutual fund represented by the top 10 positions.
- (5) Under the sub-heading "Investment mix [date]" include at least one, and up to two, charts or tables that illustrate the investment mix of the mutual fund's investment portfolio.

INSTRUCTIONS:

- (1) *Include in the information under "What does this fund invest in?" a description of what the mutual fund primarily invests in, or intends to primarily invest in, or that its name implies that it will primarily invest in, such as*
 - (a) *particular types of issuers, such as foreign issuers, small capitalization issuers or issuers located in emerging market countries;*
 - (b) *particular geographic locations or industry segments; or*
 - (c) *portfolio assets other than securities.*
- (2) *Include a particular investment strategy only if it is an essential aspect of the mutual fund, as evidenced by the name of the mutual fund or the manner in which the mutual fund is marketed.*
- (3) *If a mutual fund's stated objective is to invest primarily in Canadian securities, specify the maximum exposure to investments in foreign markets.*
- (4) *The information under "Top 10 investments" and "Investment mix" is intended to give a snapshot of the composition of the mutual fund's investment portfolio. The information required to be disclosed under these sub-headings must be as at a date within 30 days before the date of the fund facts document. The date shown must be the same as the one used in Item 2 for the total value of the mutual fund.*
- (5) *If the mutual fund owns more than one class of securities of an issuer, those classes should be aggregated for the purposes of this Item, however, debt and equity securities of an issuer must not be aggregated.*

- (6) *Portfolio assets other than securities should be aggregated if they have substantially similar investment risks and profiles. For instance, gold certificates should be aggregated, even if they are issued by different financial institutions.*
- (7) *Treat cash and cash equivalents as one separate discrete category.*
- (8) *In determining its holdings for purposes of the disclosure required by this Item, a mutual fund must, for each long position in a derivative that is held by the mutual fund for purposes other than hedging and for each index participation unit held by the mutual fund, consider that it holds directly the underlying interest of that derivative or its proportionate share of the securities held by the issuer of the index participation unit.*
- (9) *If a mutual fund invests substantially all of its assets directly or indirectly (through the use of derivatives) in securities of one other mutual fund, list the 10 largest holdings of the other mutual fund and show the percentage of the other mutual fund's net asset value represented by the top 10 positions. If the mutual fund is not able to disclose this information as at a date within 30 days before the date of the fund facts document, the mutual fund must include this information as disclosed by the other mutual fund in the other mutual fund's most recently filed fund facts document, or its most recently filed management report of fund performance, whichever is most recent.*
- (10) *Indicate whether any of the mutual fund's top 10 positions are short positions.*
- (11) *Each investment mix chart or table must show a breakdown of the mutual fund's investment portfolio into appropriate subgroups and the percentage of the aggregate net asset value of the mutual fund constituted by each subgroup. The names of the subgroups are not prescribed and can include security type, industry segment or geographic location. The mutual fund should use the most appropriate categories given the nature of the mutual fund. The choices made must be consistent with disclosure provided under "Summary of Investment Portfolio" in the mutual fund's MRFP.*
- (12) *In presenting the investment mix of the mutual fund, consider the most effective way of conveying the information to investors. All tables or charts must be clear and legible.*
- (13) *For new mutual funds where the information required to be disclosed under "Top 10 investments" and "Investment mix" is not available, include the required sub-headings and provide a brief statement explaining why the required information is not available.*

Item 4: Past Performance

- (1) Under the heading "How has the fund performed?" include an introduction using wording similar to the following:

This section tells you how the fund has performed over the past [insert the lesser of 10 years or the number of completed calendar years] years. Returns are after expenses have been deducted. These expenses reduce the fund's returns.

It's important to note that this doesn't tell you how the fund will perform in the future. Also, your actual after-tax return will depend on your personal tax situation.

- (2) Under the sub-heading "Average return" show
 - (a) the final value, of a hypothetical \$1,000 investment in the mutual fund as at the end of the period that ends within 30 days before the date of the fund facts document and consists of the lesser of
 - (i) 10 years, or
 - (ii) the time since inception of the mutual fund;
 - and
 - (b) the annual compounded rate of return that would equate the initial \$1,000 investment to the final value.
- (3) Under the sub-heading "Year-by-year returns" provide a bar chart that shows the annual total return of the mutual fund, in chronological order with the most recent year on the right of the bar chart, for the lesser of
 - (a) each of the 10 most recently completed calendar years; and
 - (b) each of the completed calendar years in which the mutual fund has been in existence and which the mutual fund was a reporting issuer.
- (4) Provide an introduction to the bar chart indicating
 - (a) that the bar chart shows the mutual fund's annual performance for each of the years shown; and
 - (b) for the particular years shown, the number of years in which the value of the mutual fund dropped.

INSTRUCTIONS

(1) In responding to the requirements of this Item, a mutual fund must comply with the relevant sections of Part 15 of National Instrument 81-102 Mutual Funds as if those sections applied to a fund facts document.

- (2) Use a linear scale for each axis of the bar chart required by this Item.
- (3) The x-axis and y-axis for the bar chart required by this Item must intersect at 0.
- (4) A mutual fund that distributes different classes or series of securities that are referable to the same portfolio of assets must only show performance data related to the specific class or series of securities being described in the fund facts document.
- (5) If the information required to be disclosed under this Item for “Average return” and “Year-by-year returns” is not reasonably available, include the required sub-headings and provide a brief statement explaining why the required information is not available. Information under “Average return” will generally not be available for a mutual fund that has been distributing securities under a simplified prospectus for less than 12 consecutive months. Information under “Year-by-year returns” will generally not be available for a mutual fund that has been distributing securities under a simplified prospectus for less than one calendar year.
- (6) The dollar amount shown under “Average return” may be rounded up to the nearest dollar.
- (7) The percentage amounts shown under “Average return” and “Year-by-year returns” may be rounded up to the nearest decimal place.

Item 5: Risks

- (1) Under the heading “How risky is it?” provide an introduction using wording similar to the following:

When you invest in a fund, the value of your investment can go down as well as up. [Insert name of the manager of the mutual fund] has rated this fund’s risk as [insert rating on the scale in Item 5(2)].

For a description of the specific risks of this fund, see the fund’s simplified prospectus.

- (2) Using the investment risk classification methodology adopted by the manager, identify the mutual fund’s investment risk level on the following scale:

Low	Low to Medium	Medium	Medium to High	High
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INSTRUCTIONS:

- (1) Based upon the investment risk classification methodology adopted by the manager of the mutual fund, identify where the mutual fund fits on the continuum of investment risk levels by showing the full investment risk scale set out in Item 5(2) and highlighting the applicable category on the scale.

(2) *Where the mutual fund is a newly established mutual fund and it is not possible for the manager of the mutual fund to apply its investment risk classification methodology to the mutual fund, include a statement explaining that it is a new mutual fund and use the chart to indicate the investment risk level that the manager of the mutual fund would expect for the mutual fund.*

Item 6: Guarantee

(1) Under the heading “Are there any guarantees?”, if the mutual fund has an insurance or guarantee feature protecting all or some of the principal amount of an investment in the mutual fund:

- (a) identify the person or company providing the guarantee or insurance;
- (b) provide a brief description of the material terms of the guarantee or insurance, including the maturity date of the guarantee or insurance.

(2) If the mutual fund does not have any guarantee or insurance, state in wording similar to the following:

Like most mutual funds, this fund doesn’t have any guarantees. You may not get back the money you invest.

INSTRUCTION:

If applicable, state that the guarantee or insurance does not apply to the amount of any redemptions before the maturity date of the guarantee or before the death of the securityholder and that redemptions before that date would be based on the net asset value of the mutual fund at the time.

Item 7: Suitability

(1) Provide a brief statement of the suitability of the mutual fund for particular investors under the heading “Who is this fund for?”. Describe the characteristics of the investor for whom the mutual fund may or may not be an appropriate investment, and the portfolios for which the mutual fund is and is not suited.

(2) State in bold font in wording similar to the following:

Before you invest in any fund, you should consider how it would work with your other investments and your tolerance for risk.

INSTRUCTION:

If the mutual fund is particularly unsuitable for certain types of investors or for certain

types of investment portfolios, emphasize this aspect of the mutual fund. Disclose both the types of investors who should not invest in the mutual fund, with regard to investments on both a short- and long-term basis, and the types of portfolios that should not invest in the mutual fund. If the mutual fund is particularly suitable for investors who have particular investment objectives, this can also be disclosed.

Item 8: Impact of Income Taxes on Investor Returns

Under the heading “A word about tax” provide a brief explanation of the income tax consequences for investors using wording similar to the following:

In general, you’ll have to pay income tax on any money you make on a fund. How much you pay depends on the tax laws where you live and whether or not you hold the fund in a registered plan such as a Registered Retirement Savings Plan, or a Tax-Free Savings Account.

Keep in mind that if you hold your fund in a non-registered account, fund distributions are included in your taxable income, whether you get them in cash or have them reinvested.

PART II COSTS, RIGHTS AND OTHER INFORMATION

Item 1: Costs of Buying, Owning and Selling the Fund

1.1 Introduction

(1) Under the heading “How much does it cost?”, state using wording similar to the following:

The following tables show the fees and expenses you could pay to buy, own and sell [name of the class or series of securities covered in the fund facts document] [units/shares] of the fund.

(2) If applicable, state that

- the mutual fund has other classes or series of securities;
- the fees and expenses for each class or series of securities of the mutual fund are different; and
- the investor should ask about other classes or series of securities that may be suitable for the investor.

1.2 Illustrations of Different Sales Charge Options

(1) For a mutual fund with multiple sales charge options, include an introduction under the sub-heading “Sales charges” using wording similar to the following:

You have to choose a sales charge option when you buy the fund. Ask about the pros and cons of each option.

(2) Provide information about the sales charges payable by an investor under the available sales charge options in the form of the following table:

Sales charge option	What you pay		How it works
	in per cent (%)	in dollars (\$)	
(see instruction 1)	(see instruction 2)	(see instruction 3)	(see instruction 4)

(3) If the mutual fund has only one sales charge option, replace the introductory statement required in paragraph (1) above with a statement highlighting the sales charge option applicable to the mutual fund.

(4) If the mutual fund does not have any sales charges, replace the introductory statement and the table required in paragraph (1) and paragraph (2) above with a general statement explaining that no sales charges apply.

INSTRUCTIONS:

(1) *The mutual fund must disclose all sales charge options (e.g., initial sales charge, deferred sales charge) that apply to the class or series being described in the fund facts document. It is not necessary to disclose sales charge options that do not apply to the series or class to which the fund facts document relates.*

(2) *Specify each sales charge option as a percentage. For an initial sales charge, include a range for the amount that can be charged, if applicable. For a deferred sales charge, provide the full sales charge schedule.*

(3) *Specify each sales charge option in dollar terms. For an initial sales charge, include a range for the amount that can be charged on every \$1,000 investment, if applicable. For a deferred sales charge, include a range for the amount that can be charged on every \$1,000 redemption.*

(4) *Provide a brief overview of the key elements of how each sales charge option works including:*

- *whether the amount payable is negotiable;*
- *whether the amount payable is deducted from the amount paid at the time of purchase or from the amount received at the time of sale;*
- *who pays and who receives the amount payable under each sales charge option.*

In the case of a deferred sales charge, the disclosure must also briefly state:

- any amount payable as an upfront sales commission;
- who pays and who receives the amount payable as the upfront sales commission;
- any free redemption amount and key details about how it works;
- whether switches can be made without incurring a sales charge; and
- how the amount paid by an investor at the time of a redemption of securities is calculated, for example, whether it is based on the net asset value of those securities at the time of redemption or another time.

1.3 Fund expenses

(1) Under the sub-heading “Fund expenses” include an introduction using wording similar to the following:

You don’t pay these expenses directly. They affect you because they reduce the fund’s returns.

(2) Unless the mutual fund has not yet filed a management report of fund performance, provide information about the expenses of the mutual fund in the form of the following table:

	Annual rate (as a % of the fund’s value)
Management expense ratio (MER) This is the total of the fund’s management fee and operating expenses. (see instruction 1)	(see instruction 2)
Trading expense ratio (TER) These are the fund’s trading costs.	(see instruction 3)
Fund expenses	(see instruction 4)

(3) Unless the mutual fund has not yet filed a management report of fund performance, above the table required under subsection (2), include a statement using wording similar to the following:

As of [see instruction 5], the fund’s expenses were [insert amount included in table required under subsection (2)]% of its value. This equals \$[see instruction 6] for every \$1,000 invested.

(4) For a mutual fund that has not yet filed a management report of fund performance, include wording similar to the following:

The fund’s expenses are made up of the management fee, operating expenses and trading costs. The fund’s annual management fee is [see instruction 7]% of the fund’s value. Because this fund is new, its operating expenses and trading costs are not yet available.

(5) If the mutual fund pays an incentive fee that is determined by the performance of the mutual fund, provide a brief statement disclosing the amount of the fee and the circumstances where the mutual fund will pay it.

(6) If the manager of the mutual fund or another member of the mutual fund's organization pays trailing commissions, include a brief description of these commissions under the sub-heading "Trailing commission".

(7) The description of trailing commissions must include a statement in substantially the following words:

The trailing commission is paid out of the management fee. The trailing commission is paid for as long as you own the fund.

INSTRUCTIONS:

(1) *If any fees or expenses otherwise payable by the mutual fund were waived or otherwise absorbed by a member of the organization of the mutual fund, despite section 15.1(2) of National Instrument 81-106 Investment Fund Continuous Disclosure, only include a statement in substantially the following words:*

[Insert name of the manager of the mutual fund] waived some of the fund's expenses. If it had not done so, the MER would have been higher.

(2) *Use the same MER that is disclosed in Item 2 of Part I of this Form.*

(3) *Use the trading expense ratio disclosed in the most recently filed management report of fund performance (MRFP) for the mutual fund.*

(4) *The amount included for fund expenses is the amount arrived at by adding the MER and the trading expense ratio. Use a bold font or other formatting to indicate that fund expenses is the total of all ongoing expenses set out in the chart and is not a separate expense charged to the fund.*

(5) *Insert the date of the most recently filed management report of fund performance.*

(6) *Insert the equivalent dollar amount of the ongoing expenses of the fund for each \$1,000 investment.*

(7) *The percentage disclosed for the management fee must correspond to the percentage shown in the fee table in the simplified prospectus.*

(8) *The description of trailing commissions must briefly and concisely explain the purpose of the commission, how the commissions are paid and the range of the rates of the commission for each sales charge option. In addition to the percentage amount of the commission, this description must also set out the equivalent dollar amount for each*

\$1,000 investment.

1.4 Other Fees

(1) Under the sub-heading “Other fees” provide an introduction using wording similar to the following:

You may have to pay other fees when you sell or switch [units/shares] of the fund.

(2) Provide information about the amount of fees, other than sales charges, payable by an investor when they sell or switch units or shares of the mutual fund, substantially in the form of the following table:

Fee	What you pay
(see instruction 1)	(see instruction 2)

INSTRUCTIONS:

(1) *Under this Item, it is only necessary to include fees that apply to the particular series or class of the mutual fund. Examples include short-term trading fee, switch fee and change fee. If there are no other fees associated with selling or switching units or shares of the mutual fund, replace the table with a statement to this effect.*

(2) *Provide a brief description of each fee disclosing the amount to be paid as a percentage (or, if applicable, a fixed dollar amount) and state who charges the fee.*

Item 2: Statement of Rights

Under the heading “What if I change my mind?” state in substantially the following words:

Under securities law in some provinces and territories, you have the right to:

- withdraw from an agreement to buy mutual fund units within two business days after you receive a simplified prospectus, or
- cancel your purchase within 48 hours after you receive confirmation of the purchase.

In some provinces and territories, you also have the right to cancel a purchase, or in some jurisdictions, claim damages, if the simplified prospectus, annual information form or financial statements contain a misrepresentation. You must act within the time limit set by the securities law in your province or territory.

For more information, see the securities law of your province or territory or ask a lawyer.

Item 3: More Information About the Fund

(1) Under the heading “For more information” state in substantially the following words:

Contact [insert name of the manager of the mutual fund] or your adviser for the fund’s simplified prospectus and other disclosure documents. These documents and the Fund Facts make up the fund’s legal documents.

(2) State the name, address and toll-free telephone number of the manager of the mutual fund. If applicable, also state the e-mail address and website of the manager of the mutual fund.

22. Transition

(1) *A mutual fund must, on or before July 8, 2011, file a fund facts document for each class or series of securities of the mutual fund that, on that date, are the subject of disclosure under a simplified prospectus.*

(2) *Subsection (1) does not apply in respect of a class or series of securities of a mutual fund for which a fund facts document was, on or before July 8, 2011, filed under section 2.1.*

(3) *The date of a fund facts document filed under subsection (1) must be the date on which it was filed.*

(4) *Until April 8, 2011,*

(a) *the requirement to file a fund facts document under subparagraph 2.1(1)(a)(ii), (b)(ii), (c)(ii), (d)(ii) or (iii) of National Instrument 81-101 Mutual Fund Prospectus Disclosure does not apply to a mutual fund, and*

(b) *section 2.3 applies to a mutual fund except to the extent that section imposes requirements relating to a fund facts document.*

23. This Instrument comes into force on January 1, 2011.

**Amendments to
National Instrument 81-102 *Mutual Funds***

1. ***National Instrument 81-102 Mutual Funds is amended by this Instrument.***
2. ***Section 1.1 is amended by adding the following after paragraph (b)2 in the definition of “sales communication”:***
 - 2.1. A fund facts document or preliminary or *pro forma* fund facts document.
3. ***Section 3.3 is amended by adding “preliminary fund facts document” after “preliminary annual information form,” by replacing “or” with “,” after “initial simplified prospectus” and by adding “or fund facts document” after “annual information form”.***
4. ***Section 5.6 is amended by***
 - a. ***replacing subparagraph (1)(f)(ii) with the following:***
 - (ii) the current simplified prospectus or the most recently filed fund facts document;
 - b. ***replacing subparagraph (1)(f)(iii) with the following:***
 - (iii) a statement that securityholders may obtain, in respect of the reorganized mutual fund, at no cost a simplified prospectus, an annual information form, the most recently filed fund facts document, the most recent annual and interim financial statements, and the most recent management report of fund performance that have been made public, by contacting the reorganized mutual fund at an address or telephone number specified in the statement, or by accessing the documents at a website address specified in the statement;
5. ***Section 5.7 is amended by replacing paragraph (1)(d) with the following:***
 - (d) if the application relates to a matter that would constitute a material change for the mutual fund, a draft amendment to the simplified prospectus and, if applicable, to the fund facts document of the mutual fund reflecting the change; and
6. ***Section 15.2 is amended by***
 - a. ***replacing paragraph (1)(b) with the following:***

- (b) include a statement that conflicts with information that is contained in the preliminary simplified prospectus, the preliminary annual information form, the preliminary fund facts document, the simplified prospectus, the annual information form or the fund facts document
 - (i) of a mutual fund, or
 - (ii) in which an asset allocation service is described..

7. ***This Instrument comes into force on January 1, 2011.***

**Amendments to
National Instrument 81-106 *Investment Fund Continuous Disclosure***

1. *National Instrument 81-106 Investment Fund Continuous Disclosure is amended by this Instrument.*
2. *Section 11.2 is amended by replacing paragraph (1)(d) with the following:*
 - (d) file an amendment to its prospectus, simplified prospectus or fund facts document that discloses the material change in accordance with the requirements of securities legislation.
3. *This Instrument comes into force on January 1, 2011.*

**Amendments to
National Instrument 13-101 *System for Electronic Document
Analysis and Retrieval (SEDAR)***

1. ***National Instrument 13-101 System for Electronic Document Analysis and Retrieval (SEDAR) is amended by this Instrument.***
2. ***Appendix A – Mandated Electronic Filings is amended***
 - (a) ***in Part I A. by***
 - (i) ***replacing Item 1 with the following:***
 1. Preliminary Simplified Prospectus, Annual Information Form and Fund Facts;
 - (ii) ***replacing Item 2 with the following***
 2. Pro Forma Simplified Prospectus, Annual information Form and Fund Facts;
 - (iii) ***replacing Item 3 with the following***
 3. Final Simplified Prospectus, Annual Information Form and Fund Facts; ***and***
 - (iv) ***adding the following after Item 6***
 7. Initial Fund Facts.
3. ***This Instrument comes into force on January 1, 2011.***

**Amendments to
Companion Policy 81-101CP To National Instrument 81-101 Mutual Fund
Prospectus Disclosure**

1. Companion Policy 81-101CP To National Instrument 81-101 Mutual Fund Prospectus Disclosure is amended by this Instrument.

2. Section 1.1 is amended by:

- a. replacing the first instance of “Canadian securities regulatory authorities” with “Canadian Securities Administrators (CSA or we)”;**
- b. replacing the second instance of “Canadian securities regulatory authorities” with “CSA”.**

3. Section 2.1 is replaced with the following:

2.1 Purpose of the Instrument

(1) The purpose of the Instrument is to ensure that the offering disclosure regime for mutual funds provides investors with disclosure documents that clearly and concisely state information that investors should consider in connection with an investment decision about the mutual fund, while recognizing that different investors have differing needs in receiving disclosure.

(2) The disclosure regime for mutual funds is built on two main principles:

- providing investors with key information about a mutual fund; and
- providing the information in a simple, accessible and comparable format.

(3) We use the following approaches in the Instrument to achieve the principles referred to in subsection (2):

1. The Instrument has been designed so that fund companies prepare offering disclosure documents that investors would find helpful in making investment decisions.

2. The Instrument contemplates the use of three disclosure documents by a mutual fund:

- a simplified prospectus;
- an annual information form; and

- a summary document called the ‘fund facts’, which contains key information about a mutual fund.

Together with the financial statements, the management reports of fund performance and other documents incorporated by reference, these documents contain full, true and plain disclosure about the mutual fund.

3. Subsection 4.1(1) of the Instrument requires that the simplified prospectus, annual information form and fund facts document be prepared using plain language and in a format that assists in readability and comprehension. The Instrument and related forms provide detailed requirements on the content and format of these documents.

(4) Mutual funds, managers and participants in the mutual fund industry should prepare disclosure documents and carry out delivery in a manner that is consistent with the spirit and intent of the Instrument..

4. *The following is added after section 2.1:*

2.1.1 Fund Facts Document

(1) The Instrument requires that the fund facts document be in plain language, be no longer than 4 pages in length, and highlight key information important to investors, including performance, risk and cost. The fund facts document is incorporated by reference into the simplified prospectus.

(2) The Instrument and Form 81-101F3 set out detailed requirements on the content and format of a fund facts document, while allowing some flexibility to accommodate different kinds of mutual funds. The requirements are designed to ensure that the information in a fund facts document of a mutual fund is clear, concise, understandable and easily comparable with information in the fund facts document of other mutual funds.

(3) To help write the fund facts document in plain language, mutual fund companies can use the Flesch-Kincaid methodology to assess the readability of a fund facts document. The Flesch-Kincaid grade level scale is a methodology that rates the readability of a text to a corresponding grade level and can be determined by the use of Flesch-Kincaid tests built into commonly used word processing programs. The CSA will generally consider a grade level of 6.0 or less on the Flesch-Kincaid grade level scale to indicate that a fund facts document is written in plain language. For French-language documents, mutual fund companies may wish to consider using other appropriate readability tools.

(4) Although the Instrument does not require delivery of the fund facts document, the CSA encourages the use and distribution of the fund facts document as a key part of the sales process in helping to inform investors about mutual funds they are considering for investment..

5. *Section 2.2 is replaced with the following:*

2.2 Simplified Prospectus

(1) The Instrument contemplates that all investors in a mutual fund will receive a simplified prospectus, which is designed to provide an investor with the necessary information to make an informed investment decision. The Instrument requires the delivery only of a simplified prospectus to an investor in connection with a purchase, unless the investor also requests delivery of the annual information form or any of the other documents incorporated by reference into the simplified prospectus, including the fund facts document.

(2) The Instrument and Form 81-101F1 set out detailed requirements on the content and format of a simplified prospectus. The requirements enable the information about a mutual fund to be clear, concise, understandable, well-organized and to easily compare one mutual fund with another..

6. *Section 2.3 is replaced with the following:*

2.3 Annual Information Form

(1) The Instrument requires that a supplemental disclosure document, the annual information form, be provided to any person on request. The annual information form is incorporated by reference into the simplified prospectus.

(2) Information contained in the related simplified prospectus will generally not be repeated in an annual information form except as necessary to make the annual information form comprehensible as an independent document. In general, an annual information form is intended to provide disclosure about different matters than those discussed in the fund facts document and simplified prospectus, such as information concerning the internal operations of the manager of the mutual fund, which may be of assistance or interest to some investors.

(3) The Instrument and Form 81-101F2 allow for more flexibility in the preparation of an annual information form than is the case with a simplified prospectus and fund facts document. The requirements for the order of disclosing information are less stringent for an annual information form than for a fund facts document or a simplified prospectus. An annual information form may include information not specifically required by Form 81-101F2..

7. *Section 2.4 is replaced with the following:*

2.4 Financial Statements and Management Reports of Fund Performance – The Instrument requires that the mutual fund’s most recently audited financial statements, any interim statements filed after those audited statements, the mutual fund’s most recently

filed annual management report of fund performance and any interim management report of fund performance filed after that annual management report be provided upon request to any person or company requesting them. Like the fund facts document and the annual information form, these financial statements and management reports of fund performance are incorporated by reference into the simplified prospectus. The result is that future filings of these documents will be incorporated by reference into the simplified prospectus, while superseding the financial statements and management reports of fund performance previously filed..

8. *Section 2.5 is replaced with the following:*

2.5 Filing and Delivery of Documents

(1) Section 2.3 of the Instrument distinguishes between documents that are required by securities legislation to be “filed” with the securities regulatory authority or regulator and those that must be “delivered” or “sent” to the securities regulatory authority or regulator. Documents that are “filed” are on the public record. Documents that are “delivered” or “sent” are not necessarily on the public record. All documents required to be filed under the Instrument must be filed in accordance with National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)*.

(2) Section 1.1 of the Instrument defines “business day” as any day other than a Saturday, Sunday or a statutory holiday. In some cases, a statutory holiday may only be a statutory holiday in one jurisdiction. The definition of business day should be applied in each local jurisdiction in which a prospectus is being filed. For example, section 5.1.2 of the Instrument states that the date of the certificate in a simplified prospectus must be within 3 business days before the filing of the simplified prospectus. The certificates in the simplified prospectus are dated Day 1. Day 2 is a statutory holiday in Québec but not in Alberta. If the simplified prospectus is filed in both Alberta and Québec, it must be filed no later than Day 4 in order to comply with the requirement in section 5.1.2 of the Instrument, despite the fact that Day 2 was not a business day in Québec. If the simplified prospectus is filed only in Québec, it could be filed on Day 5..

9. *Subsection 2.6(2) is replaced with the following:*

(2) Subsection 2.3(6) of the Instrument permits certain material contracts to be filed with certain commercial or financial information deleted in order to keep this information confidential. For example, specific fees and expenses and non-competition clauses could be kept confidential under this provision. In these cases, the benefits of disclosing the information to the public are outweighed by the potentially adverse consequences to mutual fund managers and portfolio advisers. However, the basic terms of these agreements must be included in the contracts that are filed, such as provisions relating to the term and termination of the agreements and the rights and responsibilities of the parties to the agreements..

10. *Section 2.7 is replaced with the following:*

2.7 Amendments

(1) Paragraph 2.1(1)(d) of the Instrument requires an amendment to an annual information form to be filed whenever an amendment to a simplified prospectus is filed. Similarly, subsection 2.3(5.1) of the Instrument requires an amendment to an annual information form to be filed whenever an amendment to a fund facts document is filed. If the substance of the amendment to the fund facts document or to the simplified prospectus would not require a change to the text of the annual information form, the amendment to the annual information form would consist only of the certificate page referring to the mutual fund to which the amendment to the fund facts document or the simplified prospectus pertains.

(2) Paragraph 2.1(1)(e) of the Instrument requires a mutual fund to file an amendment to a fund facts document when a material change to the mutual fund occurs that requires a change to the disclosure in the fund facts document. This mirrors the requirement in paragraph 11.2(1)(d) of National Instrument 81-106 *Investment Fund Continuous Disclosure*. We would not generally consider changes to the top 10 investments, investment mix or year-by-year returns of the mutual fund to be material changes. We would generally consider changes to the mutual fund's investment objective or risk level to be material changes under securities legislation.

(3) A commercial copy of an amended and restated simplified prospectus and annual information form can be created by reprinting the entire document or by putting stickers on an existing document that provide the new text created by the amendment. If stickers are used, one sticker will be required for the substance of the amendments and a separate sticker will be required for the cover page of the document that describes the type and date of the document, as applicable.

(4) Subsection 2.2(4) of the Instrument requires that any amendment to a fund facts document can only take the form of an amended and restated fund facts document. Accordingly, the commercial copy of an amended and restated fund facts document can only be created by reprinting the entire document.

(5) The requirements in section 2.2 of the Instrument apply to an amendment to a full simplified prospectus and to an amendment only to a Part A or Part B section of a simplified prospectus in cases where the Part A and Part B sections are bound separately. Section 2.2 of the Instrument requires amendments to various parts of a multiple SP to be evidenced as follows:

1. **Multiple SP with Part A and the Part B sections bound together.** An amendment to either or both of the Part A or Part B sections could be in the form of a free standing amending instrument that would be delivered to investors with the rest of the multiple SP. The amending instrument would be identified, in accordance with subsection 2.2(3) of the Instrument, as "Amendment No. [insert number], dated [date of amendment] to the simplified prospectus document for the [name of funds] dated [date of

original document]”. Or, the amendment could be in the form of a restated and amended multiple SP document, identified as such in accordance with subsection 2.2(3).

2. **Multiple SP with Part A and the Part B sections bound separately.** If there is an amendment to the Part A section of the document but not to a Part B section, the amendment could be in the form of an amending document or an amended and restated Part A document. An amending document could be identified as “Amendment No. [insert number], dated [date of amendment], to the Part A section of the simplified prospectuses of the [name of funds] dated [original date of multiple SP]”, and the amended and restated Part A document could be identified as “Amended and Restated Simplified Prospectuses dated [date of amendment] of the [name of funds], amending and restating the Simplified Prospectuses dated [original date of document].”.

3. In the circumstances described in paragraph 2 above, no amendment is required to be made to the Part B sections of the multiple SP. The footer that is required by Item 1 of Part B of Form 81-101F1 to be on the bottom of each page of a Part B section will continue to show the date of the original Part A document. For this reason, the amended Part A document must be identified in a way that shows the date of the amendments and the original date of the document so that investors know that it relates to the corresponding Part B sections.

4. If there is an amendment to a Part B section of a multiple SP with Part A and Part B sections bound separately the amendment must be made by way of an amended and restated Part B document, whether or not an amendment is being made to the Part A section. If no amendment to the Part A section is being made, no amendment is required to the Part A document. The amended and restated Part B document will include a statement in the footer required by Item 1 of Part B of Form 81-101F1 that identifies the document as a document that amends and restates the original Part B document.

(6) Subsection 2.2(4) of the Instrument requires an amendment to a fund facts document to be in the form of an amended and restated fund facts document. An amended fund facts document does not have to be otherwise identified, except for the date of the amendment.

(7) An amendment to a prospectus of a mutual fund, even if it amends and restates the prospectus, does not change the date under Canadian securities legislation by which the mutual fund must renew the prospectus. That date, which is commonly referred to as the “lapse date” for the prospectus, remains that date established under securities legislation. An amendment to a fund facts document will also not change the lapse date for a prospectus.

(8) Securities legislation says that a person or company must not distribute securities, unless a preliminary prospectus and a prospectus have been filed and receipts have been issued by the securities regulatory authority or regulator. This requirement also applies to mutual funds. If a mutual fund adds a new class or series of securities to a simplified prospectus that is referable to a new separate portfolio of assets, a preliminary simplified

prospectus must be filed, together with a preliminary annual information form and preliminary fund facts document. However, if the new class or series of securities is referable to an existing portfolio of assets, the new class or series may be added by an amendment to the simplified prospectus. In this case, a preliminary fund facts document for the new class or series must still be filed, as set out in subparagraph 2.1(1)(d)(iii) of the Instrument..

11. *The following is added after section 2.7:*

2.8 Websites – Section 2.3.1 of the Instrument requires a mutual fund to post its fund facts document to the website of the mutual fund, the mutual fund’s family or the manager of the mutual fund, as applicable. A fund facts document should remain on the website at least until the next fund facts document for the mutual fund is posted. A fund facts document must be displayed in an easily visible and accessible location on the website. It should also be presented in a format that is convenient for both reading online and printing on paper..

12. *Section 3.1 is replaced with the following:*

3.1 Plain Language – Subsection 4.1(1) of the Instrument requires that a simplified prospectus, annual information form and fund facts document be written in plain language. The reason for using “plain language” is to communicate in a way that the audience could immediately understand what you tell them. The plain language approach focuses on the needs and abilities of the audience to ensure that the content of a communication is relevant, the organization of the information is logical, the language is appropriate and the presentation is visually appealing.

Mutual funds should consider the following plain language techniques in preparing their documents:

- Organize the document into clear, concise sections, paragraphs and sentences.
- Use:
 - common everyday words
 - technical, legal and business terms only when unavoidable and provide clear and concise explanations for them
 - the active voice
 - short sentences and paragraphs
 - a conversational and personal tone
 - examples and illustrations to explain abstract concepts.
- Avoid:
 - superfluous words
 - unnecessary technical, legal and business jargon
 - vague boilerplate wording

- glossaries and defined terms unless they aid in understanding the disclosure
- abstractions by using more concrete terms or examples
- excessive detail
- multiple negatives..

13. Section 3.2 is replaced with the following:

3.2 Presentation

(1) Subsection 4.1(1) of the Instrument requires that a simplified prospectus, annual information form and fund facts document be presented in a format that assists in readability and comprehension. The Instrument and related forms also set out certain aspects of a simplified prospectus, annual information form and fund facts document that must be presented in a required format, requiring some information to be presented in the form of tables, charts or diagrams. Within these requirements, mutual funds have flexibility in the format used for simplified prospectuses, annual information forms and fund facts documents.

The formatting of documents can contribute substantially to the ease with which the document can be read and understood. Mutual funds should consider using the following formatting ideas when preparing their documents:

- reasonably-sized, easy-to-read typefaces
- headings that are clearly differentiated from the body text
- bulleted or numbered lists
- margins, boxes or shading to highlight information or for supplementary information
- tables, graphs and diagrams for complex information
- “question and answer” format to organize information
- sufficient white space on each page
- images, colour, lines and other graphical elements
- avoiding the use of upper-case, bold, italic or underlining in blocks of text
- avoiding full-justified margins.

(2) We think documents would be easier to read and understand with the use of the design features set out in subsection (1). The use of logos and pictures that accurately

depict aspects of the mutual fund industry, the mutual fund or mutual fund family or products and services offered by the mutual fund family may also aid in comprehension and readability. However we think that an excessive use or crowding of design features might make the documents more difficult to read or understand.

(3) On occasion, we have seen amendments to simplified prospectuses prepared in highly legal and technical styles. For example, some amendments merely reference specific lines or sections of a simplified prospectus that are being amended, without providing the reader with a restated section or an explanation for the changes. In addition, some amendments have been presented in the form of photocopies of some other documents, such as meeting materials, with the word “amendment” written on the top of the photocopy. We think that these approaches are inappropriate ways of amending a simplified prospectus or annual information form under the Instrument.

Material changes to mutual funds must be described in a format that assists in readability and comprehension, as required by subsection 4.1(1) of the Instrument. Amendments should be expressed clearly, and in a manner that enables the reader to easily read and understand both the amendment and the revised sections of the relevant document. This manner of expression may require the preparation of either an amended and restated simplified prospectus or annual information form or a clearly worded amendment insert for the existing simplified prospectus or annual information form. Any amendment to a fund facts document must be in the form of an amended and restated fund facts document..

14. Section 4.1 is amended

a. by replacing subsection (1) with the following:

(1) A consolidated “simplified prospectus” pertaining to a number of mutual funds is in law a number of separate simplified prospectuses, one simplified prospectus for each mutual fund. Further, a receipt issued by the securities regulatory authority or regulator in connection with a consolidated “simplified prospectus” in law represents a separate receipt for the simplified prospectus pertaining to each mutual fund. The Instrument and Form 81-101F1 make clear that a simplified prospectus under the Instrument pertains to one mutual fund and use the term “multiple SP” to refer to a document that contains more than one simplified prospectus.;

b. in subsection (3) by

- i. replacing “shall” with “must”;**
- ii. replacing “In the view of the Canadian securities regulatory authorities,” with “We think”;**
- iii. replacing “between” with “among”; and**

- iv. *replacing* “the SP form” *with* “Form 81-101F1”;
- c. *in subsection (4) by*
 - i. *inserting* “mutual” *before* “fund-specific”; *and*
 - ii. *inserting* “mutual” *before* “funds in which the investor is interested”;
- d. *by replacing subsection (5) with the following:*

(5) The Instrument contains no restrictions on how many simplified prospectuses can be consolidated into a multiple SP.;
- e. *by deleting subsection (6).*

15. Section 4.2 is amended

- a. *in subsection (1) by replacing* “It is noted that, as with NP 36, mutual” *with* “Mutual”;
- b. *by replacing subsection (2) with the following:*

(2) A new mutual fund may be added to a multiple SP that contains final simplified prospectuses. In this case, an amended multiple SP and multiple AIF containing disclosure of the new mutual fund, as well as a new fund facts document for each class or series of the new mutual fund would be filed. The preliminary filing would constitute the filing of a preliminary simplified prospectus, annual information form and fund facts document for the new mutual fund, and a draft amended and restated simplified prospectus and annual information form for each existing mutual fund. The final filing of documents would include a simplified prospectus, annual information form and fund facts document for the new mutual fund, and an amended and restated simplified prospectus and annual information form for each previously existing mutual fund. An amendment to an existing fund facts document would generally not be necessary.; *and*

- c. *in subsection (3) by replacing* “As noted under subsection 2.7(4) of this Policy, an” *with* “An”.

16. The following part is added after Part 4:

PART 4.1 THE FUND FACTS DOCUMENT

4.1.1 General Purposes – The general purposes of the offering disclosure regime for mutual funds and of the fund facts document are described in section 2.1 of this Policy.

This Part provides guidance to preparers of the fund facts document in meeting those purposes.

A sample fund facts document is set out in Appendix A to this Policy. The sample is provided for illustrative purposes only.

4.1.2 Multiple Class Mutual Funds – The purpose for the requirements on the content and format of a fund facts document is to give investors the opportunity to easily compare the key information of one mutual fund to another. For many mutual funds, the class or series may affect not only the management expense ratio and performance, but a number of other considerations as well, such as minimum investment amounts, distributions, suitability, dealer compensation and sales charge options. For this reason, the Instrument requires a fund facts document to be prepared for each class and each series of a mutual fund that is referable to the same portfolio of assets.

4.1.3 Filings

(1) Section 2.1 of the Instrument requires that a fund facts document for each class and series of the securities of a mutual fund be filed concurrently with the mutual fund's simplified prospectus and annual information form.

(2) The most recently filed fund facts document for a mutual fund is incorporated by reference into the simplified prospectus under section 3.1 of the Instrument, with the result that any fund facts document filed under the Instrument after the date of receipt for the simplified prospectus supersedes the fund facts document previously filed.

(3) Section 2.3.2 of the Instrument requires a fund facts document filed under Part 2 of the Instrument to be posted by the mutual fund to the website of the mutual fund, the mutual fund's family or the manager of the mutual fund. Only a final fund facts document filed under the Instrument should be posted to a website. A preliminary or pro forma fund facts document, for example, should not be posted.

4.1.4 Additional Information – Paragraph 4.1(3)(d) of the Instrument requires a fund facts document to include only information that is specifically mandated or permitted by the required Form 81-101F3.

4.1.5 Format – The Instrument requires a mutual fund to use the headings and sub-headings stipulated in the Instrument and Form 81-101F3..

17. Section 5.1 is replaced with the following:

5.1 General Purposes – The general purposes of a simplified prospectus are described in section 2.1 of this Policy. This Part provides guidance to preparers of simplified prospectuses in meeting those purposes..

18. Section 5.2 is replaced with the following:

5.2 Catalogue Approach – The Instrument requires that a multiple SP must present the fund-specific, or Part B, disclosure about each fund using a catalogue approach. That is, the disclosure about each mutual fund must be presented separately from the disclosure about each other mutual fund..

19. *The following section is added after section 5.2:*

5.2.1 Accessibility of a Simplified Prospectus – Mutual funds, managers, and dealers should encourage investors who want more information about a mutual fund to request and read the simplified prospectus and any of the documents incorporated by reference into the simplified prospectus. The Instrument requires that a simplified prospectus or any of the documents incorporated by reference be sent within three business days of a request..

20. *Section 5.3 is amended*

- a. in subsection (1) by*
 - i. replacing “shall” with “must” wherever it occurs; and*
 - ii. replacing “the required form” with “Form 81-101F1”;*
- b. by deleting subsection (2); and*
- c. by deleting “National” in subsection (3).*

21. *Section 5.4 is replaced with the following:*

5.4 Inclusion of Educational Material

(1) Paragraph 4.1(2)(e) of the Instrument permits educational material to be included in a simplified prospectus. There are no requirements on the location of any educational material. However, the CSA thinks that educational material will be more useful if placed close to mandated disclosure to which it substantively relates.

(2) Educational material contained in a simplified prospectus is subject to the general requirements of the Instrument and should be presented in a manner consistent with the rest of the simplified prospectus. That is, the educational material should be concise, clear and not detract from the clarity or presentation of the information in the simplified prospectus.

(3) The definition of “educational material” contained in section 1.1 of the Instrument excludes material that promotes a particular mutual fund or mutual fund family, or the products or services offered by the mutual fund or mutual fund family. A mutual fund, mutual fund family or those products or services may be referred to in

educational material as an example if the reference does not promote those entities, products or services. Mutual funds should ensure that any material included within, attached to or bound with a simplified prospectus is educational material within the meaning of this definition..

22. Section 5.5 is replaced with the following:

5.5 Format – A simplified prospectus must use the headings and specified sub-headings exactly as they are set out in the Instrument. If no sub-headings are specified, a simplified prospectus may include additional sub-headings under the required headings..

23. Section 6.1 is replaced with the following:

6.1 General Purposes – The general purposes of an annual information form are described in section 2.1 of this Policy. This Part provides guidance to preparers of annual information forms in meeting those purposes.

24. Section 6.2 is deleted.

25. Subsection 6.4(2) is replaced with the following:

(2) If a mutual fund includes additional information, such as educational material, in an annual information form, that material should not be included primarily for purpose of promotion. An annual information form is designed to be easily understandable to investors and less legalistic in its drafting than traditional prospectuses, but it still constitutes part of a prospectus under securities legislation..

26. Section 7.1 is amended by

a. replacing subsection (1) with the following:

(1) The Instrument contemplates delivery to all investors of a simplified prospectus in accordance with the requirements in securities legislation. It does not require the delivery of the documents incorporated by reference into the simplified prospectus unless requested. However, the CSA encourages mutual funds and dealers to adopt the practice of also routinely providing investors or potential investors with the fund facts document. Mutual funds or dealers may also provide investors with any of the other documents incorporated by reference into the prospectus.;

b. replacing subsection (2) with the following:

(2) The CSA encourage mutual funds, managers, and dealers to make disclosure documents, particularly the fund facts document, available to potential investors as soon as possible in the sales process, in advance of any requirements

contained in the Instrument or securities legislation, either directly or through dealers and others involved in selling mutual fund securities to investors.;

c. adding the following subsection after subsection (2):

(2.1) Nothing in the Instrument prevents the simplified prospectus, annual information form or fund facts document from being prepared in other languages, provided that these documents are delivered or sent in addition to any disclosure document filed and required to be delivered in accordance with the Instrument. We would consider such documents to be sales communications.; **and**

d. replacing subsection (3) with the following:

(3) We do not consider the requirements of section 3.4 of the Instrument to be exclusive. Mutual funds and managers of mutual funds are encouraged to inform investors about using their websites and e-mail addresses to request further information and additional documents..

27. The following section is added after section 7.1:

7.1.1 Electronic Delivery

(1) A simplified prospectus, or any document incorporated by reference into the simplified prospectus, that is required to be delivered or sent under the Instrument may be delivered or sent by means of electronic delivery. Electronic delivery may include sending an electronic copy of the relevant document directly to the investor as an attachment or link, or directing the investor to the specific document on a website.

(2) In addition to the requirements in the Instrument and the guidance in this section, mutual funds, managers and dealers may want to refer to National Policy 11-201 *Delivery of Documents by Electronic Means* and, in Québec, *Notice 11-201 relating to the Delivery of Documents by Electronic Means* for additional guidance..

28. Section 7.2 is amended by replacing “Canadian securities regulatory authorities” with “CSA”.

29. Section 7.4 is amended by:

a. replacing “or the” with “and”; and

b. replacing “and annual information form” with “or annual information form”.

30. Section 8.1 is replaced with the following:

8.1 Investment Disclosure – Form 81-101F1 requires detailed disclosure concerning a number of aspects of the investment approach taken by a mutual fund, including

disclosure concerning fundamental investment objectives, investment strategies, risk and risk management. Form 81-101F3 also contains a summarized form of this disclosure. For many mutual funds, the best persons to prepare and review the disclosure would be the portfolio advisers of the mutual fund and we think mutual funds should generally involve them in preparing and reviewing this disclosure..

31. Section 8.2 is replaced with the following:

8.2 Portfolio Advisers – Form 81-101F2 requires disclosure concerning the extent to which investment decisions are made by particular individuals employed by a portfolio adviser or by committee. Section 10.3(3)(b) requires certain information about the individuals principally responsible for the investment portfolio of the mutual fund. Part 11 of National Instrument 81-106 *Investment Fund Continuous Disclosure* requires a simplified prospectus to be amended if a material change occurs in the affairs of the mutual fund that results in a change to the disclosure in the simplified prospectus and fund facts document. Section 7.1 of Companion Policy 81-106CP *Investment Fund Continuous Disclosure* discusses when a departure of a high-profile individual from a portfolio adviser of a mutual fund may constitute a material change for the mutual fund. If the departure is not a material change for the mutual fund, there is no requirement to amend a simplified prospectus, as long as the simplified prospectus contains full, true and plain disclosure about the mutual fund..

32. Section 9.1 is amended

- a. in subsection (1) by**
 - i. replacing “Canadian securities regulatory authorities” with “CSA”;**
 - ii. replacing “and” with “,”;**
 - iii. inserting “and fund facts document” after “annual information form”;
and**
 - iv. inserting “,” after “refiling”;**
- b. in subsection (2) by**
 - i. replacing “It should be noted that the” with “The”;**
 - ii. replacing “and” with “,”; and**
 - iii. inserting “and fund facts document” immediately after “annual information form”.**

33. The following Part is added after Part 9:

PART 10 EXEMPTIONS

10.1 Applications Involving Novel or Substantive Issues – Section 6.2 of the Instrument allows exemptive relief from form and content requirements for a simplified prospectus, an annual information or a fund facts document to be evidenced by way of issuance of a receipt. In cases where the CSA thinks that an application for exemptive relief raises novel and substantive issues, or raises a novel policy concern, the CSA may request that such applications follow the process set out in National Policy 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions*. This will likely be the case for applications seeking exemptive relief from the form and content requirements of the fund facts document..

34. *The following Appendix is added after Part 10:*

Appendix A – Sample Fund Facts Document

[insert sample fund facts document].

35. *This Instrument becomes effective on January 1, 2011.*



This document contains key information you should know about XYZ Canadian Equity Fund. You can find more detailed information in the fund’s simplified prospectus. Ask your adviser for a copy, contact XYZ Mutual Funds at 1-800-555-5556 or investing@xyzfunds.com, or visit www.xyzfunds.com.

Quick facts

Date fund created:	January 1, 1996	Portfolio manager:	Capital Asset Management Ltd.
Total value on June 1, 20XX:	\$1 billion	Distributions:	Annually, on December 15
Management expense ratio (MER):	2.25%	Minimum investment:	\$500 initial, \$50 additional

What does the fund invest in?

The fund invests in Canadian companies. They can be of any size and from any industry. The charts below give you a snapshot of the fund’s investments on June 1, 20XX. The fund’s investments will change.

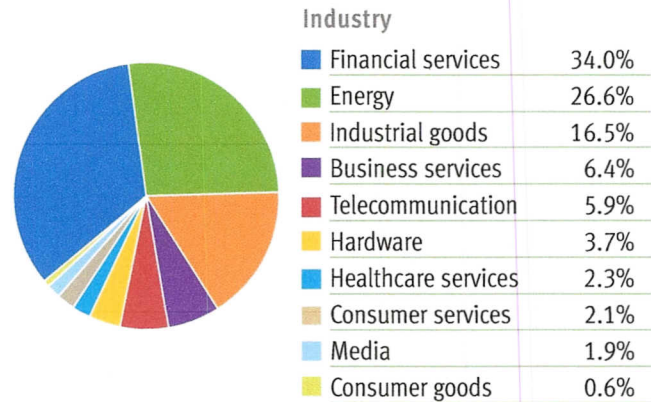
Top 10 investments (June 1, 20XX)

1. Royal Bank of Canada
2. Encana Corp.
3. Petro-Canada
4. Alcan Inc.
5. Canadian National Railway Company
6. Goldcorp Inc.
7. Extencicare Inc.
8. Husky Energy
9. Open Text
10. Thomson Reuters Corp.

Total investments 126

The top 10 investments make up 32% of the fund.

Investment mix (June 1, 20XX)



How has the fund performed?

This section tells you how the fund has performed over the past 10 years. Returns are after expenses have been deducted. These expenses reduce the fund’s returns.

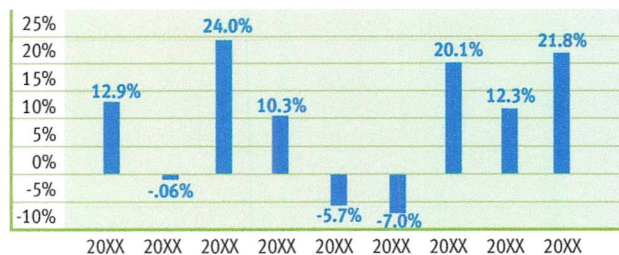
It’s important to note that this doesn’t tell you how the fund will perform in the future. Also, your actual after-tax return will depend on your personal tax situation.

Average return

A person who invested \$1,000 in the fund 10 years ago now has \$2,705. This works out to an annual compound return of 10.5%.

Year-by-year returns

This chart shows how the fund has performed in each of the past 10 years. The fund dropped in value in three of the 10 years.



How risky is it?

When you invest in a fund, the value of your investment can go down as well as up. XYZ Mutual Funds has rated this fund’s risk as medium.

For a description of the specific risks of this fund, see the fund’s simplified prospectus.



Are there any guarantees?

Like most mutual funds, this fund doesn’t have any guarantees. You may not get back the amount of money you invest.

Who is this fund for?

Investors who:

- are looking for a long-term investment
- want to invest in a broad range of Canadian companies
- can handle the ups and downs of the stock market.

! Don't buy this fund if you need a steady source of income from your investment.

Before you invest in any fund, you should consider how it would work with your other investments and your tolerance for risk.

A word about tax

In general, you'll have to pay income tax on any money you make on a fund. How much you pay depends on the tax laws where you live and whether or not you hold the fund in a registered plan, such as a Registered Retirement Savings Plan or a Tax-Free Savings Account.

Keep in mind that if you hold your fund in a non-registered account, fund distributions are included in your taxable income, whether you get them in cash or have them reinvested.

How much does it cost?

The following tables show the fees and expenses you could pay to buy, own and sell Series A units of the fund.

The fees and expenses are different for each series. Ask about other series that may be suitable for you.

1. Sales charges

You have to choose a sales charge option when you buy the fund. Ask about the pros and cons of each option.

Sales charge option	What you pay		How it works														
	in per cent (%)	in dollars (\$)															
Initial sales charge	0% to 4% of the amount you buy	\$0 to \$40 on every \$1,000 you buy	<ul style="list-style-type: none"> • You and your adviser decide on the rate. • The initial sales charge is deducted from the amount you buy. It goes to your investment firm as a commission. 														
Deferred sales charge	If you sell within: <table border="1"> <tr> <td>1 year of buying</td> <td>6.0%</td> </tr> <tr> <td>2 years of buying</td> <td>5.0%</td> </tr> <tr> <td>3 years of buying</td> <td>4.0%</td> </tr> <tr> <td>4 years of buying</td> <td>3.0%</td> </tr> <tr> <td>5 years of buying</td> <td>2.0%</td> </tr> <tr> <td>6 years of buying</td> <td>1.0%</td> </tr> <tr> <td>After 6 years</td> <td>nothing</td> </tr> </table>	1 year of buying	6.0%	2 years of buying	5.0%	3 years of buying	4.0%	4 years of buying	3.0%	5 years of buying	2.0%	6 years of buying	1.0%	After 6 years	nothing	\$0 to \$60 on every \$1,000 you sell	<ul style="list-style-type: none"> • The deferred sales charge is a set rate. It is deducted from the amount you sell. • When you buy the fund, XYZ Mutual Funds pays your investment firm a commission of 4.9%. Any deferred sales charge you pay goes to XYZ Mutual Funds. • You can sell up to 10% of your units each year without paying a deferred sales charge. • You can switch to Series A units of other XYZ Mutual Funds at any time without paying a deferred sales charge. The deferred sales charge schedule will be based on the date you bought the first fund.
1 year of buying	6.0%																
2 years of buying	5.0%																
3 years of buying	4.0%																
4 years of buying	3.0%																
5 years of buying	2.0%																
6 years of buying	1.0%																
After 6 years	nothing																

2. Fund expenses

You don't pay these expenses directly. They affect you because they reduce the fund's returns.

As of March 31, 20XX, the fund's expenses were 2.30% of its value. This equals \$23 for every \$1,000 invested.

Annual rate (as a %
of the fund's value)

Management expense ratio (MER)

This is the total of the fund's management fee and operating expenses. XYZ Mutual Funds waived some of the fund's expenses.

If it had not done so, the MER would have been higher. 2.25%

Trading expense ratio (TER)

These are the fund's trading costs. 0.05%

Fund expenses **2.30%**

Trailing commission

XYZ Mutual Funds pays your investment firm a trailing commission for as long as you own the fund. It is for the services and advice your investment firm provides to you. Investment firms may pay part of the trailing commission to their representatives.

The trailing commission is paid out of the management fee. The rate depends on the sales charge option you choose:

- **Initial sales charge** – up to 1.0% of the value of your investment each year. This equals \$10 each year for every \$1,000 invested.
- **Deferred sales charge** – up to 0.50% of the value of your investment each year. This equals \$5 each year for \$1,000 invested.

3. Other fees

You may have to pay other fees when you sell or switch units of the fund.

Fee	What you pay
Short-term trading fee	1% of the value of units you sell or switch within 90 days of buying them. This fee goes to the fund.
Switch fee	Your investment firm may charge you up to 2% of the value of units you switch to another XYZ Mutual Fund.
Change fee	Your investment firm may charge you up to 2% of the value of units you switch to another series of the fund.

What if I change my mind?

Under securities law in some provinces and territories, you have the right to:

- withdraw from an agreement to buy mutual fund units within two business days after you receive a simplified prospectus, or
- cancel your purchase within 48 hours after you receive confirmation of the purchase.

In some provinces and territories, you also have the right to cancel a purchase, or in some jurisdictions, claim damages, if the simplified prospectus, annual information form or financial statements contain a misrepresentation. You must act within the time limit set by the securities law in your province or territory.

For more information, see the securities law of your province or territory or ask a lawyer.

For more information

Contact XYZ Mutual Funds or your adviser for a copy of the fund's simplified prospectus and other disclosure documents. These documents and the Fund Facts make up the fund's legal documents.

XYZ Mutual Funds
123 Asset Allocation St.
Toronto, ON M1A 2B3

Phone: (416) 555-5555
Toll-free: 1-800-555-5556
Email: investing@xyzfunds.com
www.xyzfunds.com

**Amendments to
Companion Policy 81-102CP To National Instrument 81-102 Mutual Funds**

1. ***Companion Policy 81-102CP To National Instrument 81-102 Mutual Funds is amended by this Instrument.***
2. ***Section 13.1 is amended by***
 - a. ***replacing subsection (3) with the following:***
 - (3) An advertisement that presents information in a manner that distorts information contained in the preliminary prospectus or prospectus, or preliminary simplified prospectus, preliminary fund facts document and preliminary annual information form or simplified prospectus, fund facts document and annual information form of a mutual fund or that includes a visual image that provides a misleading impression will be considered to be misleading.;
 - b. ***replacing subsection (5) with the following:***
 - (5) Paragraph 15.2(1)(b) of the Instrument provides that sales communications must not include any statement that conflicts with information that is contained in, among other things, a simplified prospectus or fund facts document. The Canadian securities regulatory authorities are of the view that a sales communication that provides performance data in compliance with the requirements of Part 15 of the Instrument for time periods that differ from those shown in a prospectus, fund facts document or management report of fund performance does not violate the requirements of paragraph 15.2(1)(b) of the Instrument. ;
3. ***This Instrument becomes effective on January 1, 2011.***

**Amendments to
Companion Policy 81-106CP
To National Instrument 81-106 Investment Fund Continuous Disclosure**

1. ***Companion Policy 81-106CP To National Instrument 81-106 Investment Fund Continuous Disclosure is amended by this Instrument.***
2. ***Subsection 10.1(1) is amended by replacing it the following:***
 - 10.1 **Calculation of Management Expense Ratio** – (1) Part 15 of the Instrument sets out the method to be used by an investment fund to calculate its management expense ratio (MER). The requirements apply in all circumstances in which an investment fund circulates and discloses an MER. This includes disclosure in a sales communication, a prospectus, a fund facts document, an annual information form, financial statements, a management report of fund performance or a report to securityholders..
3. ***This Instrument comes into force on January 1, 2011.***