

**APPENDIX C**

**Schedule 4**

**Proposed Form 81-101F3**  
*Contents of Fund Facts Document*  
**of National Instrument 81-101**  
*Mutual Fund Prospectus Disclosure*

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**National Instrument 81-101**  
**Mutual Fund Prospectus Disclosure**  
**Form 81-101F3**  
**Contents of Fund Facts Document**

**GENERAL INSTRUCTIONS:**

*General*

(1) *This Form describes the disclosure required in a fund facts document for a mutual fund. Each Item of this Form outlines disclosure requirements. Instructions to help you provide this disclosure are in italic type.*

(2) *Terms defined in National Instrument 81-101 Mutual Fund Prospectus Disclosure, National Instrument 81-102 Mutual Funds, National Instrument 81-105 Mutual Fund Sales Practices or National Instrument 81-106 Investment Fund Continuous Disclosure and used in this Form have the meanings that they have in those national instruments.*

(3) *A fund facts document must state the required information concisely and in plain language. To ensure ease of readability, the fund facts document must be written at a Flesch-Kincaid grade level of 6.0 or less.*

(4) *Respond as simply and directly as is reasonably possible. Include only the information necessary for a reasonable investor to understand the fundamental and particular characteristics of the mutual fund.*

(5) *National Instrument 81-101 Mutual Fund Prospectus Disclosure requires the fund facts document to be presented in a format that assists in readability and comprehension. This Form does not mandate the use of a specific format or template to achieve these goals. However, mutual funds must use, as appropriate, tables, captions, bullet points or other organizational techniques that assist in presenting the required disclosure clearly and concisely.*

(6) *This Form does not mandate the use of a specific font size or style but the font must be legible. Where the fund facts document is made available online, information must be presented in a way that is capable of being printed in a readable format.*

(7) *A fund facts document can be produced in colour or in black and white, and in portrait or landscape orientation.*

(8) *A fund facts document must contain only the information that is specifically mandated or permitted by this Form. In addition, each Item must be presented in the order and under the heading or sub-heading stipulated in this Form.*

(9) *A fund facts document must not contain design elements (e.g., graphics, photos, artwork) that detract from the information disclosed in the document.*

*Contents of a Fund Facts Document*

(10) *A fund facts document must disclose information about only one class or series of securities of a mutual fund. Mutual funds that have more than one class or series that are referable to the same portfolio of assets must treat each class or series as a separate mutual fund for purposes of this Form.*

**Issue for Comment:**

**1. In response to comments, we have provided some flexibility in the proposed amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure* for a fund facts document to be attached to, or bound with, one or more fund facts documents of other mutual funds. To date, however, we have not seen a sample fund facts document that contains multiple class or series disclosure that meets the principle of providing investors with information in a simple, accessible and comparable format as set out in *Framework 81-406: Point of Sale Disclosure for Mutual Funds and Segregated Funds (Framework)*.**

**For us to consider allowing flexibility to permit a single fund facts document per mutual fund, we request sample fund facts documents that demonstrate multiple class or series information presented in a manner consistent with the principles of the Framework.**

(11) *The fund facts document must be prepared on letter-size paper and must consist of two Parts: Part I and Part II.*

(12) *The fund facts document must begin with the responses to the Items in Part I of this Form. These responses must contain specific information about the mutual fund to which the fund facts document pertains.*

(13) *Part I must be followed by the responses to the Items in Part II of this Form. These responses must contain information about costs of buying and owning the mutual fund, dealer compensation, the cancellation right and how to get additional information about the mutual fund.*

(14) *Each of Part I and Part II must not exceed one page in length, unless the required information in any section causes the disclosure to exceed this limit. Where this is the case, a fund facts document must not exceed a total of 3 pages in length.*

(15) *A mutual fund must not attach or bind other documents to a fund facts document, except those documents permitted under section 5.4 of National Instrument 81-101 *Mutual Fund Prospectus Disclosure*.*

*Consolidation of Fund Facts Document into a Multiple Fund Facts Document*

(16) *Fund facts documents must not be consolidated with each other to form a multiple fund facts document, except as permitted by section 5.4 of National Instrument 81-101 Mutual Fund Prospectus Disclosure. When a multiple fund facts document is permitted under the Instrument, a mutual fund must provide information about each of the mutual funds described in the document on a fund-by-fund or catalogue basis and must set out for each mutual fund separately the information required by this Form. Each fund facts document must start on a new page.*

*Multi-Class Mutual Funds*

(17) *As provided in National Instrument 81-102 Mutual Funds, a section, part, class or series of a class of securities of a mutual fund that is referable to a separate portfolio of assets is considered to be a separate mutual fund. Those principles apply to National Instrument 81-101 Mutual Fund Prospectus Disclosure and this Form.*

**PART I INFORMATION ABOUT THE FUND**

**Item 1: Introduction**

Include at the top of the first page a heading consisting of:

- (a) the title “Fund Facts”;
- (b) the name of the manager of the mutual fund;
- (c) the name of the mutual fund to which the fund facts document pertains and, if the mutual fund has more than one class or series of securities, the name of the class or series covered in the fund facts document; and
- (d) the date of the document.

**INSTRUCTION:**

*The date for a fund facts document that is filed with a preliminary simplified prospectus or simplified prospectus must be the date of the certificate contained in the related annual information form. The date for a fund facts document that is filed with a pro forma simplified prospectus must be the date of the anticipated simplified prospectus. The date for a fund facts document that is updated quarterly or semi-annually must be the date on which it was filed.*

**Item 2: Quick Facts**

Under the heading “Quick Facts”, include disclosure in the form of the following table:

<b>Date fund created:</b> (see instruction 1)	<b>Portfolio manager:</b> (see instruction 4)
<b>Total value on [date]:</b> (see instruction 2)	<b>Distributions:</b> (see instruction 5)
<b>Management expense ratio (MER):</b> (see instruction 3)	<b>Minimum investment:</b> (see instruction 6)

*INSTRUCTIONS:*

- (1) *Use the date that the securities of the class or series of the mutual fund described in the fund facts document first became available to the public.*
- (2) *Specify the total net assets as at a date within 30 days before the date of the fund facts document. The amount disclosed must take into consideration all classes or series that are referable to the same portfolio of assets. For a newly established mutual fund, simply state that this information is not available because it is a new mutual fund.*
- (3) *Use the management expense ratio (MER) disclosed in the most recently filed management report of fund performance (MRFP) for the mutual fund. The MER must be net of fee waivers or absorptions and, despite section 15.1(2) of National Instrument 81-106 Investment Fund Continuous Disclosure, need not include any additional disclosure about the waivers or absorptions. For a newly established mutual fund that cannot comply with s. 15.1(1) of National Instrument 81-106 Investment Fund Continuous Disclosure, state that the MER is not available because it is a new mutual fund.*

**Issue for Comment**

**2. We are considering whether it is more appropriate to require disclosure of the MER without any waivers or absorptions, since there is no guarantee such waivers or absorptions will continue. Do you agree with this approach?**

- (4) *Specify the name of the company or companies providing portfolio management services to the mutual fund. The mutual fund may also include the name of the specific individual(s) responsible for portfolio selection.*
- (5) *Include disclosure under this element of the “Quick Facts” only if distributions are a fundamental feature of the mutual fund. Disclose the expected frequency and timing of distributions. If there is a targeted amount for distributions, the mutual fund may include this information as well.*
- (6) *Specify both the minimum amount for an initial investment and for each additional investment. This can include minimum amounts for pre-authorized contribution plans.*

**Item 3: Investments of the Fund**

- (1) Briefly set out under the heading “What does the fund invest in?” a description of the fundamental nature of the mutual fund, or the fundamental features of the mutual fund that distinguish it from other mutual funds.
- (2) For an index mutual fund,
  - (a) disclose the name or names of the permitted index or permitted indices on which the investments of the index mutual fund are based, and
  - (b) briefly describe the nature of that permitted index or those permitted indices.
- (3) Include an introduction to the information provided in response to subsection (4) and subsection (5) using wording similar to the following:

The charts below give you a snapshot of the fund’s investments on [insert date]. The fund’s investments will change.
- (4) Include under the sub-heading “Top 10 investments [date]” a table disclosing:
  - (a) the top 10 positions held by the mutual fund;
  - (b) the total number of positions; and
  - (c) the percentage of net asset value of the mutual fund represented by the top 10 positions.
- (5) Under the sub-heading “Investment mix [date]” include at least one, and up to two, charts or tables that illustrate the investment mix of the mutual fund’s investment portfolio.

**INSTRUCTIONS:**

- (1) *Include in the information under “What does this fund invest in?” a description of what the mutual fund primarily invests in, or intends to primarily invest in, or that its name implies that it will primarily invest in, such as*
  - (a) *particular types of issuers, such as foreign issuers, small capitalization issuers or issuers located in emerging market countries;*
  - (b) *particular geographic locations or industry segments; or*
  - (c) *portfolio assets other than securities.*

- (2) *Include a particular investment strategy only if it is an essential aspect of the mutual fund, as evidenced by the name of the mutual fund or the manner in which the mutual fund is marketed.*
- (3) *If a mutual fund's stated objective is to invest primarily in Canadian securities, specify the maximum exposure to investments in foreign markets.*
- (4) *The information under "Top 10 investments" and "Investment mix" is intended to give a snapshot of the composition of the mutual fund's investment portfolio. The information required to be disclosed under these sub-headings must be as at a date within 30 days before the date of the fund facts document. The date shown must be the same as the one used in Item 2 for the total value of the mutual fund.*
- (5) *If the mutual fund owns more than one class of securities of an issuer, those classes should be aggregated for the purposes of this Item, however, debt and equity securities of an issuer must not be aggregated.*
- (6) *Portfolio assets other than securities should be aggregated if they have substantially similar investment risks and profiles. For instance, gold certificates should be aggregated, even if they are issued by different financial institutions.*
- (7) *Treat cash and cash equivalents as one separate discrete category.*
- (8) *In determining its holdings for purposes of the disclosure required by this Item, a mutual fund should, for each long position in a derivative that is held by the mutual fund for purposes other than hedging and for each index participation unit held by the mutual fund, consider that it holds directly the underlying interest of that derivative or its proportionate share of the securities held by the issuer of the index participation unit.*
- (9) *If a mutual fund invests substantially all of its assets directly or indirectly (through the use of derivatives) in securities of one other mutual fund, list only the 10 largest holdings of the other mutual fund and show the percentage of net asset value of the other mutual fund represented by the top 10 positions, as disclosed by the other mutual fund in its most recent fund facts document.*
- (10) *Indicate whether any of the mutual fund's top 10 positions are short positions.*
- (11) *Each investment mix chart or table must show a breakdown of the mutual fund's investment portfolio into appropriate subgroups and the percentage of the aggregate net asset value of the mutual fund constituted by each subgroup. The names of the subgroups are not prescribed and can include security type, industry segment or geographic location. The mutual fund should use the most appropriate categories given the nature of the mutual fund. The choices made must be consistent with disclosure provided under "Summary of Investment Portfolio" in the mutual fund's MRFP.*

(12) *In presenting the investment mix of the mutual fund, consider the most effective way of conveying the information to investors. All tables or charts must be clear and legible.*

(13) *For new mutual funds where the information required to be disclosed under “Top 10 investments” and “Investment mix” is not available, include the required sub-headings and provide a brief statement explaining why the required information is not available.*

**Item 4: Past Performance**

(1) Under the heading “How has the fund performed?” include an introduction using wording similar to the following:

This section tells you how the fund has performed over the past [insert the lesser of 10 years or the number of completed calendar years] years. Returns are after the MER has been deducted. These expenses reduce the returns you get on your investment.

It’s important to note that this doesn’t tell you how the fund will perform in the future. Also, your actual return will depend on your personal tax situation.

(2) Under the sub-heading “Average return” show

(a) the final value, of a hypothetical \$1,000 investment in the mutual fund as at the end of the period that ends within 30 days before the date of the fund facts document and consists of the lesser of

- (i) 10 years, or
- (ii) the time since inception of the mutual fund;

and

(b) the annual compounded rate of return that would equate the initial \$1,000 investment to the final value.

(3) Under the sub-heading “Year-by-year returns” provide a bar chart that shows the annual total return of the mutual fund, in chronological order with the most recent year on the right of the bar chart, for the lesser of

- (a) each of the 10 most recently completed calendar years; and
- (b) each of the completed calendar years in which the mutual fund has been in existence and which the mutual fund was a reporting issuer.

(4) Provide an introduction to the bar chart indicating

- (a) that the bar chart shows the mutual fund's annual performance for each of the years shown; and
- (b) for the particular years shown, the number of years in which the value of the mutual fund dropped.

**INSTRUCTIONS**

- (1) *In responding to the requirements of this Item, a mutual fund must comply with the relevant sections of Part 15 of National Instrument 81-102 Mutual Funds as if those sections applied to a fund facts document.*
- (2) *Use a linear scale for each axis of the bar chart required by this Item.*
- (3) *The x-axis and y-axis for the bar chart required by this Item must intersect at 0.*
- (4) *A mutual fund that distributes different classes or series of securities that are referable to the same portfolio of assets must only show performance data related to the specific class or series of securities being described in the fund facts document.*
- (5) *If the information required to be disclosed under this Item for "Average return" and "Year-by-year returns" is not reasonably available, include the required sub-headings and provide a brief statement explaining why the required information is not available. For information under "Average return", this will generally be the case for a mutual fund that has been distributing securities under a simplified prospectus for less than 12 consecutive months. For information under "Year-by-year returns", this will generally be the case for a mutual fund that has been distributing securities under a simplified prospectus for less than one calendar year.*
- (6) *The dollar amount shown under "Average return" may be rounded up to the nearest dollar.*
- (7) *The percentage amounts shown under "Average return" and "Year-by-year returns" may be rounded up to the nearest decimal place.*

**Item 5: Risks**

- (1) Under the heading "How risky is it?" provide an introduction using wording similar to the following:

When you invest in a fund, the value of your investment can go down as well as up.

- (2) Using the investment risk classification methodology set out in the mutual fund's simplified prospectus, identify the mutual fund's investment risk level on the following scale:

Low	Low to Medium	Medium	Medium to High	High
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**INSTRUCTIONS:**

(1) *Based upon the investment risk classification methodology adopted by the manager of the mutual fund, identify where the mutual fund fits on the continuum of investment risk levels by showing the full investment risk scale and highlighting the applicable category on the scale. A brief explanation of the mutual fund's risk level may also be included.*

(2) *Where the mutual fund is a new mutual fund and it is not possible for the manager of the mutual fund to apply its investment risk classification methodology to the mutual fund, include a statement explaining that it is a new mutual fund and use the chart to indicate the investment risk level that the manager of the mutual fund would expect for the mutual fund.*

**Issues for Comment:**

**3. In response to comments, including concerns raised by investors and the Investment Funds Institute of Canada (IFIC) of the use of its risk scale, we are proposing for the manager to identify the mutual fund's risk level on a prescribed scale set out in the fund facts document, based upon the risk classification methodology adopted by the manager.**

**We request comment on whether this approach achieves our objective to provide investors with a simple and comparable presentation of the level of investment risk associated with the mutual fund. Are there alternatives to achieve this objective?**

**4. We would like feedback on whether the band we've prescribed for the scale is appropriate. Are there better ways to describe the range of investment risk for a mutual fund?**

**5. We recognize that managers with similar type mutual funds may adopt different methodologies to identify the mutual fund's risk level on the scale prescribed. We would like your view on whether this will detract from our objective to provide a simple and comparable presentation of the level of investment risk. Should we consider requiring a particular type of risk classification methodology be used? If so, what methodology would be appropriate?**

**6. In response to comments, we are considering allowing the disclosure in this section to be supplemented with a brief description of the key risks associated with an investment in the mutual fund. We request feedback on this approach. Should we limit this risk disclosure? If so, how?**

**Item 6: Guarantee**

(1) Under the heading "Are there any guarantees?", if the mutual fund has an insurance or guarantee feature protecting all or some of the principal amount of an investment in the mutual fund:

- (a) identify the person or company providing the guarantee or insurance;
  - (b) provide a brief description of the material terms of the guarantee or insurance, including the maturity date of the guarantee or insurance.
- (2) If the mutual fund does not have any guarantee or insurance, state in wording similar to the following:

Like most mutual funds, this fund doesn't have any guarantees. You may not get back the money you invest.

**INSTRUCTION:**

*If applicable, state that the guarantee or insurance does not apply to the amount of any redemptions before the maturity date of the guarantee or before the death of the securityholder and that redemptions before that date would be based on the net asset value of the mutual fund at the time.*

**Item 7: Suitability**

Provide a brief statement of the suitability of the mutual fund for particular investors under the heading "Who is this fund for?". Describe the characteristics of the investor for whom the mutual fund may or may not be an appropriate investment, and the portfolios for which the mutual fund is and is not suited.

**INSTRUCTION:**

*If the mutual fund is particularly unsuitable for certain types of investors or for certain types of investment portfolios, emphasize this aspect of the mutual fund. Disclose both the types of investors who should not invest in the mutual fund, with regard to investments on both a short- and long-term basis, and the types of portfolios that should not invest in the mutual fund. If the mutual fund is particularly suitable for investors who have particular investment objectives, this can also be disclosed.*

**PART II COSTS, RIGHTS AND OTHER INFORMATION**

**Item 1: Costs of Buying, Owning and Selling the Fund**

**1.1 Introduction**

- (1) Under the heading "How much does it cost?", state using wording similar to the following:

The following tables show the fees and expenses you could pay to buy, own and sell [name of the class or series of securities covered in the fund facts document] [units/shares] of the fund.

- (2) If applicable, state that
- the mutual fund has other classes or series of securities;
  - the fees and expenses for each class or series of securities of the mutual fund are different; and
  - the investor should ask about other classes or series of securities that may be suitable for the investor.

## 1.2 Illustrations of Different Sales Charge Options

- (1) For a mutual fund with multiple sales charge options, include an introduction under the sub-heading “Sales charges” using wording similar to the following:

You have to choose a sales charge option when you buy the fund. Ask about the pros and cons of each option.

- (2) Provide information about the sales charges payable by an investor under the available sales charge options in the form of the following table:

Sales charge option	What you pay	How it works
(see instruction 1)	(see instruction 2)	(see instruction 3)

- (3) If the mutual fund has only one sales charge option, replace the introductory statement required in paragraph (1) above with a statement highlighting the sales charge option applicable to the mutual fund.
- (4) If the mutual fund does not have any sales charges, replace the introductory statement and the table required in paragraph (1) and paragraph (2) above with a general statement explaining that no sales charges apply.

### *INSTRUCTIONS:*

- (1) *The mutual fund must disclose all sales charge options (e.g., initial sales charge, deferred sales charge) that apply to the class or series being described in the fund facts document. It is not necessary to disclose sales charge options that do not apply to the series or class to which the fund facts document relates.*
- (2) *Specify each sales charge option as a percentage. For an initial sales charge, include a range for the amount that can be charged, if applicable. For a deferred sales charge, provide the full sales charge schedule.*

(3) Provide a brief overview of the key elements of how each sales charge option works including:

- whether the amount payable is negotiable;
- whether the amount payable is deducted from the amount paid at the time of purchase or from the amount received at the time of sale;
- who pays and who receives the amount payable under each sales charge option.

In the case of a deferred sales charge, the disclosure must also briefly state:

- any amount payable as an upfront sales commission;
- who pays and who receives the amount payable as the upfront sales commission;
- any free redemption amount and key details about how it works;
- whether switches can be made without incurring a sales charge; and
- how the amount paid by an investor at the time of a redemption of securities is calculated, for example, whether it is based on the net asset value of those securities at the time of redemption or another time.

### 1.3 Ongoing fund expenses

(1) Under the sub-heading “Ongoing fund expenses” include an introduction using wording similar to the following:

You don’t pay these expenses directly. They affect you because they reduce the return you get on your investment.

(2) Provide information about the MER of the mutual fund in the form of the following table:

	<b>Annual rate (as a % of the fund’s value)</b>
<b>Management fee</b> The fund pays a management fee to [insert name of manager of the mutual fund].	(see instruction 1)
<b>Operating expenses</b> These are the costs of the fund, other than trading costs.	(see instruction 2)
<b>Management expense ratio (MER)</b> This is the total of the management fee and operating expenses. (see instruction 3)	(see instruction 4)

(3) If the mutual fund pays an incentive fee that is determined by the performance of the mutual fund, provide a brief statement disclosing the amount of the fee and the circumstances where the mutual fund will pay it.

(4) If the manager of the mutual fund or another member of the mutual fund's organization pays trailing commissions, include a brief description of these commissions under the sub-heading "Trailing commission".

(5) The description of trailing commissions must include a statement in substantially the following words:

The trailing commission is paid out of the management fee. The trailing commission is paid for as long as you own the fund.

**INSTRUCTIONS:**

(1) *The percentage disclosed must correspond to the percentage shown in the fee table in the simplified prospectus.*

(2) *The amount included for operating expenses is the amount arrived at by subtracting the management fee from the MER.*

(3) *Use the same MER that is disclosed in Item 2 of Part I of this Form.*

(4) *The description of trailing commissions must briefly and concisely explain the purpose of the commission, how the commissions are paid and the range of the rates of the commission for each sales charge option.*

**Issue for Comment:**

**7. To better convey the impact on the investor of sales charges and ongoing fund expenses, we are considering requiring an illustration of the amounts payable in dollars and cents. What are your views?**

**8. We are also considering whether to require disclosure in the fund facts document of the trading expense ratio (TER), to provide investors with a more complete picture of the costs associated with an investment in a mutual fund. We request feedback on this proposal.**

**1.4 Other Fees**

(1) Under the sub-heading "Other fees" provide an introduction using wording similar to the following:

You may have to pay other fees when you sell or switch [units/shares] of the fund.

(2) Provide information about the amount of fees, other than sales charges, payable by an investor when they sell or switch units or shares of the mutual fund, substantially in the form of the following table:

<b>Fee</b>	<b>What you pay</b>
(see instruction 1)	(see instruction 2)

**INSTRUCTIONS:**

(1) *Under this Item, it is only necessary to include fees that apply to the particular series or class of the mutual fund. Examples include short-term trading fee, switch fee and change fee. If there are no other fees associated with selling or switching units or shares of the mutual fund, replace the table with a statement to this effect.*

(2) *Provide a brief description of each fee disclosing the amount to be paid as a percentage (or, if applicable, a fixed dollar amount) and state who charges the fee.*

**Item 2: Cancellation Right**

(1) Under the heading “What if I change my mind?” state in substantially the following words:

- You can cancel most investments up to two days after you receive the trade confirmation.
- You have to tell your investment firm in writing that you want to cancel.
- You’ll get back the amount you invested, or less if the value of the fund has gone down.
- You’ll also get back any sales charges and fees you paid.

**Item 3: More Information About the Fund**

(1) Under the heading “For more information” state in substantially the following words:

This Fund Facts may not have all the information you want. You can ask for the fund’s simplified prospectus and other disclosure documents, which have more detailed information. These documents and the Fund Facts make up the fund’s legal documents.

(2) State the name, address and toll-free telephone number of the manager of the mutual fund. If applicable, also state the e-mail address and website of the manager of the mutual fund.