

NATIONAL INSTRUMENT 81-106
INVESTMENT FUND CONTINUOUS DISCLOSURE

PART 1 DEFINITIONS AND APPLICATIONS

1.1 Definitions - In this Instrument

“annual management report of fund performance” means a document prepared in accordance with Part B of Form 81-106F1;

“current value” means, for an asset held by, or a liability of, an investment fund,

- (a) the market value, or
- (b) if the market value is not readily available, the fair value;

“education savings plan” means an agreement between one or more persons and another person or organization, in which the other person or organization agrees to pay or cause to be paid, to or for one or more beneficiaries designated in connection with the agreement, scholarship awards to further the beneficiaries’ education;

“group scholarship plan” means an arrangement under which contributions to education savings plans are pooled to provide educational assistance payments to designated beneficiaries who are not related by blood or adoption within the meaning of the ITA;

“independent valuation” means a valuation of either or both of the assets and liabilities of an investment fund that contains the opinion of an independent valuator as to the current value of the assets or liabilities, and that is prepared in accordance with Part 8;

“independent valuator” means a valuator that is independent of the investment fund and who has appropriate qualifications;

“interim management report of fund performance” means a document prepared in accordance with Part C of Form 81-106F1;

“interim period” means, in relation to an investment fund:

- (a) a period of at least three months that ends six months before the end of a financial year of the investment fund, or
- (b) in the case of a transition year of the investment fund, a period commencing on the first day of the transition year and ending six months after the end of its old financial year;

“investment fund” means a mutual fund or a non-redeemable investment fund;

“labour sponsored or venture capital fund” means an investment fund that is

- (a) a labour sponsored investment fund corporation or a labour sponsored venture capital corporation under provincial legislation,
- (b) an employee venture capital corporation that does not have a restricted constitution, and is registered under Part 2 of the British Columbia Employee Investment Act, RSBC 1996 Ch. 112, and whose business objective is making multiple investments,
- (c) a venture capital corporation registered under Part 1 of the British Columbia Small Business Venture Capital Act, RSBC 1996 Ch. 429 whose business objective is making multiple investments, or
- (d) a registered or prescribed labour sponsored venture capital corporation as defined in the ITA;

“management fees” means the total fees paid or payable by an investment fund to its manager or one or more portfolio advisers, including incentive or performance fees, but excluding audit fees, directors’ fees, custodial fees and legal fees;

“management report of fund performance” means an annual management report of fund performance or an interim management report of fund performance;

“manager” means, in relation to an investment fund, a person or company who directs the affairs of the investment fund;

“material change” means, in relation to an investment fund,

- (a) a change in the business, operations or affairs of the investment fund that would be considered important by a reasonable investor in determining whether to purchase or continue to hold securities of the investment fund, or
- (b) a decision to implement a change referred to in paragraph (a) made
 - (i) by the board of directors of the investment fund or the board of directors of the manager of the investment fund or other persons acting in a similar capacity,
 - (ii) by senior management of the investment fund who believe that confirmation of the decision by the board of directors

or such other persons acting in a similar capacity is probable, or

- (iii) by senior management of the manager of the investment fund who believe that confirmation of the decision by the board of directors of the manager or such other persons acting in a similar capacity is probable;

“material contract” means, for an investment fund, a document that the investment fund would be required to list in an annual information form under Item 16 of Form 81-101F2 if the investment fund filed a simplified prospectus under National Instrument 81-101 *Mutual Fund Prospectus Disclosure*;

“mutual fund in the jurisdiction” means an incorporated or unincorporated mutual fund that is a reporting issuer in, or that is organized under the laws of, the local jurisdiction;

“net asset value” means, for an investment fund as at a specific date, the current value of the total assets of the investment fund less the current value of the total liabilities of the investment fund, as at that date, calculated in accordance with Canadian GAAP;

“non-redeemable investment fund” means, in a jurisdiction except Ontario, an issuer

- (a) where contributions of securityholders are pooled for investment,
- (b) where securityholders do not have day-to-day control over the management and investment decisions of the issuer, whether or not they have the right to be consulted or to give directions, and
- (c) whose securities do not entitle the securityholder to receive on demand, or within a specified period after demand, an amount computed by reference to the value of a proportionate interest in the whole or in part of the net assets of the issuer;

“non-redeemable investment fund” means, in Ontario, an issuer

- (a) whose primary purpose is to invest money provided by its securityholders,
- (b) that does not invest for the purpose of exercising effective control, seeking to exercise effective control or being actively involved in the management of the issuers in which it invests, other than mutual funds or other non-redeemable investment funds, and
- (c) that is not a mutual fund;

“quarterly portfolio disclosure” means the disclosure prepared in accordance with Part 6;

“related party” means, in relation to a mutual fund, a person or company listed in section 4.2 of National Instrument 81-102 *Mutual Funds*;

“scholarship award” means any amount, other than a refund of contributions, that is paid or payable directly or indirectly to further the education of a beneficiary designated under an education savings plan;

“transition year” means the financial year of an investment fund in which a change of year-end occurs; and

“venture investment” means an investment in a private company or an investment made in accordance with the requirements of provincial labour sponsored or venture capital fund legislation or the ITA.

1.2 **Application**

- (1) Except as specifically provided otherwise in this Instrument, this Instrument applies to
 - (a) an investment fund that is a reporting issuer; and
 - (b) a mutual fund in the jurisdiction.
- (2) Despite subsection (1), in Alberta, British Columbia, Manitoba and Newfoundland and Labrador, this Instrument does not apply to a mutual fund that is not a reporting issuer, irrespective of the jurisdiction in which the mutual fund is organized.
- (3) In Saskatchewan, this Instrument does not apply to a Type B corporation within the meaning of The Labour-sponsored Venture Capital Corporations Act (Saskatchewan).
- (4) In Québec, this Instrument does not apply to a reporting issuer organized under:
 - (a) an Act to establish the Fonds de solidarité des travailleurs du Québec (F.T.Q.) R.S.Q., chapter F-3.2.1;
 - (b) an Act to establish Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi (R.S.Q., chapter F-3.1.2);
 - (c) an Act constituting Capital régional et coopératif Desjardins, Loi constituant Capital régional et coopératif Desjardins (R.S.Q., chapter C-6.1).

1.3 Interpretation

- (1) Each section, part, class or series of a class of securities of an investment fund that is referable to a separate portfolio of assets is considered to be a separate investment fund for purposes of this Instrument.
- (2) Terms defined in National Instrument 81-102 *Mutual Funds*, Multilateral Instrument 81-104 *Commodity Pools* and National Instrument 81-105 *Mutual Fund Sales Practices* and used in this Instrument have the respective meanings ascribed to them in those Instruments except that references in those definitions to “mutual fund” must be read as references to “investment fund”.

1.4 Language of Documents

- (1) A document that is required to be filed under this Instrument must be prepared in French, English or both.
- (2) If an investment fund files a document in French or in English, there is a translation of the document into the other language, and the translation is delivered to securityholders, the investment fund must file the translated document not later than when it is first delivered to securityholders.
- (3) In Québec, the linguistic obligations and rights prescribed by Québec law must be complied with.

PART 2 FINANCIAL STATEMENTS

2.1 Annual Financial Statements and Auditor’s Report

- (1) An investment fund must file annual financial statements for the investment fund’s most recently completed financial year that include
 - (a) a statement of net assets as at the end of that financial year and a comparative statement of net assets as at the end of the immediately preceding financial year;
 - (b) a statement of operations for that financial year and a comparative statement of operations for the immediately preceding financial year;
 - (c) if required by Canadian GAAP, a statement of cashflows for that financial year and a comparative statement of cashflows for the immediately preceding financial year;

- (d) if a statement of cashflows is not required by Canadian GAAP, a statement of changes in net assets for that financial year and a comparative statement of changes in net assets for the immediately preceding financial year;
 - (e) a statement of investment portfolio as at the end of that financial year; and
 - (f) notes to the annual financial statements.
- (2) Annual financial statements filed under subsection (1) must be accompanied by an auditor's report.

2.2 **Filing Deadline for Annual Financial Statements** - The annual financial statements and auditor's report required to be filed under section 2.1 must be filed on or before the 90th day after the investment fund's most recently completed financial year.

2.3 **Interim Financial Statements** - An investment fund must file interim financial statements for the investment fund's most recently completed interim period that include

- (a) a statement of net assets as at the end of that interim period and a comparative statement of net assets as at the end of the immediately preceding financial year;
- (b) a statement of operations for that interim period and a comparative statement of operations for the corresponding period in the immediately preceding financial year;
- (c) if required by Canadian GAAP, a statement of cashflows for and as at the end of that interim period and a comparative statement of cashflows for the corresponding period in the immediately preceding financial year;
- (d) if a statement of cashflows is not required by Canadian GAAP, a statement of changes in net assets for that interim period and a comparative statement of changes in net assets for the corresponding period in the immediately preceding financial year;
- (e) a statement of investment portfolio as at the end of that interim period; and
- (f) notes to the interim financial statements.

2.4 **Filing Deadline for Interim Financial Statements** - The interim financial statements required to be filed under section 2.3 must be filed on

or before the 45th day after the end of the most recent interim period of the investment fund.

2.5 Approval of Financial Statements

- (1) The board of directors of an investment fund that is a corporation must approve the financial statements of the investment fund before those financial statements are filed or made available to holders or potential purchasers of securities of the investment fund; and
- (2) The manager or the trustee or trustees of an investment fund that is a trust, or another person or company authorized to do so by the constating documents of the investment fund, must approve the financial statements of the investment fund, before those financial statements are filed or made available to holders or potential purchasers of securities of the investment fund.

2.6 Acceptable Accounting Principles

- (1) The financial statements of an investment fund must be prepared in accordance with Canadian GAAP.
- (2) The financial statements of an investment fund must be prepared in accordance with the same accounting principles for all periods presented.
- (3) The notes to the financial statements of an investment fund must identify the accounting principles used to prepare the financial statements.

2.7 Acceptable Auditing Standards

- (1) Financial statements that are required by securities legislation to be audited must be audited in accordance with Canadian GAAS.
- (2) Audited financial statements must be accompanied by an auditor's report prepared in accordance with Canadian GAAS and the following requirements:
 1. The auditor's report must not contain a reservation.
 2. The auditor's report must identify all financial periods presented for which the auditor has issued an auditor's report.
 3. If the investment fund has changed its auditor and one or more of the comparative periods presented in the financial

statements was audited by a different auditor, the auditor's report must refer to any former auditor's report(s) on the comparative periods.

4. The auditor's report must identify the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements.

2.8 **Acceptable Auditors** - An auditor's report must be prepared and signed by a person or company that is authorized to sign an auditor's report by the laws of a jurisdiction of Canada, and that meets the professional standards of that jurisdiction.

2.9 **Change in Year End**

- (1) Section 4.8 of National Instrument 51-102 *Continuous Disclosure Obligations* applies to an investment fund that changes its financial year end, except that:
 - (a) a reference to "reporting issuer" must be read as a reference to "investment fund";
 - (b) a reference to "interim period" must be read as "interim period" as defined in this Instrument;
 - (c) a requirement under National Instrument 51-102 to include specified financial statements must be read as a requirement to include the financial statements required under this Part; and
 - (d) a reference to "filing deadline" in subsection 4.8(2) of National Instrument 51-102 must be read as a reference to the filing deadlines provided for under section 2.2 and 2.4 of this Instrument.
- (2) Despite section 2.4, an investment fund is not required to file interim financial statements for any period in a transition year if the transition year is less than nine months in length.
- (3) Despite subsections 4.8(7) and (8) of National Instrument 51-102,
 - (a) for interim financial statements for an interim period in the transition year, the investment fund must include as comparative information, information for the interim period of the old financial year; and
 - (b) for interim financial statements for an interim period in a new financial year, the investment fund must include as

comparative information, information for the period that is one year earlier than the interim period in the new financial year.

2.10 **Change in Legal Structure** - If an investment fund that is a reporting issuer is party to an amalgamation, arrangement, merger, winding-up, reorganization or other transaction that will result in

- (a) the investment fund ceasing to be a reporting issuer,
- (b) another entity becoming an investment fund,
- (c) a change in the investment fund's financial year end, or
- (d) a change in the name of the investment fund,

the investment fund must, as soon as practicable, and in any event not later than the deadline for the first filing required by this Instrument following the transaction, file a notice stating:

- (e) the names of the parties to the transaction;
- (f) a description of the transaction;
- (g) the effective date of the transaction;
- (h) if applicable, the names of each party that ceased to be a reporting issuer subsequent to the transaction and of each continuing entity;
- (i) the date of the investment fund's first financial year end subsequent to the transaction; and
- (j) the periods, including the comparative periods, if any, of the interim and annual financial statements required to be filed for the investment fund's first financial year subsequent to the transaction.

2.11 **Exemption and Requirements for Mutual Funds that are Non-Reporting Issuers**

- (1) A mutual fund that is not a reporting issuer is exempt from the filing requirements of section 2.1 for a financial year or section 2.3 for an interim period if:
 - (a) the mutual fund prepares the applicable financial statements in accordance with this Instrument;
 - (b) the mutual fund delivers the financial statements to its securityholders in accordance with Part 5;

- (c) the mutual fund has advised the applicable regulator or securities regulatory authority that it is relying on this exemption not to file its financial statements; and
 - (d) the mutual fund has included in a note to the applicable financial statements that it is relying on this exemption not to file its financial statements.
- (2) The manager of a mutual fund that is not a reporting issuer must provide to the regulator or securities regulatory authority any financial statements of the mutual fund prepared under this Instrument promptly upon request.

2.12 Disclosure of Auditor Review of Interim Financial Statements

- (1) This section applies only to an investment fund that is a reporting issuer.
- (2) If an auditor has not performed a review of the interim financial statements required to be filed, the interim financial statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.
- (3) If an investment fund engaged an auditor to perform a review of the interim financial statements required to be filed and the auditor was unable to complete the review, the interim financial statements must be accompanied by a notice indicating that the auditor was unable to complete a review of the interim financial statements and the reasons why the auditor was unable to complete the review.
- (4) If an auditor has performed a review of the interim financial statements required to be filed, and the auditor has expressed a reservation in the auditor's interim review report, the interim financial statements must be accompanied by a written review report from the auditor.

PART 3 FINANCIAL DISCLOSURE REQUIREMENTS

3.1 Statement of Net Assets - The statement of net assets of an investment fund must disclose, at a minimum, the following as separate line items, each shown at current value:

- 1. cash, term deposits and, if not included in the statement of investment portfolio, short term debt instruments.
- 2. investments.

3. accounts receivable relating to securities sold.
4. accounts receivable relating to portfolio assets sold.
5. accounts receivable relating to margin paid or deposited on futures or forward contracts.
6. amounts receivable and/or payable in respect of derivatives transactions, including premiums or discounts received or paid.
7. deposits with brokers for securities sold short.
8. accrued expenses.
9. investments sold short.
10. liabilities for portfolio assets purchased.
11. liabilities for securities redeemed.
12. income tax payable.
13. total net assets and securityholders' equity.
14. net asset value per security.

3.2 Statement of Operations

- (1) The statement of operations of an investment fund must disclose, at a minimum, the following information as separate line items:
 1. dividend revenue.
 2. interest revenue.
 3. income from derivatives.
 4. revenue from securities lending.
 5. management fees, excluding incentive or performance fees.
 6. incentive or performance fees.
 7. audit fees.
 8. directors' or trustees' fees.
 9. custodial fees.

10. legal fees.
 11. securityholder information costs.
 12. dividends received on securities sold short.
 13. capital tax.
 14. amounts that would otherwise have been payable by the investment fund that were waived or paid by the manager or a portfolio adviser of the investment fund.
 15. provision for income tax.
 16. net investment income or loss for the period.
 17. realized gains or losses.
 18. unrealized gains or losses.
 19. increase or decrease in net assets from operations.
- (2) In addition to the requirements of subsection (1), the statement of operations of a commodity pool must include
- (a) the aggregate amount of realized net gain or net loss on positions liquidated during the period;
 - (b) the change in unrealized net gain or net loss on open positions during the period; and
 - (c) the aggregate amount of net gain or net loss, including interest, from all other transactions in which the commodity pool engaged during the period.

3.3

Statement of Changes in Net Assets - The statement of changes in net assets of an investment fund must disclose, at a minimum, the following as separate line items:

1. net assets at the beginning of the period to which the statement applies.
2. increase or decrease in net assets from operations.
3. proceeds from the issuance of securities of the investment fund.
4. aggregate amounts paid on redemption of securities of the investment fund.

5. securities issued on reinvestment of distributions.
6. distributions, showing separately the amount out of net investment income, out of realized gains on portfolio securities sold, and return of capital.
7. net assets at the end of the period reported upon.

3.4 **Statement of Cashflows** - The statement of cashflows of an investment fund must disclose, at a minimum, the following as separate line items:

1. net investment income (loss).
2. proceeds on disposition of portfolio assets.
3. purchase of portfolio assets.
4. proceeds from issue of securities of the investment fund.
5. aggregate amounts paid on redemption of securities of the investment fund.
6. if applicable, compensation paid in respect of the sale of securities of the investment fund.

3.5 **Statement of Investment Portfolio**

(1) The statement of investment portfolio of an investment fund must disclose, at a minimum, the following for each portfolio asset held or sold short:

1. The name of the issuer of the portfolio asset.
2. A description of the portfolio asset, including
 - (a) for an equity security, the name of the class of the security;
 - (b) for a debt instrument not included in paragraph (c), all characteristics commonly used commercially to identify the instrument, including the name of the instrument, the interest rate of the instrument, the maturity date of the instrument, whether the instrument is convertible or exchangeable and, if used to identify the instrument, the priority of the instrument.

- (c) for a debt instrument referred to in the definition of “money market fund” in National Instrument 81-102 *Mutual Funds*, the name, interest rate and maturity date of the instrument.
 - (d) for a portfolio asset not referred to in paragraph (a), (b) or (c), the name of the portfolio asset and the material terms and conditions of the portfolio asset commonly used commercially in describing the portfolio asset.
- 3. The number or aggregate face value for the portfolio asset.
- 4. The cost of the portfolio asset.
- 5. The current value of the portfolio asset.
- (2) For purposes of subsection (1), disclosure for a long portfolio must be segregated from the disclosure for a short portfolio.
- (3) For purposes of subsection (1) and subject to subsection (2), disclosure must be aggregated for portfolio assets having the same description and issuer.
- (4) Despite subsection (1) and (3) and subject to subsection (2), the information referred to in subsection (1) may be provided only in the aggregate for those short term debt instruments that are issued by a bank listed in Schedule I, II or III to the *Bank Act* (Canada) or a loan corporation or trust corporation registered under the laws of a jurisdiction, or that have achieved an investment rating within the highest or next highest categories of ratings of each approved credit rating organization.
- (5) If an investment fund discloses short term debt instruments as permitted by subsection (4), the investment fund
 - (a) must break down the disclosure by currency of issue, and
 - (b) must disclose separately the aggregate short term debt instruments denominated in any currency.
- (6) If an investment fund holds positions in derivatives, the investment fund must disclose in the statement of investment portfolio or the notes to that statement:
 - (a) for long and short positions in options, the quantity of the underlying interest per option, the number of options, the

underlying interest, the strike price, the expiration month and year, the cost and the current value;

- (i) if the underlying interest is a future, include disclosure of the future in accordance with this subsection;
 - (b) for positions in futures and forwards, the number of futures and forwards, the underlying interest, the price at which the contract was entered into, the delivery month and year and the current value;
 - (c) for positions in swaps, the number of swap contracts, the underlying interest, the principal or notional amount, the payment dates, and the current value; and
 - (d) if applicable, the fact that a rating of a counterparty has fallen below the approved credit rating level.
- (7) If applicable, the statement of investment portfolio included in the financial statements of the investment fund, or the notes to the statement of investment portfolio, must identify, by notation, the underlying interest that is being hedged by each position taken by the investment fund in a specified derivative.
- (8) An investment fund may omit the information required by subsection (1) about mortgages from a statement of investment portfolio if the statement of investment portfolio instead discloses
- (a) the total number of mortgages held;
 - (b) the aggregate current value of mortgages held;
 - (c) a breakdown of mortgages, by reference to number and current value among mortgages insured under the *National Housing Act* (Canada), insured conventional mortgages and uninsured conventional mortgages;
 - (d) a breakdown of mortgages, by reference to number and current value, among mortgages that are pre-payable and those that are not pre-payable; and
 - (e) a breakdown of mortgages, by reference to number, current value, amortized cost and outstanding principal value, among groups of mortgages having contractual interest rates varying by no more than one quarter of one percent.

3.6 Notes to Financial Statements

- (1) The notes to the financial statements of an investment fund must disclose, at a minimum, the following:
 1. the basis for determining current value and cost of portfolio assets, and, if a method of determining cost other than by reference to the average cost of the portfolio assets is used, disclosure of the method used.
 2. details of portfolio transactions with related parties of the investment fund, including the dollar amount of commission, spread or any other fee that the investment fund paid to any related party in connection with a portfolio transaction.
 3. if the investment fund has outstanding more than one class or series of securities ranking equally against its net assets, but differing in other respects,
 - (a) the number of authorized securities of each class or series,
 - (b) the number of securities of each class or series that have been issued and are outstanding.
 - (c) the differences between the classes or series, including differences in sales charges, and management fees.
 - (d) the method used to allocate income and expenses, and realized and unrealized capital gains and losses, to each class;
 - (e) the fee arrangements for any class-level expenses paid to affiliates; and
 - (f) transactions involving the issue or redemption of securities of the investment fund undertaken in the period for each class of securities to which the financial statements pertain.
 4. details of the total commission paid to dealers by the investment fund for its portfolio transactions during the period reported upon, including dollar amount of commissions paid and soft dollar transactions.

5. the basis for calculating the management fees paid by the investment fund and a breakdown of the services received in consideration of the management fees, as a percentage of management fees.
 6. details of amounts that would otherwise have been payable by the investment fund that were waived or paid by the manager or a portfolio adviser of the investment fund.
- (2) An investment fund that borrows money must, in a note to the financial statements and in the management reports of fund performance, disclose the following:
1. the minimum and maximum amount borrowed during the period to which the financial statements or management report of fund performance pertain.
 2. the percentage of net assets of the investment fund that the borrowing represented as of the end of the period.
 3. how the borrowed money was used.
 4. details of the terms of the borrowing arrangements.

3.7 Inapplicable Line Items - Despite the requirements of this Part, an investment fund may omit from the financial statements a line item for any matter that does not apply to the investment fund or for which the investment fund has nothing to disclose.

3.8 Disclosure of Securities Lending Transactions

- (1) An investment fund must disclose, in the statement of investment portfolio included in the financial statements of the investment fund, or in the notes to the financial statements
- (a) the aggregate dollar value of securities that were lent in the securities lending transactions of the investment fund that are outstanding as at the date of the financial statements; and
 - (b) the type and aggregate amount of collateral received by the investment fund under securities lending transactions of the investment fund that are outstanding as at the date of the financial statements.
- (2) The statement of net assets of an investment fund that has received cash collateral in securities lending transactions that is outstanding as of the date of the financial statements must disclose separately

- (a) the cash collateral received by the investment fund; and
 - (b) the obligation to repay the cash collateral.
- (3) The statement of operations of an investment fund must disclose income from securities lending transactions as revenue.

3.9 Disclosure of Repurchase Transactions

- (1) An investment fund, in the statement of investment portfolio included in the financial statements of the investment fund, or in the notes to that statement, must, for the repurchase transactions of the investment fund that are outstanding as at the date of the statement, disclose
- (a) the date of the transaction;
 - (b) the expiration date of the transaction;
 - (c) the nature and current value of the securities sold by the investment fund;
 - (d) the amount of cash received and the repurchase price to be paid by the investment fund; and
 - (e) the current value of the sold securities as at the date of the statement.
- (2) The statement of net assets of an investment fund that has entered into a repurchase transaction that is outstanding as of the date of the statement of net assets must disclose separately the obligation of the investment fund to repay the collateral.
- (3) The statement of operations of an investment fund must disclose income from the use of the cash received on repurchase transactions as revenue.
- (4) The information required by this section may be presented on an aggregate basis.

3.10 Disclosure of Reverse Repurchase Transactions

- (1) An investment fund, in the statement of investment portfolio included in the financial statements of the investment fund or in the notes to that statement, must, for each reverse repurchase transaction of the investment fund that is outstanding as at the date of the statement, disclose
 - (a) the date of the transaction;
 - (b) the expiration date of the transaction;
 - (c) the total dollar amount paid by the investment fund;
 - (d) the nature and value or principal amount of the securities received by the investment fund; and
 - (e) the current value of the purchased securities as at the date of the statement.
- (2) The statement of net assets of an investment fund that has entered into a reverse repurchase transaction that is outstanding as of the date of the financial statements must disclose separately the reverse repurchase agreement relating to the transaction at current value.
- (3) The statement of operations of an investment fund must disclose income from reverse repurchase transactions as revenue.
- (4) The information required by this section may be presented on an aggregate basis.

3.11 Incentive Arrangements

- (1) The statement of net assets of an investment fund must disclose the current value of an incentive arrangement or compensation.
- (2) The statement of operations of an investment fund must disclose changes in the amount referred to in subsection (1) as a separate line item.

3.12 Group Scholarship Plans - In addition to the requirements of this Part, an investment fund that is a group scholarship plan must disclose, as of the end of its most recently completed financial year

- (a) a separate statement or schedule to the financial statements that provides

- (i) a summary of scholarship agreements and units outstanding by year of maturity, including
 - (A) disclosure of the number of units by year of maturity for the opening units, units purchased, units forfeited and the ending units,
 - (B) disclosure of the principal amounts and the accumulated income per year of maturity, and their total balances, and
 - (C) a reconciliation of the total balances of the principal amounts and the accumulated income in the schedule to the statement of net assets of the scholarship plan,
 - (ii) the total number of units, and
 - (iii) a statement of scholarship awards paid to beneficiaries, and a reconciliation of the amount of scholarships paid with the statement of operations; and
- (b) if the plan has matured, a separate statement or schedule to the financial statements that describes the educational assistance payments paid per unit to qualified beneficiaries under the plan.

PART 4 MANAGEMENT REPORTS OF FUND PERFORMANCE

- 4.1 Application** - This Part applies only to an investment fund that is a reporting issuer.
- 4.2 Filing of Management Reports of Fund Performance** - An investment fund, other than an investment fund that is a group scholarship plan, must file an annual management report of fund performance for each financial year and an interim management report of fund performance for each interim period at the same time that it files its annual financial statements or its interim financial statements for that financial period.
- 4.3 Filing of Annual Management Report of Fund Performance for an Investment Fund that is a Group Scholarship Plan** - An investment fund that is a group scholarship plan must file an annual management report of fund performance for each financial year at the same time that it files its annual financial statements.
- 4.4 Contents of Management Reports of Fund Performance** - A management report of fund performance required by this Part must
- (a) be prepared in accordance with Form 81-106F1; and

- (b) not incorporate by reference information from any other document that is required to be included in a management report of fund performance.

4.5 Approval of Management Reports of Fund Performance

- (1) The board of directors of an investment fund that is a corporation must approve the management reports of fund performance of the investment fund before the management reports of fund performance are filed or made available to holders or potential purchasers of securities of the investment fund.
- (2) The manager or the trustee or trustees of an investment fund that is a trust, or another person or company authorized to do so by the constating documents of the investment fund, must approve the management reports of fund performance of the investment fund before the management reports of fund performance are filed or made available to holders or potential purchasers of securities of the investment fund.

PART 5 DELIVERY OF FINANCIAL STATEMENTS AND MANAGEMENT REPORTS OF FUND PERFORMANCE

5.1 Delivery of Certain Continuous Disclosure Documents

- (1) An investment fund must send to registered holders and beneficial owners of securities issued by it
 - (a) annual financial statements;
 - (b) interim financial statements;
 - (c) if required to be prepared by the investment fund, annual management report of fund performance; and
 - (d) if required to be prepared by the investment fund, interim management report of fund performance.
- (2) An investment fund is exempt from the requirements of subsection (1) if
 - (a) the investment fund sends the requested documents according to the standing instruction procedures set out in section 5.2; or
 - (b) the investment fund sends the requested documents according to the annual instruction procedures set out in section 5.3.

- (3) An investment fund may send the required documents according to section 5.3 only if it is impracticable for it to send the documents according to section 5.2.

5.2 Sending According to Standing Instructions

- (1) This section applies only to an investment fund that is sending the documents listed in subsection 5.1(1) to the registered holders and beneficial owners of its securities in accordance with this section.
- (2) An investment fund must send the documents listed in subsection 5.1(1) to each registered holder and beneficial owner of its securities in accordance with instructions received, or deemed to have been received, from the registered holder or beneficial owner as to
 - (a) whether the registered holder or beneficial owner wishes to receive any of the documents of the investment fund described in subsection 5.1(1); and
 - (b) which of those documents the registered holder or beneficial owner wishes to receive.
- (3) For each person or company that was a registered holder or beneficial owner of securities issued by it before this Instrument came into force, an investment fund must send, within three months after this Instrument came into force, the registered holder or beneficial owner a document that explains the choices a registered holder or beneficial owner has to receive the documents listed in subsection 5.1(1) and that solicits instructions from the registered holder or beneficial owner about delivery of those documents.
- (4) For each person or company that becomes a registered holder or beneficial owner of securities of the investment fund after this Instrument comes into force, an investment fund must solicit instructions concerning the sending of the documents listed in subsection 5.1(1), at the time that the investment fund first accepts a purchase order from a registered holder or beneficial owner.
- (5) For the purposes of this section, the following are instructions from a registered holder or beneficial owner:
 1. Instructions actually given by the registered holder or beneficial owner to the investment fund in response to a solicitation under this section.

2. Instructions given, or deemed to have been given, to the manager of the investment fund in connection with another investment fund having the same manager as the investment fund.
 3. The operation of any provision that has been clearly explained in a document sent by the investment fund to the registered holder or beneficial owner that deems non-response by the registered holder or beneficial owner to be a response as described in paragraph 6(a) or (b).
 4. Any instructions previously received by the investment fund or another investment fund having the same manager as the investment fund under National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*.
- (6) Despite subsection (5), an investment fund may send a registered holder or beneficial owner a document that explains how a securityholder can choose to receive the documents in subsection 5.1(1) and that either
- (a) deems no response to the document to be a request by the securityholder to receive all or some of the documents in subsection 5.1(1); or
 - (b) deems no response to the document to be a request by the securityholder to receive none of the documents in subsection 5.1(1).
- (7) A registered holder or beneficial owner may change any instructions it has given or is deemed to have given by advising the investment fund.
- (8) An investment fund must rely on instructions given, or deemed to have been given, under this section until the registered holder or beneficial owner changes them.
- (9) At least annually, an investment fund must send each registered holder and beneficial owner of securities issued by it a reminder
- (a) to the effect that the investment fund is sending documents to the registered holder or beneficial owner because of instructions given, or deemed to have been given, by the registered holder or beneficial owner; and

- (b) that explains how a registered holder or beneficial owner may change the instructions it has given, or is deemed to have given.

5.3 Sending According to Annual Instructions

- (1) This section applies only to an investment fund that is sending the documents listed in subsection 5.1(1) to a registered holder or beneficial owner in accordance with this section.
- (2) An investment fund using the procedure described in this section must annually send to each registered holder and beneficial owner of its securities a request form under which the registered holder or beneficial owner may instruct the investment fund
 - (a) whether the registered holder or beneficial owner wishes to receive any of the documents of the investment fund described in subsection 5.1(1); and
 - (b) which of those documents the registered holder or beneficial owner wishes to receive.
- (3) An investment fund must send the request form referred to in subsection (2) in each financial year of the investment fund by the earlier of
 - (a) the date in the financial year the investment fund first sends a registered holder or beneficial owner a written communication; or
 - (b) the date that is six months after the end of the previous financial year of the investment fund.

5.4 General

- (1) An investment fund must send the documents referred to in subsection 5.1(1) to registered holders or beneficial owners no later than ten days after filing those documents.
- (2) An investment fund must not charge a fee for sending the documents referred to in this Part and must ensure that registered holders and beneficial owners can respond without cost to the requests referred to in this Part.
- (3) An investment fund that complies with this Part is exempt from the requirements of securities legislation to send the applicable documents for a financial year to registered holders of its securities.

- (4) An investment fund that complies with this Part is exempt from the financial statement delivery requirements of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*.

5.5 **Websites** - An investment fund that is a reporting issuer and that has a website must post to the website any documents referred to in subsection 5.1(1) no later than the date that those documents are filed.

PART 6 QUARTERLY PORTFOLIO DISCLOSURE

6.1 **Application** - This Part applies only to an investment fund that is a reporting issuer but does not apply to a group scholarship plan or a labour sponsored or venture capital fund.

6.2 Preparation and Dissemination

- (1) An investment fund must prepare a summary of investment portfolio in accordance with Item 5 of Part B of Form 81-106F1 as at the end of
 - (a) each period of at least three months that ends three or nine months before the end of a financial year of the investment fund; and
 - (b) in the case of a transition year of the investment fund, each period commencing on the first day of the transition year and ending either three, nine or twelve months, if applicable, after the end of its old financial year.
- (2) An investment fund must determine its total net asset value as at the end of the periods specified in paragraph (1)(a) and (b).
- (3) An investment fund that has a website must post to the website the quarterly portfolio disclosure within 45 days of the end of the period for which the quarterly portfolio disclosure was prepared.
- (4) An investment fund must deliver to its securityholders, without charge, the quarterly portfolio disclosure upon request.

PART 7 FINANCIAL DISCLOSURE - GENERAL

7.1 **Books and Records** - An investment fund must maintain records of all portfolio transactions undertaken by the investment fund.

7.2 **Documents Available on Request**

- (1) Unless the investment fund has previously delivered or sent the relevant document to that person or company, an investment fund that is a reporting issuer must deliver or send to any person or company, on request, and without charge,
 - (a) the most recent annual or interim financial statements of the investment fund,
 - (b) the most recent annual or interim management reports of fund performance,
 - (c) the most recent annual information form prepared under this Instrument, and
 - (d) the most recent quarterly portfolio disclosure prepared under this Instrument.
- (2) An investment fund must deliver or send all documents requested under this section by the later of
 - (a) the filing deadline for the document requested; and
 - (b) ten days after receipt of the request.

7.3

Toll-Free Telephone Number or Collect Telephone Calls - An investment fund that is a reporting issuer must have a toll-free telephone number for, or accept collect telephone calls from, persons or companies that want to receive a copy of any or all of the documents described in subsection 7.2(1).

7.4

Binding of Financial Statements and Management Reports of Fund Performance

- (1) An investment fund may not bind its financial statements with the financial statements of another investment fund in a document unless all information relating to the investment fund is presented together and not intermingled with information relating to the other investment fund.
- (2) Despite subsection (1), if a single document contains financial statements of more than one investment fund, the investment fund may combine information in the notes to the financial statements and present it in a separate part of the document.
- (3) An investment fund may not bind its management report of fund performance with the management report of fund performance for another investment fund.

7.5 **Multiple Class Investment Funds**

- (1) An investment fund that has more than one class or series of security outstanding that is referable to a single portfolio may
 - (a) prepare separate financial statements and management reports of fund performance for each class or series; or
 - (b) combine the information concerning all of the classes or series into one set of financial statements and management reports of fund performance.
- (2) An investment fund that combines information concerning all of its classes or series of securities in one set of financial statements and management reports of fund performance must disclose in those documents any distinctions between the classes or series of securities.

PART 8 INDEPENDENT VALUATIONS FOR LABOUR SPONSORED OR VENTURE CAPITAL FUNDS

8.1 **Application** - This Part applies only to a labour sponsored or venture capital fund that is a reporting issuer.

8.2 **Exemption from Requirement to Disclose Individual Current Values for certain Portfolio Assets** - Despite paragraph 5 of subsection 3.5(1), a labour sponsored or venture capital fund is exempt from the requirement to present separately in a statement of investment portfolio the current value of each venture investment that does not have an easily ascertainable market value if

- (a) the labour sponsored or venture capital fund discloses in the statement of investment portfolio
 - (i) the cost amounts for each venture investment,
 - (ii) the total cost of the venture investments,
 - (iii) the total adjustment from cost to current value of the venture investments, and
 - (iv) the total current value of the venture investments that are fair valued;
- (b) the labour sponsored or venture capital fund discloses in the statement of investment portfolio a table showing the distribution of venture investments by stage of development and industry classification and that includes

- (i) the number of venture investments in each stage of development and industry class,
 - (ii) the cost and current value of the venture investments for each stage of development and industry class, and
 - (iii) the cost and current value of venture investments as a percentage of total venture investments for each stage of development and industry class;
- (c) for a statement of investment portfolio contained in annual financial statements, the labour sponsored or venture capital fund has obtained an independent valuation relating to the net asset value of the fund and filed the independent valuation concurrently with the filing of the annual financial statements containing the statement of investment portfolio;
 - (d) for a statement of investment portfolio contained in interim financial statements, the labour sponsored or venture capital fund obtained and filed the independent valuation referred to in paragraph (c) in connection with the preparation of the most recent annual financial statements of the labour sponsored or venture capital fund; and
 - (e) the labour sponsored or venture capital fund has disclosed in the applicable financial statements that an independent valuation has been obtained as of the end of the applicable financial year.

8.3 **Disclosure Concerning Valuator** - A labour sponsored or venture capital fund that obtains an independent valuation of its net asset value must include, in the statement of investment portfolio contained in its annual financial statements, or the notes to the annual financial statements,

- (a) a description of any past, present or anticipated relationship between the valuator and the labour sponsored or venture capital fund, its manager or portfolio adviser; and
- (b) a description of the compensation paid or to be paid to the valuator.

8.4 **Subject Matter of Independent Valuation** - An independent valuation must provide, as of the year end, the valuation, in aggregate, of the net asset value of the labour sponsored or venture capital fund.

8.5 Filing of Valuation Report - Subject to section 8.6, a labour sponsored or venture capital fund that obtains an independent valuation must file a copy of the valuation report concurrently with the filing of its annual financial statements.

8.6 Valuator's Consent - A labour sponsored or venture capital fund obtaining an independent valuation must

- (a) obtain the independent valuator's consent to its filing; and
- (b) include a statement, signed by the independent valuator, in substantially the following form:

“We refer to the independent valuation of the net assets of (indicate name of labour sponsored or venture capital fund) as of (date) dated •. We consent to the filing of the independent valuation with the securities regulatory authorities.”

PART 9 ANNUAL INFORMATION FORM

9.1 Application - This Part applies only to an investment fund that is a reporting issuer.

9.2 Requirement to File an Annual Information Form - An investment fund must file an annual information form under this Instrument if

- (a) the investment fund does not have a current prospectus; and
- (b) the investment fund is not required by corporate law to hold an annual meeting of its securityholders.

9.3 Filing Deadline for an Annual Information Form - An investment fund required under section 9.2 to file an annual information form must file the annual information form no later than 90 days after the end of its most recently completed financial year.

9.4 Preparation of an Annual Information Form

- (1) An annual information form required to be filed under section 9.2 must be prepared as of the end of the most recently completed financial year of the investment fund to which it pertains.
- (2) An annual information form required to be filed under section 9.2 must be prepared in accordance with Form 81-101F2, except that:
 - (a) General Instructions (3), (10), (11), (12) and (14) of Form 81-101F2 do not apply;

- (b) Subsections (3) and (6) of Item 1.1 of Form 81-101F2 do not apply;
 - (c) Item 1.2 of Form 81-101F2 does not apply;
 - (d) Item 5 of Form 81-101F2 must be completed in connection with all of the securities of the investment fund;
 - (e) Item 15 of Form 81-101F2 does not apply to an investment fund that is a corporation; and
 - (f) Items 19, 20, 21 and 22 of Form 81-101F2 do not apply.
- (3) An investment fund required under section 9.2 to file an annual information form must at the same time file copies of all material incorporated by reference in the annual information form that it has not previously filed.

PART 10 PROXY VOTING DISCLOSURE FOR SECURITIES HELD

10.1 **Application** – This Part applies only to an investment fund that is a reporting issuer.

10.2 **Requirement to Establish Policies and Procedures**

- (1) An investment fund must establish policies and procedures to be followed by it in determining whether, and how, to vote on any matter for which the investment fund receives, in its capacity as securityholder, proxy materials for a meeting of securityholders of an issuer.
- (2) The policies and procedures referred to in subsection (1) must include, at a minimum,
 - (a) the establishment by the investment fund of a standing policy for dealing with routine matters on which the investment fund may vote;
 - (b) the circumstances under which the investment fund will deviate from the standing policy for routine matters referred to in paragraph (a);
 - (c) the policies under which, and the procedures by which, the investment fund will determine how to vote or refrain from voting on non-routine matters;

- (d) the establishment of procedures to ensure that securities held by the investment fund are voted in accordance with the instructions of the investment fund; and
 - (e) the establishment of procedures to advise securityholders of the investment fund on changes to the policies and procedures provided for in this section.
- (3) Investment funds that do not prepare an annual information form in accordance with Part 9 or in accordance with NI 81-101 *Mutual Fund Prospectus Disclosure*, must include a summary of the policies and procedures required by this section in their prospectus.

10.3 Proxy Voting Record

- (1) An investment fund must maintain a proxy voting record that includes, at a minimum, for each time that the investment fund receives, in its capacity as securityholder, proxy materials relating to a meeting of securityholders of an issuer,
- (a) the name of the issuer;
 - (b) the exchange ticker symbol of the securities, unless not readily available to the investment fund;
 - (c) the CUSIP number for the securities;
 - (d) the meeting date;
 - (e) a brief identification of the matter or matters to be voted on at the meeting;
 - (f) whether the matter or matters voted on was proposed by the issuer, its management or another person or company;
 - (g) whether the investment fund voted on the matter or matters;
 - (h) if applicable, how the investment fund voted on the matter or matters; and
 - (i) whether votes cast by the investment fund were for or against the recommendations of management of the issuer.

10.4 Preparation and Availability of Proxy Voting Record

- (1) An investment fund must prepare a proxy voting record on an annual basis for the period ending on June 30 of each calendar year.

- (2) An investment fund must promptly deliver or send a copy of the investment fund's proxy voting policies and procedures and proxy voting record, free of charge, to any securityholder of the investment fund upon a request made by the securityholder more than 60 days after the end of the period to which the proxy voting record pertains.

PART 11 MATERIAL CHANGE REPORTS

11.1 **Application** - This Part applies only to an investment fund that is a reporting issuer.

11.2 **Publication of Material Change**

- (1) If a material change occurs in the affairs of an investment fund, that investment fund must:
 - (a) promptly issue and file a news release that is authorized by an executive officer of the manager of the investment fund and that discloses the nature and substance of the material change;
 - (b) post all disclosure made under paragraph (a) on the website of the investment fund or the investment fund manager;
 - (c) as soon as practicable, but in any event no later than 10 days after the date on which the change occurs, file a report containing the information required by Form 51-102F3, except that a reference in Form 51-102F3 to:
 - (i) the term "material change" must be read as a "material change" under this Instrument;
 - (ii) "section 7.1 of National Instrument 51-102" in Item 3 of Part 2 must be read as a reference to "section 11.2 of National Instrument 81-106";
 - (iii) "subsection 7.1(2) or (3) of National Instrument 51-102" in Item 6 of Part 2 must be read as a reference to "subsection 11.2(2) or (3) of National Instrument 81-106";
 - (iv) "subsection 7.1(5) of National Instrument 51-102" in Items 6 and 7 of Part 2 must be read as a reference to "subsection 11.2(4) of National Instrument 81-106"; and

- (v) “executive officer of your company” in Item 8 of Part 2 must be read as a reference to “officer of the investment fund or of the manager of the investment fund”.
 - (d) file an amendment to its prospectus or simplified prospectus that discloses the material change in accordance with the requirements of securities legislation as if the amendment were required to be filed under securities legislation.
- (2) If:
- (a) in the opinion of the board of directors or trustee of an investment fund or the manager, and if that opinion is arrived at in a reasonable manner, the disclosure required by subsection (1) would be unduly detrimental to the investment fund’s interest; or
 - (b) the material change
 - (i) consists of a decision to implement a change made by senior management of the investment fund or senior management of the manager of the investment fund who believe that confirmation of the decision by the board of directors or persons acting in a similar capacity is probable; and
 - (ii) senior management of the investment fund or senior management of the manager of the investment fund has no reason to believe that persons with knowledge of the material change have made use of that knowledge in purchasing or selling securities of the investment fund,
- the investment fund may, instead of complying with subsection (1), immediately file only the report required under subsection (1)(c) marked to indicate that it is confidential, together with written reasons for non-disclosure.
- (3) Subsection (1) does not apply to an investment fund in Québec if
- (a) senior management of the investment fund has reasonable grounds to believe that disclosure as required by subsection (1) would be seriously prejudicial to the interests of the investment fund and that no transaction in securities of the investment fund has been or will be carried out on the basis of the information not generally known;

- (b) the investment fund immediately files the report required under paragraph (1)(c) marked so as to indicate that it is confidential, together with written reasons for non-disclosure; and
 - (c) the investment fund complies with subsection (1) when the circumstances that justify non-disclosure cease to exist.
- (4) If a report has been filed under subsection (1)(c), the investment fund must advise the applicable regulator or securities regulatory authority in writing within ten days of the initial filing of the report if it believes the report should continue to remain confidential and every 10 days thereafter until the material change is generally disclosed in the manner referred to in subsection (1) or, if the material change consists of a decision of the type referred to in paragraph (2)(b), until that decision has been rejected by the board of directors of the investment fund or the board of directors of the manager of the investment fund.
- (5) Despite filing a report under subsection (1)(c), an investment fund must promptly and generally disclose the material change in the manner referred to in subsection (1) upon the investment fund becoming aware, or having reasonable grounds to believe, that a person or company is purchasing or selling securities of the investment fund with knowledge of the material change that has not been generally disclosed.

PART 12 PROXY SOLICITATION AND INFORMATION CIRCULARS

12.1 **Application** - This Part applies only to an investment fund that is a reporting issuer.

12.2 **Sending of Proxies and Information Circulars**

- (1) If management of an investment fund or the manager of an investment fund gives or intends to give notice of a meeting to securityholders of the investment fund, management or the manager must, at the same time as or before giving that notice, send to each securityholder who is entitled to notice of the meeting a form of proxy for use at the meeting.
- (2) A person or company that solicits proxies from securityholders of an investment fund must:
 - (a) in the case of a solicitation by or on behalf of management of the investment fund, send with the notice of meeting to each securityholder whose proxy is solicited a completed Form 51-102F5; or

- (b) in the case of a solicitation by or on behalf of any person or company other than management of the investment fund, concurrently with or before the solicitation, send a completed Form 51-102F5 and a form of proxy to each securityholder whose proxy is solicited.
- (3) In Québec, subsections (1) and (2) apply, adapted as required, to a meeting of holders of debt securities of an investment fund that is a reporting issuer in Québec, whether called by management of the investment fund or by the trustee of the debt securities.

12.3 **Exemption**

- (1) Paragraph 12.2(2)(b) does not apply to a solicitation if the total number of securityholders whose proxies are solicited is not more than 15.
- (2) For the purposes of subsection (1), two or more persons or companies who are joint registered owners of one or more securities are considered to be one securityholder.

12.4 **Compliance with National Instrument 51-102** - A person or company that solicits proxies under section 12.2 must do so in compliance with the requirement of sections 9.3 and 9.4 of National Instrument 51-102 *Continuous Disclosure Obligations* as if those sections applied to the person or company, and as if references in those sections to “a reporting issuer” were references to “an investment fund”.

PART 13 **CHANGE OF AUDITOR DISCLOSURE**

13.1 **Application** - This Part applies only to an investment fund that is a reporting issuer.

13.2 **Change of Auditor** - An investment fund must not change its auditor unless it complies with section 4.11 of National Instrument 51-102 *Continuous Disclosure Obligations* as if that section applied to the investment fund, and as if

- (a) references in that section to “a reporting issuer” are references to “an investment fund”; and
- (b) references in that section to the “board of directors” are references to the “directors of the investment fund, or the directors of the manager of the investment fund, as applicable”.

PART 14 CALCULATION OF NET ASSET VALUE

14.1 **Application** - This Part applies only to an investment fund that is a reporting issuer.

14.2 **Calculation, Frequency and Currency**

- (1) The net asset value of an investment fund must be calculated in accordance with Canadian GAAP.
- (2) Despite subsection (1), a labour sponsored or venture capital fund that, at the date this Instrument comes into force, has a deferred charge in its statement of net assets relating to sales commissions that have been paid by the labour sponsored or venture capital fund, may continue to amortize this deferred asset over the remaining amortization period, provided the labour sponsored or venture capital fund ceased adding to this deferred charge by December 31, 2003.
- (3) The net asset value of an investment fund must be calculated
 - (a) if the investment fund does not use derivatives, at least once in each week; or
 - (b) if the investment fund uses derivatives, at least once every business day.
- (4) A mutual fund that holds securities of other mutual funds must have dates for the calculation of net asset value that are compatible with those of the other mutual funds.
- (5) Despite subsection (3), an investment fund that, at the date that this Instrument comes into force, calculates net asset value no less frequently than once a month may continue to calculate net asset value at least as frequently as it does at that date.
- (6) The net asset value of an investment fund must be calculated in the currency of Canada or in the currency of the United States of America or both.
- (7) An investment fund that arranges for the publication of its net asset value in the financial press must ensure that its current net asset value is provided on a timely basis to the financial press.
- (8) Subsection (2) does not apply in British Columbia, Manitoba or Québec.

14.3 **Portfolio Transactions** - The net asset value of an investment fund must include each purchase or sale of a portfolio asset no later than in the next calculation of the net asset value after the date the purchase or sale becomes binding.

14.4 **Capital Transactions** - The investment fund must include each issue or redemption of a security of the investment fund in the next calculation of net asset value the investment fund makes after the calculation of net asset value used to establish the issue or redemption price.

PART 15 **CALCULATION OF MANAGEMENT EXPENSE RATIO**

15.1 **Calculation of Management Expense Ratio**

- (1) An investment fund may disclose its management expense ratio only if the management expense ratio is calculated for the financial year or interim period of the investment fund and if it is calculated by
 - (a) dividing
 - (i) the aggregate of
 - (A) total expenses of the investment fund, before income taxes, for the financial year or interim period as shown on its statement of operations; and
 - (B) any other fee, charge or expense of the investment fund that has the effect of reducing the investment fund's net asset value;by
 - (ii) the average net asset value of the investment fund for the financial year or interim period, obtained by
 - (A) adding together the net asset values of the investment fund as at the close of business of the investment fund on each day during the financial year or interim period on which the net asset value of the investment fund has been calculated, and
 - (B) dividing the amount obtained under clause (A) by the number of days during the financial year or interim period on which the

net asset value of the investment fund has been calculated; and

- (b) multiplying the result obtained under paragraph (a) by 100.
- (2) If any fees and expenses otherwise payable by an investment fund in a financial year or interim period were waived or otherwise absorbed by a member of the organization of the investment fund, the investment fund must disclose, in a note to the disclosure of its management expense ratio, details of
- (a) what the management expense ratio would have been without any waivers or absorptions;
 - (b) the length of time that the waiver or absorption is expected to continue;
 - (c) whether the waiver or absorption can be terminated at any time by the member of the organization of the investment fund; and
 - (d) any other arrangements concerning the waiver or absorption.
- (3) The management expense ratio must exclude all non-optional fees, charges and expenses paid directly by investors of an investment fund in connection with the holding of securities of the investment fund during the period to which the disclosed management expense ratio relates provided there is appropriate disclosure of
- (a) the type of fees paid directly by investors, including the services expected to be received; and
 - (b) an estimate of the amount of fees to be paid directly by investors, expressed as a percentage of net asset value. If the aggregate amount of a non-optional fee, charge and expense payable directly by investors of an investment fund in connection with the holding of securities of the investment fund during the period to which the disclosed management expense ratio relates is not ascertainable, the investment fund must include the maximum amount of the non-optional investor fee that could have been paid by those investors.
- (4) Investment fund expenses rebated by a manager or an investment fund to a securityholder must not be deducted from total expenses of the investment fund in determining the management expense ratio of the investment fund.

- (5) An investment fund that has separate classes or series of securities must calculate a management expense ratio for each class or series, in the manner required by this section, modified as appropriate.
- (6) The management expense ratio of an investment fund for a financial period of less than or greater than twelve months must be annualized.
- (7) If an investment fund provides its management expense ratio to a service provider that will arrange for public dissemination of the management expense ratio,
 - (a) the investment fund must provide the management expense ratio calculated in accordance with this Part; and
 - (b) the requirements to provide note disclosure contained in subsections (2) and (3) do not apply if the investment fund indicates, as applicable, that management fees have been waived or that management fees were paid directly by investors during the period for which the management expense ratio was calculated.

15.2

Fund of Funds Calculation

- (1) For the purposes of subparagraph 15.1(1)(a)(i), the total expenses for a financial year or interim period of an investment fund that invests in securities of other investment funds is equal to the sum of
 - (a) the total expenses incurred by the investment fund that are for the period that the calculation of the management expense ratio is made and that are attributable to its investment in each underlying investment fund, as calculated by
 - (i) multiplying the total expenses of each underlying investment fund before income taxes for the financial year or interim period, by
 - (ii) the average proportion of securities of the underlying investment fund held by the investment fund during the financial year or interim period, calculated by
 - (A) adding together the proportion of securities of the underlying investment fund held by the investment fund on each day in the period, and

- (B) dividing the amount obtained under clause (A) by the number of days in the period;
- (b) the total expenses of the investment fund, before income taxes, for the period.
- (2) An investment fund that has exposure to one or more other investment funds through the use of derivatives in a financial year or interim period must calculate its management expense ratio for the financial year or interim period in the manner described in subsection (1), treating each investment fund to which it has exposure as an “underlying investment fund” under subsection (1).
- (3) Subsection (2) does not apply if the derivatives do not expose the investment fund to expenses that would be incurred by a direct investment in the relevant investment funds.
- (4) Management fees rebated by an underlying fund to an investment fund that invests in the underlying fund must be deducted from total expenses of the underlying fund if the rebate is made for the purpose of avoiding duplication of fees between the two investment funds.

PART 16 ADDITIONAL FILING REQUIREMENTS

16.1 **Application** - This Part applies only to an investment fund that is a reporting issuer.

16.2 **Additional Filing Requirements**

- (1) An investment fund must file a copy of any document that it is required by this Instrument to send to its securityholders, except documents sent under section 2.11, Part 6 and Part 10.
- (2) An investment fund must file the document referred to in subsection (1) on the same date as, or as soon as practicable after, the date on which the investment fund sends the document to its securityholders.

16.3 **Voting Results** - An investment fund must, promptly following a meeting of securityholders at which a matter was submitted to a vote, file a report that discloses, for each matter voted upon

- (a) A brief description of the matter voted upon and the outcome of the vote; and

- (b) If the vote was conducted by ballot, the number and percentage of votes cast, which includes votes cast in person and by proxy, for, against, or withheld from each vote.

16.4 **Filing of Material Contracts** - An investment fund that is not subject to National Instrument 81-101 *Mutual Fund Prospectus Disclosure* or securities legislation that imposes a similar requirement must file a copy of any material contract of the investment fund not previously filed, or any amendment to any material contract of the investment fund not previously filed

- (a) with the final prospectus of the investment fund; or
- (b) upon the execution of the material contract or amendment.

PART 17 EXEMPTIONS

17.1 Exemption

- (1) The regulator or securities regulatory authority may grant an exemption from 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 an exemption from any part of this Instrument.

PART 18 EFFECTIVE DATE AND TRANSITIONAL

18.1 **Effective Date** - This Instrument comes into force on •.

18.2 **Financial Statements** - This Instrument applies to

- (a) annual financial statements and annual management reports of fund performance for financial years of an investment fund that end on or after December 31, 2004;
- (b) interim financial statements and interim management reports of fund performance for interim periods that end after the period determined in paragraph (a); and
- (c) quarterly portfolio disclosure for periods that end on or after the date that this Instrument comes into force.

18.3 Filing of Financial Statements and Management Reports of Fund Performance

- (1) Despite section 2.2 and section 4.2, the first annual financial statements and the first annual management report of fund performance that are required to be prepared in accordance with this Instrument must be filed on or before the 120th day after the end of the financial year of the investment fund to which they pertain.
- (2) Despite section 2.4 and section 4.2, the first interim financial statements and the first interim management report of fund performance that are required to be prepared in accordance with this Instrument must be filed on or before the 60th day after the end of the interim period of the investment fund to which they pertain.

18.4 Filing of Annual Information Form - Despite section 9.3, the first annual information form to be prepared under this Instrument must be filed on or before the 120th day after the end of the financial year of the investment fund to which it pertains.

18.5 Initial Delivery of Annual Management Report of Fund Performance - Despite Part 5, an investment fund must deliver to each securityholder the annual management report of fund performance for the first financial year end of the investment fund after the effective date of this Instrument together with an explanation of the new continuous disclosure requirements, including the availability of quarterly portfolio disclosure.

18.6 Revocation of Exemptions - An investment fund that has obtained an exemption or waiver from, or approval under, securities legislation, National Policy 39, National Instrument 81-101 *Mutual Fund Prospectus Disclosure*, National Instrument 81-102 *Mutual Funds*, National Instrument 81-104 *Commodity Pools* or National Instrument 81-105 *Mutual Fund Sales Practices* relating to its continuous disclosure obligations may not, after •, 2004, rely on the exemption, waiver or approval to the extent that reliance would be inconsistent with this Instrument.

NATIONAL INSTRUMENT 81-106
INVESTMENT FUND CONTINUOUS DISCLOSURE

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