

**IN THE MATTER OF
NATIONAL INSTRUMENT 81-102 MUTUAL FUNDS**

AND

**IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM FOR
EXEMPTIVE RELIEF APPLICATIONS**

AND

**IN THE MATTER OF
BMO ASSET ALLOCATION FUND
ELLIOTT & PAGE ACTIVE BOND FUND**

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the **ADecision Makers@**) in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland, Northwest Territories, Yukon and Nunavut (the **AJurisdictions@**) has received an application (the **AApplication@**) from BMO Investments Inc. and Elliott & Page Limited (SEDAR Numbers 281790 and 281798) on behalf of BMO Asset Allocation Fund and Elliott & Page Active Bond Fund (the **AFunds@**), respectively, for a decision by each Decision Maker (collectively, the **ADecision@**) pursuant to section 19.1 of National Instrument 81-102 Mutual Funds (**ANI 81-102**) that the Funds, if they choose to publish Morningstar Star Ratings (as defined below), are exempted, to the extent and on the conditions described below, from the requirement contained in paragraph 15.3(4)(c) of NI 81-102 to publish in a sales communication the Morningstar Star Ratings for certain periods for which standard performance data is required to be given;

AND WHEREAS other Canadian mutual funds wishing to publish Morningstar Star Ratings (the **AOther Funds@**) may wish to rely on this Decision;

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the **ASystem@**), the Ontario Securities Commission is the principal regulator for this Application;

AND WHEREAS the Funds have represented to the Decision Makers that:

1. BMO Investments Inc. and Elliott & Page Limited (the **AManagers@**), are the managers of the BMO Asset Allocation Fund and of the Elliott & Page Active Bond Fund, respectively. The head office for both managers is located in Ontario.

2. Each of the Funds is an open-ended mutual fund trust established under the laws of Ontario. Units of the Funds are offered on a continuous basis in each of the Jurisdictions pursuant to a simplified prospectus dated April 13, 2000, in the case of the BMO Asset Allocation Fund, and August 16, 2000, in the case of the Elliott & Page Active Bond Fund.
3. The Managers wish to include in sales communications of the Funds certain ratings of their performance prepared and provided by Morningstar Canada Inc. (the Morningstar Star Ratings®), which sales communications will not strictly comply with the requirement set forth in section 15.3(4)(c) of NI 81-102, which requires that the ratings that are published be provided for, or Match®, each period for which standard performance data is required to be given (the Matching Requirement®).
4. Morningstar Canada Inc. (Morningstar®) is a rating agency that is not a member of the organization of the Funds. The Funds and Other Funds may make reference to the Morningstar Star Ratings in sales communication subject to the terms of a license agreement with Morningstar.
5. In accordance with the requirements of section 15.8 of NI 81-102, standard performance data in sales communications for mutual funds is required for the following periods (as applicable): one year, three years, five years, ten years, and since inception (for mutual funds offering securities for less than ten years).
6. The basis of generating Morningstar Star Ratings is consistent from mutual fund to mutual fund and captures a quantitative assessment of a mutual fund's past risk-adjusted return, presented relative to its category. Each month, Morningstar computes, for each Canadian mutual fund that has at least three years of performance history, its return score (income plus or minus price changes) and its risk score (the average amount by which the Fund underperforms the 13-week T-bill) and then compares each mutual fund's figures with the average of all funds in its category. The Morningstar Star Ratings are computed by subtracting a mutual fund's risk score from its return score and then dividing the resulting range of scores into five tiers. The top 10% of mutual funds in each category earn five stars; the next 22.5% form the second tier, earning four stars; the following 35% earn three stars; the next 22.5% earn two stars, and the bottom 10% earn one star. Accordingly, one star indicates that the mutual fund has not performed as well as other mutual funds in its category, while five stars indicates that a mutual fund has generally performed better than the other mutual funds in its category.
7. The categories against which the Funds and Other Funds are ranked by Morningstar are the thirty three categories maintained by the Investment Funds Standards Committee (AIFSC®) (www.cifsc.com), a Canadian organization that is independent of Morningstar. The investment funds included in the categories by the IFSC are those investment funds that provide a reasonable and appropriate basis of evaluating mutual fund performance.
8. The Morningstar Star Ratings provide ratings for the following periods (as applicable): three years,

five years, ten years, and the overall rating (the Overall Rating[®]), which is a weighted reflection of the previous three periods. For mutual funds more than ten years old, the ten year statistics account for 50% of the Overall Rating, the five-year statistics account for 30%, and the three-year statistics for 20%. If only five years of history are available, the five-year statistics account for 60% of the Overall Rating and the three-year statistics for 40%. If only three years of data are available, the three-year statistics alone are used. Mutual funds less than three years old are not rated and accordingly are not included in the applicable category.

9. In order that the Funds and the Other Funds= sales communications comply with the Matching Requirements, Morningstar has agreed to calculate and provide a one year rating for mutual funds that have at least 3 years of performance history.
10. The standard performance data that is required to be given by mutual funds in accordance with section 15.8 of NI 81-102 covers a period which is not matched by the Morningstar Star Ratings as Morningstar does not provide a since inception period rating as it is of the opinion that any period that runs from the inception of the mutual fund in question will, by definition, create different periods for mutual funds within the same category and that this would undermine the comparability of the resulting information, as well as undermine the transparency of its methodology to investors.
11. Given that the Morningstar Star Ratings do not include a since inception rating, the Funds and Other Funds wish to be exempted from the requirement to publish such rating in accordance with the Matching Requirement. In addition, the Funds and Other Funds wish to publish the Overall Rating.
12. The absence of the since inception rating in sales communications, as well as the addition therein of the Overall Rating, would not be misleading to investors contrary to clause 15.2(1)(a) of NI 81-102. The Funds will otherwise comply with the Matching Requirement when making reference to Morningstar Star Ratings in sales communications.
13. In the absence of this Decision, the Managers would be prohibited from publishing the Morningstar Star Ratings for their Funds in sales communications given that the Morningstar Star Ratings, while substantially complying with the Matching Requirements, fall short of technical compliance.

AND WHEREAS, pursuant to the System, this Decision Document evidences the decision of each Decision Maker;

THE DECISION of the Decision Makers pursuant to subsection 19.1(1) of NI 81-102 is that when providing Morningstar Star Ratings in sales communications, the Funds and the Other Funds are exempt from the Matching Requirement that requires the publication of a rating that conforms to the since inception period (as applicable) of standard performance data for the Funds and the Other Funds;

PROVIDED THAT:

1. The sales communication of a Fund or Other Fund that contains the Morningstar Star Ratings complies with Part 15 of NI 81-102 and contains the following disclosure in at least 10 point type:
 - (a) the name of the category within which the Fund is rated;
 - (b) the number of mutual funds in the applicable category for each required standard performance period;
 - (c) the name of the ranking entity, i.e. Morningstar;
 - (d) the length of period and the ending date, or, the first day of the period and the ending date on which the Morningstar Star Rating is based;
 - (e) a statement that the Morningstar Star Ratings are subject to change every month;
 - (f) a brief overview of Morningstar's rating methodology, including what return/risk measures it takes into account;
 - (g) disclosure of the meaning of the Astar® symbol (e.g. five stars indicates fund is in top 10% of its category);
 - (h) reference to Morningstar's website (www.morningstar.ca) for greater detail on the calculation of the Morningstar Star Ratings;
2. If the sales communication also includes the Overall Rating for the applicable Fund or Other Fund, the Overall Rating is to the most recent calendar month end that is not more than 45 days before the date of the appearance or use of the advertisement in which it is included, and not more than three months before the date of first publication of any other sales communication in which it is included; and
3. The Morningstar Star Ratings provided in a sales communication of a Fund or Other Fund are calculated based on comparisons of performance of investment funds within a specified category established by the IFSC that provides a reasonable and appropriate basis of evaluating mutual fund performance.

DATED at Toronto this 22nd day of November, 2000.

Rebecca Cowdery
Rebecca Cowdery
Manager, Investment Funds, Capital Markets

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Headnote:

Application for exemptive relief from the matching requirement in paragraph 15.3(4)(c) of National Instrument 81-102 Mutual Funds. Relief exempting the applicants from the requirement to publish a star rating, as produced by a specified rating agency, that conforms to the ~~since inception~~ period (as applicable) of standard performance data. Relief granted to applicants and other funds wishing to publish the ratings of the specified rating agency.

Rules Cited:

National Instrument 81-102 Mutual Funds, paragraphs 15.2(1)(a) and 15.3(4)(c), section 15.8, and subsection 19.1(1).

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