

**NATIONAL INSTRUMENT 81-106**  
**INVESTMENT FUND CONTINUOUS DISCLOSURE**  
**FORM 81-106F1**  
**CONTENTS OF ANNUAL AND QUARTERLY MANAGEMENT REPORT OF FUND**  
**PERFORMANCE**

**GENERAL INSTRUCTIONS**

**General**

- (1) *This Form describes the disclosure required in an annual and quarterly management report of fund performance of an investment fund. Each item of this Form outlines disclosure or format requirements. Instructions to help you comply with these requirements are printed in italic type.*
- (2) *Terms defined in National Instrument 81-101 Mutual Fund Prospectus Disclosure, National Instrument 81-102 Mutual Funds, National Instrument 14-101 Definitions and National Instrument 81-106 Investment Fund Continuous Disclosure and used in this Form have the meanings that they have in those national instruments.*
- (3) *An annual and quarterly management report of fund performance shall state the required information concisely and in plain language. Reference should be made to Part 1 of Companion Policy 81-106CP for a discussion concerning plain language and presentation.*
- (4) *Respond as simply and directly as is reasonably possible and include only as much information as is necessary for an understanding of the matters for which disclosure is provided. Persons preparing an annual and quarterly management report of fund performance should strive for maximum clarity and simplicity to assist readers.*
- (5) *National Instrument 81-106 requires that an annual and quarterly management report of fund performance be presented in a format that assists its readability and comprehension. This Form generally does not mandate the use of a specific format to achieve those goals, except in the case of disclosure of financial highlights and past performance, as required by Item 2 of each of Parts B and C of this Form; that disclosure must be presented in the formats specified in this Form. In addition, the annual and quarterly management report of fund performance are required to present items in the order required by this Form. Within this framework, investment funds are encouraged to use, as appropriate, tables, captions, bullet points or other organizational techniques that assist in presenting the required disclosure clearly and concisely.*
- (6) *National Instrument 81-106 or this Form do not prohibit the inclusion of information beyond what is required by this Form; this is unlike the requirements of National Instrument 81-101, which strictly limits the type*

*of information that may be included in a simplified prospectus to what is mandated by that national instrument or Form 81-101F1. Therefore, an investment fund may include in its annual and quarterly management report of fund performance, artwork and educational material (as defined in National Instrument 81-101). However, care should be taken to ensure that the inclusion of such material does not obscure the information that is required to be provided by this Form.*

- (7) *Investment funds should also ensure that the inclusion of additional information does not lengthen the management report of fund performance excessively. It is expected that, under normal circumstances, the text of an annual management report of fund performance will be approximately 4 pages in length and that the text of a quarterly management report of fund performance will be approximately 2 pages in length.*

#### **Management Discussion of Fund Performance (“MDFP”)**

- (8) *MDFP is an analysis and explanation that is designed to supplement an investment fund’s financial statements. MDFP provides the manager of an investment fund with the opportunity to discuss the investment fund’s current financial results, position and future prospects. MDFP is intended to give a reader the ability to look at the investment fund through the eyes of management by providing both a historical and prospective analysis of the investment activities and operations of the investment fund. Coupled with the financial highlights, this information should enable readers to better assess the investment fund’s performance, position and future prospects.*
- (9) *Focus the MDFP on material information about the performance of the investment fund, with particular emphasis on known material trends, commitments, events, risks or uncertainties that are reasonably expected to have a material effect on the investment fund’s future performance or investment activities. This information may be provided on a general or fund-specific basis.*
- (10) *Investment funds are not required to disclose information that is not material. Materiality is a matter of judgement in particular circumstances and should generally be determined in relation to an item’s significance to investors and other users of the information. . This concept of materiality is consistent with the definition of significant change in National Instrument 81-102. An item of information, or an aggregate of items, is considered material in the context of an investment fund if it is probable that its omission or misstatement would influence or change an investment decision with respect to the investment fund’s securities, or for exchange traded funds, the price of the security. In determining whether*

*information is material, take into account both quantitative and qualitative factors.*

- (11) *The nature of the disclosure required under the MDFP section is intentionally general. This Form contains a minimum of specific instructions in order to allow, as well as encourage, investment funds to discuss their investments in the most appropriate manner and to tailor their comments to their individual circumstances.*

### **Forward looking Information**

- (12) *You are encouraged to provide forward-looking information provided you have a reasonable basis for doing so. Preparing your MDFP necessarily involves some degree of prediction or projection. For example, MDFP requires a discussion of known trends or uncertainties that have had or that the investment fund reasonably expects will have favourable or unfavourable effects on performance.*

*All forward-looking information must contain a statement that the information is forward-looking, a description of the factors that may cause actual results to differ materially from the forward-looking information, your material assumptions and appropriate risk disclosure and cautionary language.*

*You must discuss any forward-looking information disclosed in MDFP for a prior period which in light of intervening events and absent further explanations, may be misleading. Forward looking statements may be considered misleading when they are unreasonably optimistic or aggressive, or lack objectivity, or are not adequately explained.*

### **Presentation of Information**

- (13) *Part 8 of National Instrument 81-106 prohibits the binding together of information pertaining to an investment fund in an annual or quarterly management report of fund performance with information pertaining to another investment fund. Therefore, each annual or quarterly management report of fund performance must present all information about the investment fund to which it pertains separately from that information in relation to other investment funds.*

## **PART A GENERAL**

### **Item 1 General Requirements**

- (1) *An annual management report of fund performance shall contain*

- (a) a MDFP concerning the investment fund for the financial year to which the annual management report of fund performance pertains, prepared in accordance with Item 1 of Part B of this Form;
  - (b) financial highlights of the investment fund for the financial year to which the annual management report of fund performance and its past performance, prepared in accordance with Item 2 of Part B of this Form; and
  - (c) a summary of portfolio investments of the investment fund as at the end of the financial year to which the annual management report of fund performance pertains, prepared in accordance with Item 3 of Part B of this Form.
- (2) A quarterly management report of fund performance shall contain
- (a) a MDFP concerning the investment fund for the financial quarter to which the quarterly management report of fund performance pertains, prepared in accordance with Item 1 of Part C of this Form;
  - (b) financial highlights of the investment fund for the financial quarter to which the quarterly management report of fund performance and its past performance, prepared in accordance with Item 2 of Part C of this Form; and
  - (c) a summary of portfolio investments of the investment fund as at the end of the financial quarter to which the quarterly management report of fund performance pertains, prepared in accordance with Item 3 of Part C of this Form.

**Item 2 Front Page Disclosure**

- (3) The front page of an annual management report of fund performance shall contain disclosure in substantially the following words:
- “This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling [toll-free/collect call telephone number], by writing to us at [insert address] or by visiting our website at [insert address].”
- (4) The front page of a quarterly management report of fund performance shall contain disclosure in substantially the following words:

“This quarterly management report of fund performance contains financial highlights, but does not contain either interim or annual financial statements of the fund. You can get a copy of the interim or annual financial statements at your request, and at no cost, by calling [toll-free/collect call telephone number], by writing to us at [insert address] or by visiting our website at [insert address].”

**PART B**      **CONTENT REQUIREMENTS FOR ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE**

**Item 1**      **Management Discussion of Fund Performance**

**1.1**      **Fundamental Investment Objectives**

Provide a brief summary of the fundamental investment objectives and strategies of the investment fund.

*INSTRUCTION:*

*The disclosure of the fundamental investment objective is to provide investors with a reference point in order to assess the information contained in management’s report of fund performance. It should be concise summary of the fundamental investment objectives of the investment funds, and not merely copied from the prospectus.*

**1.2**      **Results of Operations**

Provide a summary of the results of operations of the investment fund for the financial year to which the MDFP pertains, including, if applicable, a discussion of

- (a) how the composition and changes throughout the financial year to the composition of the investment portfolio of the investment fund relate to the investment fund’s fundamental investment objectives and strategies or to changes in the economy, markets or unusual events;
- (b) any material changes in investments in specific securities and overall asset mix from the previous period.
- (c) unusual trends such as higher than usual redemptions or sales and the effect of these on the investment fund;
- (d) significant components and significant changes to the components of revenue and expenses;
- (e) changes in results of operations of the investment fund from the previous financial year;

- (f) risks, events, uncertainties, trends and commitments likely to have a material effect on future performance;
- (g) details of any transactions involving related parties to the investment fund;
- (h) how the portfolio advisers or the manager of the investment fund voted on matters relating to issuers of portfolio assets of the investment fund, other than routine business of those issuers;
- (i) any other material information or information required to be disclosed pursuant to an order or exemption received by the fund; and
- (j) An investment fund that borrows money shall disclose,
  - (i) the minimum and maximum amount borrowed during the period;
  - (ii) the percentage of net assets of the investment fund that the borrowing represented as of the end of the period;
  - (iii) how the borrowed money was used; and
  - (iv) details of the terms of the borrowing arrangements.

### **1.3 Risk**

Discuss how any material or significant changes to the investment fund over the financial year affected the overall level of risk associated with an investment in the fund.

#### *INSTRUCTION:*

*Ensure that the discussion is not merely a repeat of information contained in the prospectus of the investment fund, but rather a discussion that reflects any changes in risk level of the investment fund over the financial year.*

### **1.4 Performance**

Provide a discussion of the performance of the investment fund during the financial year to which the MDFP pertains, including a discussion of the significant components of, and changes to, the statement of financial highlights and past performance.

#### *INSTRUCTION:*

*Provide an analysis of any ratios reported in the statement of financial highlights, and discuss any changes to those ratios since the previous MDFP.*

## **1.5 Recent Developments**

Provide a discussion of the developments affecting the investment fund during the financial year to which the MDFP pertains, including, if applicable, a discussion of

- (a) unusual or infrequent events or transactions, economic changes and relevant market conditions that affected performance;
- (b) estimated effects of changes in accounting policies adopted subsequent to year end;
- (c) any changes to, or change of control of, the manager of the investment fund or a portfolio adviser of the investment fund; and
- (d) any reorganizations, mergers or similar transactions affecting the fund.

## **1.6 Forward-Looking Information**

Provide forward-looking information, including

- (a) strategic position of the investment fund going forward; and
- (b) any known material trends, commitments, events or uncertainties that might reasonably be expected to affect the investment fund; and
- (c) the effects of any planned mergers or other material transactions.

### **INSTRUCTION:**

*A forward-looking MDFP explains past events, decisions, circumstances and performance in the context of whether they are reasonably likely to have a material impact on future performance. It also describes not only anticipated future events, decisions, circumstances, opportunities and risks that management considers reasonably likely to materially impact future performance, but also matters such as management's vision, strategy and targets.*

*Forward-looking disclosure involves anticipating a future trend or event or anticipating a less predictable effect of a known event, trend or uncertainty. This other forward-looking information is to be distinguished from presently known information that is reasonably expected to have a material effect on future performance.*

## **Item 2 Financial Highlights**

### **2.1 Financial Highlights**

- (1) Include selected financial highlights for the investment fund from the audited financial statements in the form of the following tables, appropriately completed, and introduced using the following words:

“The following tables show selected key financial information about the Fund and are intended to help you understand the Fund’s financial performance for the past [insert number]<sup>1</sup> years. Certain information is derived from the Fund’s audited annual financial statements. Please see the front page for information about how you can obtain the Fund’s annual or interim financial statements.”

*The Fund’s Net Asset Value per [Unit/Share]*

	[insert year]	[insert year]	[insert year]	[insert year]	[insert year]
Net Asset Value, beginning of year	\$	\$	\$	\$	\$
total revenue	\$	\$	\$	\$	\$
total expenses	\$	\$	\$	\$	\$
realized gains (losses) for the period	\$	\$	\$	\$	\$
unrealized gains (losses) for the period	\$	\$	\$	\$	\$
<b>Total increase (decrease) from operations<sup>2</sup></b>	\$	\$	\$	\$	\$
<b>Distributions:</b>					
From net income	\$	\$	\$	\$	\$
From dividends	\$	\$	\$	\$	\$
From realized gain	\$	\$	\$	\$	\$
Return of capital	\$	\$	\$	\$	\$
<b>Total Annual Distributions<sup>(1)</sup></b>	\$	\$	\$	\$	\$
<b>Net asset value at [insert last day of financial year] of year shown</b>	\$	\$	\$	\$	\$

- (1) Distributions were [paid in cash/reinvested in additional [units/shares] of the Fund].

*Ratios and Supplemental Data*

	[insert year]	[insert year]	[insert year]	[insert year]	[insert year]
Net assets (000’s) <sup>(1)</sup>	\$	\$	\$	\$	\$
Number of [units/shares] outstanding <sup>(1)</sup>					
Management expense ratio <sup>(2)</sup>	%	%	%	%	%
Portfolio turnover rate <sup>(3)</sup>	%	%	%	%	%

<sup>1</sup> Provide financial information to a maximum of five years.

<sup>2</sup> The first six rows of this table are new and are included to provide investors or potential investors with sufficient information to understand the MDFP.



- (1) *This information is provided as at [insert date of end of financial year] of the year shown.*
- (2) *Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period.*
- (3) *The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.*
- (2) Derive the selected financial information in the tables referred to in subsection (1) from the audited annual financial statements of the investment fund.
- (3) The table should be appropriately modified for corporate investment funds.
- (4) Realized and unrealized gains and losses should distinguish between gains or losses from securities versus gains or losses from foreign exchange.
- (5) The selected financial information must be shown individually for each class, if a multi-class fund.
- (6) Provide per unit or per share amounts to the nearest cent, and provide percentage amounts to two decimal places.
- (7) Provide the selected financial information required by this Item in chronological order for each of the five most recently completed financial years of the investment fund for which audited financial statements have been filed, with the information for the most recent financial year in the first column on the left<sup>3</sup> of the table.
- (8) If the investment fund has merged with another fund, include in the table only the financial information of the continuing fund.
- (9) Calculate the management expense ratio of the investment fund as required by Part 16 of National Instrument 81-102. Include a brief description of the method of calculating the management expense ratio.
- (10) If the basis of the calculation of the management fees or of the other fees, charges or expenses that are charged to the investment fund is changed or is proposed to be changed or a new fee is introduced or proposed to be introduced, and if the change would have had an effect on the management expense ratio for the last completed financial year of the investment fund if the change had been in effect throughout that financial year, disclose the effect of the change on the management expense ratio in a note to the appropriate table.

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<sup>3</sup> Direction of table changed from left to right.

- (11) Do not include disclosure concerning portfolio turnover rate for a money market fund.

**INSTRUCTIONS:**

- (1) *Calculate the investment fund's portfolio turnover rate by dividing the lesser of the amounts of the cost of purchases and proceeds of sales of portfolio securities for the financial year by the average of the value of the portfolio securities owned by the investment fund in the financial year. Calculate the monthly average by totalling the values of portfolio securities as at the beginning and end of the first month of the financial year and as at the end of each of the succeeding 11 months and dividing the sum by 13. Exclude from both numerator and denominator amounts relating to all securities having a remaining term to maturity on the date of acquisition by the investment fund of one year or less.*

**Item 3 Past Performance**

**3.1 General**

- (1) In responding to the requirements of this Item, an investment fund shall comply with sections 15.2, 15.3, 15.9, 15.10, 15.11 and 15.14 of National Instrument 81-102 Mutual Funds as if those sections applied to the annual management report of fund performance.
- (2) Despite the specific requirements of this Item, performance data shall not be provided for any period if the investment fund was not a reporting issuer at all times during the period.
- (3) Set out in footnotes to the chart or table required by this Item the assumptions relevant to the calculation of the performance information, and include a statement of the significance of the assumption that distributions are reinvested for taxable investments.
- (4) Despite subsection (1), investment funds that are not mutual funds in the jurisdiction shall not make the assumption that all distributions made by the fund in the period shown were reinvested in additional securities of the fund.
- (5) In the introduction to the chart or table required by this Item, or in a general introduction to the "Past Performance" section, indicate, as applicable, that

- (a) the returns or performance information shown assume that all distributions made by the investment fund in the periods shown were reinvested in additional securities of the mutual fund;
  - (b) the return or performance information do not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance; and
  - (c) how the investment fund has performed in the past does not necessarily indicate how it will perform in the future.
- (6) The disclosure required in subsection (5) should be appropriately modified for investment funds that are not mutual funds in the jurisdiction.
  - (7) Use a linear scale for each axis of the bar chart required by this Item.
  - (8) The y-axis for the bar chart shall start at 0.

### **3.2 Year-by-Year Returns**

- (1) Provide a bar chart, under the heading “Past Performance” and under the sub-heading “Year-by-Year Returns”, that shows, in chronological order with the most recent year on the right of the bar chart, the annual total return, calculated as provided under subsection (2), of the investment fund for the lesser of
  - (a) each of the ten most recently completed financial years; and
  - (b) each of the completed financial years in which the investment fund has been in existence and which the investment fund was a reporting issuer.
- (2) Calculate the annual total return of the investment fund for a year in accordance with the requirements of Part 15 of National Instrument 81-102.
- (3) Provide an introduction to the bar chart that
  - (a) indicates that the bar chart shows the investment fund’s annual performance for each of the years shown, and illustrates how the investment fund’s performance has changed from year to year; and
  - (b) indicates that the bar chart shows, in percentage terms, how much an investment made on [first day of financial year] in each financial year would have grown or decreased by [last day of financial year] in that year.

**3.3 Annual Compound Returns**

- (1) If the investment fund is not a money market fund, disclose, in the form of a table, under the sub-heading “Annual Compound Returns”
  - (a) the investment fund’s past performance for the 10, five, three and one year periods ended on the last day of the fund’s financial year; and
  - (b) if the investment fund was a reporting issuer for more than one and less than ten years, the investment fund’s past performance since the inception of the investment fund.
- (2) Calculate the compound total return in accordance with the requirements of Part 15 of National Instrument 81-102.

**Item 4 Summary of Portfolio Investments**

- (1) Include, in the form of a table, a summary of portfolio investments as at the end of the financial year of the investment fund to which the annual management report of fund performance pertains.
- (2) The summary of portfolio investments
  - (a) shall break down the entire portfolio of the investment fund into appropriate subgroups, and shall show the percentage of the aggregate net asset value of the investment fund constituted by each subgroup;
  - (b) shall disclose the current value of securities in any one issuer if more than one percent of the aggregate net asset value of the investment fund is invested in securities of that issuer; and
  - (c) may disclose the current value of securities in any one issuer if less than one percent of the aggregate net asset value of the investment fund is invested in securities of that issuer.
- (3) Provide disclosure of
  - (a) the number of securities held as of end of the financial year;
  - (b) the number of securities that individually comprise more than five percent of the aggregate net asset value of the investment fund; and
  - (c) the number of securities that individually comprise more than one percent of the aggregate net asset value of the investment fund.

- (4) At the option of the investment fund, supplementary disclosure of the investment portfolio may be included.

**INSTRUCTIONS:**

- (1) *The summary of portfolio investments is designed to allow the reader an easily accessible snapshot of the portfolio of the investment fund as at the end of the financial year for which the annual management report of fund performance is prepared. As with the other components of the annual management report of fund performance, care should be taken to ensure that the information in the summary of portfolio investments is presented in an easily accessible and understandable way.*
- (2) *The Canadian securities regulatory authorities have not prescribed the names of the categories into which the portfolio should be broken down. An investment fund should use the most appropriate categories given the nature of the fund. If appropriate, an investment fund may use more than one breakdown, for instance showing the portfolio of the investment fund broken down according to security type, industry, geographical locations, etc. However, each categorization shall be complete, showing 100 percent of the aggregate net assets of the investment fund.*
- (3) *In addition to the table, the disclosure may also be presented in the form of a pie chart.*
- (4) *If a top fund invests substantially all of its assets directly or indirectly (through the use of specified derivatives) in one bottom fund or one RSP clone fund, only list the largest holdings of the bottom fund by percentage of net assets of the bottom fund, as of the period end of the top fund, and state the percentage of the net assets of the bottom fund that are invested in each of those holdings. Such listing shall be accompanied by a warning to the effect that the information contained in the list may change due to the ongoing portfolio transactions of the bottom fund and a statement on how more current information may be obtained by investors, if available.*
- (5) *If the investment fund is a top fund that invests in other investment funds, a statement must be made to the effect that the simplified prospectus and other information about the other investment funds are available on the internet at [www.sedar.com](http://www.sedar.com).*

**Item 5 Other Material Information**

Provide any other material information relating to the investment fund not otherwise required to be disclosed by this Part.

**PART C**      **CONTENT REQUIREMENTS FOR QUARTERLY MANAGEMENT REPORT OF FUND PERFORMANCE**

**Item 1**      **Management Discussion of Fund Performance**

**1.1**      **Results of Operations**

Provide an update of the analysis of the investment fund's results of operation provided in the MDFP in the most recent annual or quarterly management report of fund performance. Discuss any material changes to any of the components listed in paragraphs (a) to (h) in Item 1.2 of Part B of Form 81-106F1.

**1.2**      **Performance**

Discuss the performance of the investment fund over the financial quarter to which the quarterly management report of fund performance pertains, including, but not limited to, a discussion of the significant components of and changes to the statement of financial highlights and past performance.

**1.3**      **Significant Developments**

If there have been any significant developments affecting the investment fund since the most recent annual or quarterly management report of fund performance, discuss those developments and their impact on the investment fund.

**1.4**      **Forward-Looking Information**

If the manager of the investment fund believes that the forward-looking information contained in the most recent annual or quarterly management report of fund performance of the investment fund is not accurate, provide an update of that information.

**INSTRUCTIONS:**

- (1) *The general discussion concerning the nature of MDFP contained in the General Instructions to Form 81-106F1 is applicable to the MDFP provided under this Form in a quarterly management report of fund performance. Generally speaking, the Canadian securities regulatory authorities expect the MDFP contained in a quarterly management report of fund performance to be briefer than that contained in an annual management report of fund performance. The MDFP in a quarterly management report of fund performance is intended to update the reader on developments since the date of the most recent annual or quarterly management report of fund performance, and it is not necessary to restate all of the information contained in the most recent annual MDFP.*

- (2) *The MDFP in a quarterly management report of fund performance should deal with the financial quarter to which the quarterly management report of fund performance pertains.*

**Item 2**      **Financial Highlights**

**2.1**        **Financial Highlights**

- (1) Provide the disclosure required by Item 2.1 of Part B of this Form for
  - (a) the financial quarter to which the quarterly management report of fund performance pertains,
  - (b) the current year to date total, and
  - (c) the previous financial year end.
- (2) Update any significant changes in the portfolio turnover rate from the information contained in the most recent annual or quarterly management report of fund performance of the investment fund.

*INSTRUCTIONS:*

*Present the disclosure for each period listed in (1) in the order presented, with the information from the financial quarter to which the quarterly management report of fund performance pertains at the left.*

*Investment funds are reminded that the management expense ratio must be calculated on a 12-month basis, and so updates of the management expense ratio over a partial financial year of an investment fund are not permitted by Part 16 of NI 81-102.*

**Item 3**      **Past Performance**

Include a bar chart prepared in accordance with Item 3 of Part B of this Form, except that the period covered by the bar chart shall end at the end of the financial quarter of the investment fund to which the quarterly management report of fund performance pertains, rather than at the period end required by Item 3 of Part B of this Form.

**Item 4**      **Summary of Portfolio Investments**

- (1) Include a summary of portfolio investments as at the end of the financial quarter of the investment fund to which the quarterly management report of fund performance pertains.

- (2) The summary of portfolio investments shall be prepared in accordance with Item 3 of Part B of this Form.

**Item 5**

**Other Material Information**

Provide any other material information relating to the investment fund in the financial quarter not otherwise required to be disclosed by this Part.