



Ontario
Securities
Commission

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VIA SEDAR

November 12, 2002

Borden Ladner Gervais LLP
Toronto, Ontario

Attention: Susan Isaac

Dear Ms. Isaac:

**Re: Claringtonfunds Inc.
Clarington Canadian Core Portfolio
Clarington U.S. Core Portfolio, And
Clarington Global Core Portfolio
(collectively the "New Top Funds")
Application under Mutual Reliance Review System for Exemptive Relief
("MRRS") under National Instrument 81-102 ("NI 81-102"), Application #
02/817, Sedar project # 479507.**

By letter dated September 9, 2002, you applied to the regulator or the securities regulatory authority in each the provinces and territories of Canada (collectively, the "Decision Makers") on behalf of ClaringtonFunds Inc. (the "Manager"), the New Top Funds and other mutual funds to be managed by the Manager after the date of this letter having as their investment objective to invest all or substantially all of their assets in other mutual funds (collectively, the "Top Funds" or individually, a "Top Fund"), for exemptive relief from the restrictions in subsections 2.1(1), 2.2(1)(a) and clause 2.5(1)(a) of NI 81-102 to permit a fund-on-fund structure whereby the Top Funds each invest substantively all their assets in a portfolio of selected mutual funds managed by the Manager (collectively, the "Underlying Funds, individually, an "Underlying Fund").

The Application states that each Top Fund will invest fixed percentages (the "Fixed Percentages") of its assets (exclusive of cash and cash equivalents), as specified in the simplified prospectus of the Top Funds, in the securities of the Underlying Funds, subject to a variation of 2.5 percent above or below the Fixed Percentages (the "Permitted Ranges") to account for market fluctuations.

The securities of the Top Funds and of the Underlying Funds are or will be qualified for sale in the jurisdiction of each Decision Maker under a (final) simplified prospectus and annual information form filed with and accepted by each Decision Maker.

This letter confirms that, based on the information and representations contained in the Application, and for the purposes described in the Application, the Decision Makers hereby exempt each of the Top Funds from the following requirements of NI 81-102:

- (i) subsection 2.1(1), to permit a Top Fund to invest more than 10 percent of its net assets in securities of an Underlying Fund;
- (ii) subsection 2.2(1)(a), to permit a Top Fund to purchase securities of an Underlying Fund, even if, as a result of such purchase, the Top Fund would hold securities representing more than 10 percent of the voting or equity securities of the Underlying Fund;
- (iii) clause 2.5(1)(a), to permit a Top Fund to purchase securities of one or more Underlying Funds, even if such purchase exceeds the prescribed 10 percent aggregate limit.

This letter further confirms that you have withdrawn your request for relief from clause 5.5(1)(d) of NI 81-102 to allow a Top Fund to suspend redemptions for the whole or any part of a period during which one or more of its respective Underlying Funds have suspended redemptions.

The Decision Makers grant the exemptions to permit each of the Top Funds to purchase securities of the Underlying Funds, subject to the following conditions:

- 1. the Decision, as it relates to the jurisdiction of a Decision Maker, will terminate one year after the publication in final form of any legislation or rule of that Decision Maker dealing with matters in section 2.5 of NI 81-102;
- 2. the Decision shall only apply if, at the time a Top Fund makes or holds an investment in its Underlying Funds, the following conditions are satisfied:
 - (a) the securities of both the Top Fund and the Underlying Funds are being offered for sale in the jurisdiction of the Decision Maker pursuant to a simplified prospectus and annual information form which has been filed with and accepted by the Decision Maker;
 - (b) the investment by the Top Fund in the Underlying Funds is compatible with the fundamental investment objective of the Top Fund;

- (c) the Prospectus of the Top Fund discloses:
 - (i) the intent of the Top Fund to invest substantially all of its assets in securities comprised of a combination of the Underlying Funds;
 - (ii) the managers of the Underlying Funds;
 - (iii) the names of the Underlying Funds;
 - (iv) the Fixed Percentages and the Permitted Ranges within which such Fixed Percentages may vary; and
 - (v) the investment objectives, investment strategies, risks and restrictions of the Underlying Funds;
- (d) the investment objective of each Top Fund discloses that the Top Fund invests substantially all of its assets in securities of the Underlying Funds;
- (e) the Underlying Funds are not mutual funds whose investment objectives include investing directly or indirectly in other mutual funds;
- (f) each Top Fund invests its assets (exclusive of cash and cash equivalents) in specified Underlying Funds in accordance with the Fixed Percentages disclosed in the simplified prospectus of the Top Fund ;
- (g) the Top Fund's holding of securities in the Underlying Funds does not deviate from the Permitted Ranges;
- (h) any deviation from the Fixed Percentages is caused by market fluctuations only;
- (i) if an investment of any Top Fund in the Underlying Funds has deviated from the Permitted Ranges as a result of market fluctuations, the Top Fund's investment portfolio is re-balanced to comply with the Fixed Percentages on the next day on which the net asset value was calculated following the deviation;
- (j) if the Fixed Percentages and the Underlying Funds have changed, either the Prospectus has been amended in accordance with securities legislation to reflect this significant change, or a new simplified prospectus has been filed to reflect the proposed change and existing securityholders of the Top Funds have been given at least 60 days prior written notice of the proposed change;

- (k) there are compatible dates for the calculation of the net asset value of the Top Fund and the Underlying Funds for the purpose of the issue and redemption of the securities of such mutual funds;
- (l) no sales charges are payable by a Top Fund in relation to its purchases of securities of the Underlying Funds;
- (m) no redemption fees or other charges are charged by the Underlying Funds in respect of the redemption by a Top Fund of securities of the Underlying Funds owned by the Top Fund;
- (n) no fees or charges of any sort are paid by the Top Fund and the Underlying Funds, by their respective managers or principal distributors, or by any affiliate or associate of any of the foregoing entities, to anyone in respect of the Top Fund's purchase, holding or redemption of the securities of the Underlying Funds;
- (o) the arrangements between or in respect of the Top Fund and the Underlying Funds are such as to avoid the duplication of management fees;
- (p) any notice provided to security holders of an Underlying fund as required by applicable laws or the constating documents of that Underlying Fund, has been delivered by the Top Fund to its security holders;
- (q) all of the disclosure and notice material prepared in connection with a meeting of security holders of the Underlying Funds and received by the Top Fund has been provided to its security holders, the security holders have been permitted to direct a representative of the Top Fund to vote its holdings in the Underlying Fund in accordance with their direction, and the representative of the Top Fund has not voted its holdings in the Underlying Fund except to the extent the security holders of the Top Fund have directed;
- (r) in addition to receiving the annual and, upon request, the semi-annual financial statements of the Top Fund, securityholders of the Top Fund have received appropriate summary disclosure in respect of the Top Funds' holdings of securities of the Underlying Funds in the financial statements of the Top Fund; and

- (s) to the extent that the Top Fund and the Underlying Funds do not use a combined simplified prospectus and annual information form containing disclosure about the Top Fund and the Underlying Funds, copies of the simplified prospectus and annual information form of the Underlying Funds have been provided upon request to securityholders of the Top Fund and the right to receive these documents is disclosed in the simplified prospectus of the Top Fund.

Yours truly,

Paul A. Dempsey
Paul A. Dempsey
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