



December 21, 2000

File X02-2024-4
Sedar Project 304217

Blake, Cassels & Graydon
Barristers & Solicitors
Vancouver, B.C.

Attention: Karim Lalani

Dear Sirs/Mesdames,

Re: Credential Select Funds
Application under Section 19.1 of National Instrument 81-102

By letter dated October 12, 2000 and subsequent correspondence (the "Application"), you applied to the regulator or securities regulatory authority (the "Decision Makers") in each province and territory of Canada except for Quebec (the "Jurisdictions") on behalf of Ethical Funds Inc. ("EFI"), the manager of the Credential Select Balanced Portfolio, Credential Select Growth Portfolio and Credential Select High Growth Portfolio (the "Portfolios") for exemptive relief under Section 19.1 of NI 81-102 to permit the Portfolios to operate a "Fund of Fund" strategy of investing in portfolios made up of other mutual funds managed by a variety of different managers (the "Underlying Funds").

The Funds are to be qualified by a simplified prospectus and annual information form (the "Prospectus") and a preliminary simplified prospectus and annual information form has been filed for the Funds under SEDAR Project No. 304488.

This letter confirms that, based on the information and representations contained in the Application, and for purposes described in the Application, the Decision Makers hereby grant exemptions from the following regulatory requirements for the specified purposes:

- (1) section 2.1(1) of NI 81-102 to exceed the permitted holdings of securities of an issuer by a mutual fund by permitting the Portfolios to invest more than 10% of their net asset value in respective Underlying Funds;
- (2) section 2.2(1) of NI 81-102 to permit the Portfolios to hold more than 10% of the units of the respective Underlying Funds; and
- (3) section 2.5(1)(a) of NI 81-102 to permit the Portfolios to invest over 10% of its net asset value in other mutual funds.

The requested relief is granted to permit each of the Portfolios to invest directly in units of the Underlying Funds subject to the following conditions:

- (a) the securities of the Underlying Funds are offered for sale in the Jurisdictions, pursuant to a prospectus which has been filed with and accepted by the Jurisdictions;
- (b) the Portfolio invests its net assets (exclusive of cash and cash equivalents) in units of the Underlying Funds to a fixed percentage of its assets that is disclosed in the prospectus provided that any deviations above or below the fixed percentages will be solely as a result of market fluctuations and, if they should exceed 2.5 percentage points above or below the fixed percentages, will be adjusted on the next valuation date;
- (c) the fixed percentages and the underlying funds in which the Portfolio invests will not be varied without first filing an amendment to the prospectus of the Portfolio and, in either event, providing 60 days notice to securityholders of the Portfolio;
- (d) the investment by the Portfolio in the Underlying Funds is compatible with the fundamental investment objectives of the Portfolio;
- (e) the prospectus of the Portfolio discloses the investment objectives of the Portfolio and the Underlying Funds, the fixed percentages of the net assets of the Portfolio invested in securities of each of the Underlying Funds and the permitted ranges within which such fixed percentages may vary;
- (f) no sales charges are payable by the Portfolio in relation to its purchases of units of the Underlying Funds;
- (g) there are compatible dates for the calculation of the net asset value of the Portfolio and the Underlying Funds for the purpose of the issue and redemption of the units of such mutual funds;
- (h) no redemption fees or other charges are charged by the Underlying Funds in respect of the redemption by the Portfolio of units of the Underlying Funds owned by the Portfolio;
- (i) the arrangements between the Portfolio and the Underlying Funds are such as to avoid the duplication of management fees;
- (j) Any management fee rebates received from the Underlying Funds will be retained by the Portfolio for the benefit of the unitholders of the Portfolio;
- (k) no fees and charges of any sort are paid by the Portfolio or by the Underlying Funds or by the manager or principal distributor of the Portfolio or Underlying Funds or by any

affiliate or associate of any of the foregoing entities to anyone in respect of the Portfolio's investment in, or redemption of, the units of Underlying Funds;

l) any notice provided to securityholders of an Underlying Fund as required by applicable laws or the constating documents of that Underlying Fund, is delivered by the Portfolio to its unitholders along with all voting rights attached to the securities of the Underlying Fund which are directly owned by the Portfolio;

m) all of the disclosure and notice material prepared in connection with a meeting of securityholders of the Underlying Funds and received by the Portfolio is provided to its unitholders, the unitholders are permitted to direct a representative of the Portfolio to vote its holdings in the Underlying Fund in accordance with their direction, and the representative of the Portfolio has not voted its holdings in the Underlying Funds except to the extent the unitholders of the Portfolio have directed;

n) the simplified prospectus of the Portfolio discloses that the simplified prospectus and annual information forms of the Underlying Funds are available upon request and unitholders will receive the annual and, upon request, the semi-annual financial statements of the Portfolio, together with (i) appropriate summary disclosure in the financial statements of each Portfolio concerning each Underlying Fund in which it invests; or (ii) upon request, the annual and semi-annual financial statements of each applicable Underlying Fund in either a combined report containing both the Portfolio and Underlying Fund financial statements, or in a separate report containing Underlying Fund financial statements; and

o) the Portfolios do not invest in any Underlying Funds (including funds known as "RSP clone funds") which include investing directly or indirectly in other mutual funds in their investment objectives.

This 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 the matters in subsection 2.5(1) of National Instrument 81-102 and mutual funds investing in other mutual funds.

Yours truly,

Signed

Wayne Redwick, CGA
Director