Joint Forum of Financial Market Regulators
Forum conjoint des autorités de réglementation du marché financier

Proposed framework 81-406

Point of sale disclosure for mutual funds and segregated funds

Prepared by:
Canadian Securities Administrators and Canadian Council of Insurance Regulators

June 15, 2007

CONTENTS

Introduction **1**

Background **3**
2003 consultation paper 3
Comments on the 2003 consultation paper 3
What we said we would do 4
What we have done 4

Fund Facts **6**
Investor research 6
Plain language approach 6
Content 7
Document testing 8

Delivering the Fund Facts **9**
Time of delivery 9
Methods of delivery 10

Investor rights **12**
Cooling-off right 12
Right for misrepresentation 12
If the Fund Facts is not delivered 13

Regulatory requirements **14**
Preparing the Fund Facts 14
Filing and review 15
Meeting the delivery requirement 16
Providing other materials at point of sale 17

Next steps **18**
How to send us your comments 18
For more information 18

Appendix 1: Fund Facts for mutual funds 23
Appendix 2: Fund Facts for segregated funds 27
Appendix 3: Key Facts for segregated funds 31
Appendix 4: Investor research and other sources 125
Appendix 5: Research Strategy Group Fund Facts Document Research Report 129

Proposed Framework 81-406

Point of sale disclosure for mutual funds and segregated funds

---

Introduction

Mutual funds and segregated funds are required to disclose a great deal of information to investors in various documents. Among them are the simplified prospectus for mutual fund investors, and the information folder and insurance contract for segregated fund investors.

While these documents are intended to provide critical information to investors who are considering whether to buy a fund, we know that many investors do not use this information when making purchase decisions.

Why the current regime isn't working

Many investors have trouble finding and understanding the information they need because it is buried in these long and complex documents. Investors also find it difficult to compare information about different funds.

In addition, investors may not receive the documents before they make their purchase decision. Dealers must send the prospectus to mutual fund investors within two days after the purchase transaction. Segregated fund investors must receive the information folder at the point of sale, but may not receive the insurance contract until after the sale.

Our vision

The current disclosure regime does not meet our vision of providing investors with meaningful information when they need it most—before they make their decision to buy a fund.

The framework that we are proposing addresses the shortcomings of the current regime by focusing on three principles:

- providing investors with key information about a fund
- providing the information in a simple, accessible and comparable format
- providing the information before investors make their decision to buy

We want investors to have a basic and correct understanding of the potential benefits, risks and costs of investing in a fund and to be able to meaningfully compare one fund with another.

To do this, we need to make sure the information is presented so that most investors will choose to read it. It must be short, informative, friendly and in plain language.

The information must be given to investors when they are making their decision to buy a fund—in other words, before the investor gives instructions to buy the fund.

This document describes the elements of our proposed point of sale disclosure framework, including a new fund summary document, delivery options, investor rights and the regulatory requirements for preparing, filing and delivering the document.

We welcome your comments on the proposed framework. Please see the *Next steps* section for details on how to send us your comments.

This document reflects the ideas of the regulators that are members of the Joint Forum and its member associations. It does not necessarily represent the views of any government.

Background

The Joint Forum of Financial Market Regulators (Joint Forum) consists of representatives from the Canadian Association of Pension Supervisory Authorities (CAPSA), the Canadian Council of Insurance Regulators (CCIR) and the Canadian Securities Administrators (CSA). The goal of the Joint Forum is to continuously improve the financial services regulatory system through greater harmonization, simplification and co-ordination of regulatory activities.

2003 consultation paper

In 2003, the Joint Forum published Consultation Paper 81-403: *Rethinking Point of Sale Disclosure for Segregated Funds and Mutual Funds*. You can find the consultation paper on the Joint Forum website at www.jointforum.ca.

The consultation paper set out our proposals to bring information to investors at the right time, in the right form, and in a cost-effective and practical way. The proposals envisioned a disclosure system consisting of four fundamental documents for a fund:

1. a foundation document containing all of the static information about the fund features and fund manager
2. a continuous disclosure record of the fund's financial statements and management reports of fund performance
3. a fund summary of one or two pages with key information that is unique to the fund that investors would receive before or at the time a purchase decision is made
4. a standardized consumers' guide containing educational information about mutual funds and segregated funds

The proposals were designed to rework the point of sale disclosure regimes to create material that investors would read and be able to understand.

The consultation paper also asked for comments on cooling-off rights for mutual fund and segregated fund purchases.

Comments on the 2003 consultation paper

In April 2004, the Joint Forum published its report on the consultation paper, which summarized the comments received and set out our responses to those comments. The following is a summary of the main comments we received. The full report is available on the Joint Forum website at www.jointforum.ca.

Everyone who commented on the consultation paper agreed that the point of sale disclosure regimes for mutual funds and segregated funds need to be changed. The comments made it clear that investors do not read mutual fund prospectuses or segregated fund information folders. Most of the respondents agreed with the logic of the proposed four-document disclosure system.

- **Fund summary document**. Most of the respondents were in favour of a short fund summary document delivered before the purchase decision is made. Investors were in favour of documents prepared on a per fund basis. In contrast, industry wanted to have the freedom to create combined fund summary documents for all funds in a fund family.

- **Consumers' guide.** The idea of a standardized consumers' guide was popular with investors and industry. Investors said they would like mandatory delivery of a document designed with their input. Industry said it would like to contribute to the contents of a consumers' guide but use it on a voluntary basis only.

  Respondents, however, felt the sample document included in the consultation paper was too long, was too detailed and provided too much information for some investors and not enough for others.

- **Delivery.** Investors were strongly opposed to replacing the requirement to deliver the foundation document and continuous disclosure record with electronic access to these documents. Industry was strongly in favour of this approach.

  Investors said many people do not have the ability or the desire to receive information electronically. They also said we should give investors the option to use electronic access or delivery, or to decline receipt of the disclosure altogether, but leave physical delivery as the default option.

- **Cooling-off right.** The consultation paper suggested that the rights of withdrawal and rescission attached to the purchase of mutual funds might be eliminated if disclosure was provided before the point of sale. The industry agreed with this approach.

  Investors were strongly opposed and reminded us that they hold very few cards and are sometimes subjected to high-pressure sales tactics. Investors said they wanted a meaningful cooling-off period that would apply to all fund purchases.

What we said we would do

In the report, we said that we would approach the work in the consultation paper in two phases.

In the first phase, we would refine the consumers' guide, develop a new right of withdrawal, develop and test a fund summary document, and develop new delivery requirements. We would also publish for comment the proposed fund summary document, the consumers' guide and the necessary amendments to any rules or guidelines.

In the second phase, we would review the need to create a new foundation document to replace the existing simplified prospectus and annual information form for mutual funds.

What we have done

We have developed a new right of withdrawal, developed and tested a fund summary document, and developed new delivery options and the regulatory requirements for preparing and filing the document. These are the cornerstones of our proposed framework and are described on the following pages.

We revisited the concept of the consumers' guide after developing and testing the fund summary document. While we agree that investor education is a key aspect of investor protection, we decided that regulators would not create a consumers' guide as part of this project because:

- The testing concluded that the fund summary document provides a self-explanatory and complete description of a fund.
- Investors told us in the testing that they would go elsewhere if they wanted more information.
- There are already many excellent sources of general educational material in the marketplace about both mutual and segregated funds.

Fund Facts

This section describes the research we reviewed and the conclusions we reached that informed the development of the fund summary document, called "Fund Facts". It also describes the testing we conducted.

We created two versions of the Fund Facts—one for mutual funds and one for segregated funds. The documents are substantially similar, but take into account certain differences between the two investment products. You will find prototypes of these Fund Facts documents in Appendix 1 and Appendix 2.

The CCIR has separately developed an additional two-page prototype document called "Key Facts". This document summarizes the key features of the insurance contract under which segregated funds are offered. See Appendix 3 for more information about the Key Facts.

Investor research

We reviewed many research studies and academic papers from around the world to understand how investors make investment decisions and what information they want to make a decision. They are listed in Appendix 4.

The research told us that:

- Investors want clear disclosure of fees and returns or past performance.
- Investors want information about the risks of investing in a fund, the fund's investments, the portfolio manager and how the adviser is paid.
- Overall knowledge of basic investment concepts is low.
- Many investors are overconfident and overestimate their investment knowledge and abilities.
- A one- or two-page document that summarizes the key features of a fund can help investors make informed purchase decisions.
- Investors have certain behavioural biases that decrease the likelihood that they will:
  - read disclosure if they receive it after they have made their purchase decision
  - exercise their right to cancel their purchase even after receiving information that tells them their original purchase decision was unwise.
- The vast majority of Canadian mutual fund investors consult with their adviser before making a purchase decision.

We concluded that investors currently receive all the information they say they want in the simplified prospectus and information folder, but we know that many of them do not read these documents. Information overload and dense, complex language are two of the reasons why investors do not read the disclosure documents.

We determined that we needed to develop a short and simple point of sale disclosure document to help investors make an informed decision.

Plain language approach

We decided that using a plain language approach to develop the document would help meet our goal of ensuring that investors have a basic and correct understanding of the potential benefits, risks and costs of investing in a fund.

Plain language is communicating in a way that ensures the audience can immediately understand what you tell them. The plain language approach focuses on the needs and abilities of the audience to ensure that the content of a communication is relevant, the organization of the information is logical, the language is appropriate and the presentation is visually appealing.

Our audience

The primary audience for mutual funds and segregated funds disclosure is adult Canadians who have money to invest. In preparing the document, we considered the research and the following facts about the Canadian adult population:

- Our population is aging.
- About one-fifth of Canadians have a language other than French or English as their mother tongue.
- About one-half of adult Canadians have serious problems dealing with printed materials or can deal only with simple reading tasks.

To connect with this audience, we wrote the point of sale disclosure document according to the following principles:

- Avoid legal or financial jargon.
- Use simple examples, tables and graphics to illustrate concepts.
- Use bold headings and white space to make the document easier to read and navigate.
- Write at a Flesch-Kincaid grade level of 5.0.
- Recognize the role of the adviser in the sales process.

Content

The Fund Facts highlights key information that is important to investors. The information fits on both sides of one page and is organized in a way that makes sense to investors. It is designed using a question-and-answer format that makes it easy for investors to find information. It contains a number of statements that help investors understand the risks of investing in a fund.

Page one

The first page of the Fund Facts contains basic information about the fund:

- quick facts about the fund: creation date, total value, portfolio manager, annual expenses/management expense ratio (MER)
- what the fund invests in: types of securities, top 10 investments, investment mix
- how the fund has performed: average and year-by-year returns (after deducting the MER)
- overall risk of the fund: a statement of the fund's risk level and where the risk fits on a scale that is based on the Investment Funds Industry of Canada (IFIC) *Recommendations for Fund Volatility Risk Classification*
- whether the fund is guaranteed
- who the fund is suitable for

Page two

The second page contains information about costs, adviser compensation and the cooling-off right:

- sales charge options: how each option works and the effect each option could have on their investment

- adviser compensation: how advisers are generally paid, including what a trailing commission is and how it works
- cooling off right: how investors can cancel their purchase
- where investors can get more information

The sales charge and adviser compensation sections contain additional questions that an investor may want to ask their adviser.

Document testing

In the fall of 2006, we tested two versions of the Fund Facts with investors and advisers, one for mutual funds and one for segregated funds. We tested each version in English and in French. We wanted to evaluate the documents for:

- clarity of language and format
- relevance and completeness of content
- layout and design
- usefulness in making investment decisions
- desired role in the sales process
- overall appeal

You will find the *Fund Facts Document Research Report* prepared by Research Strategy Group in Appendix 5.

The research report says that the Fund Facts was very well received by the investors and the advisers who we tested. The investors described it as informative, relevant and easy to read. Investors said they want to receive the document before they make a decision to invest. The advisers said they would use it with clients as a presale document and that it would be helpful in explaining things.

The research report also includes suggestions for changes to the Fund Facts. After reviewing the research report, we made changes to clarify or expand the information in the Fund Facts. The Fund Facts documents in Appendixes 1 and 2 reflect these changes.

Delivering the Fund Facts

This section describes when and how investors will receive the Fund Facts under our proposed framework. Dealers and insurers will be responsible for meeting these delivery obligations and for making sure that the advisers who work for them deliver the Fund Facts.

Time of delivery

Investors told us they want the information in the Fund Facts to help them make their purchase decision. Accordingly, the Fund Facts will be delivered to investors before or at the point of sale.

Dealers and insurers will have to deliver the Fund Facts for:

- initial purchases
- subsequent purchases, except for pre-authorized payment plan purchases
- switches, except for switches under asset allocation services

For segregated funds, the initial purchase takes place when an investor signs the application for the insurance contract and selects one or more funds.

There is no provision in the proposed framework for investors to waive receipt of the Fund Facts. Investors can choose how much time they want to spend reviewing the document or discussing it with their adviser.

Questions about subsequent purchases

1. Investors: If you make a subsequent purchase in a fund you own, we recognize you will already have received the Fund Facts. Should we consider waiving the requirement to deliver the Fund Facts for all subsequent purchases of a fund that you own or only for a certain period after the last purchase? If only for a certain period, what is a reasonable amount of time?

2. Investors: If you are buying a fund under a pre-authorized payment plan, you will only receive the Fund Facts for the first purchase. However, information in the Fund Facts will change over time, which could influence your decision to continue buying the fund. Would you want to receive an updated Fund Facts? If so, how frequently would you want to receive the updated document?

3. Investors: Does the other disclosure information that you can choose to receive, such as fund annual reports, provide you with enough information to make a subsequent purchase decision?

Methods of delivery

The table below outlines the methods of delivery that will be available for different types of sales under our proposed framework.

	Method of delivery	
Method of sale	**Before point of sale**	**At point of sale**
In person	• by hand • by fax • by mail • electronically	• by hand
By telephone	• by hand • by fax • by mail • electronically	• by fax • electronically
On the internet	• by hand • by fax • by mail • electronically	• click through the Fund Facts before submitting the purchase order

By electronic delivery, we mean sending an electronic copy of the document directly to the investor.

Based on feedback we received from investors in the consultation paper and through the testing that we did, there is no provision in the proposed framework for access equals delivery as a delivery option.

There is also no provision for oral delivery because we doubt that investors could receive and understand all the information in the Fund Facts in a meaningful way over the telephone. For example, it would be difficult for people to understand an oral description of the investment mix or year-by-year returns bar chart.

Questions about delivery

We are seeking comments on a number of issues relating to delivery of the Fund Facts because we recognize that the requirement to deliver the document before or at the point of sale represents a significant change to the way that mutual funds, and to some extent segregated funds, are currently sold.

We believe that a flexible approach to delivering the Fund Facts will help address the differing needs and expectations of investors while meeting our goal of providing information at the time most relevant to their investment decision. We are willing to work with industry to help make the transition in as reasonable and cost-effective manner as possible.

4. Do the delivery methods described above give investors and industry enough flexibility to make and execute investment decisions in a timely manner?

5. Are there other delivery methods or options that we should consider that are consistent with our objective of providing investors with disclosure before or at the point of sale?

6. Dealers and insurers: What changes would you need to make to your existing processes to comply with our proposed delivery requirements? How long would it take to make these changes? What costs would be involved? Approximately how much would these costs be?

7. Investors: If your adviser did not have the Fund Facts immediately available, would you be willing to wait until you receive it to make your purchase? If you had to wait, would you be likely to choose an investment other than a mutual fund or segregated fund?

Investor rights

This section describes the rights investors will have under the proposed framework.

Cooling-off right

Investors in mutual funds and segregated funds will have a cooling-off right that allows them to cancel their purchase. Investors will have two business days to exercise this right.

The cooling-off right will apply to:

- initial purchases
- subsequent purchases, except for pre-authorized payment plan purchases
- switches, except for switches under asset allocation services

The two-day cooling-off period starts when the investor gives instructions to the dealer or insurer to buy the mutual fund or segregated fund.

Exercising the cooling-off right

Investors will have to give written notice to the dealer or insurer if they want to exercise their cooling-off right.

For mutual funds, the investor will exercise the cooling-off right with the dealer. This means that the dealer will have to return the money to the investor. If the fund manager has received payment from the dealer or fund units have been issued, the fund manager will have to return to the dealer the money it has received or the value of the units it has issued at the time the investor exercises the cooling-off right.

For segregated funds, the investor will exercise the cooling-off right with the insurer.

Amount received on exercising cooling-off right

The investor will get back the lesser of:

- the amount of their original investment and
- the value of the fund on the day they exercise the cooling-off right

If the value of the fund goes down during the cooling-off period, the investor will get back less than their original investment. The purpose of the cooling-off period is to let investors change their minds if they have been sold a fund they really do not want. It is not intended to protect investors from a short-term decline in market value.

The investor will also get back any sales charges or other fees paid to buy the fund. The investor will not pay any redemption fees.

Right for misrepresentation

Mutual funds

The Fund Facts will be incorporated by reference into the simplified prospectus. This means that the existing securities laws will apply and any misrepresentation in it will result in the investor having a statutory right to take action against the mutual fund.

Segregated funds

The Fund Facts will be incorporated by reference into the insurance contract. This means that if there is a misrepresentation in the Fund Facts, the existing laws will apply and the investor will have the right to take action against the insurer for breach of contract.

Question about misrepresentation in Fund Facts for segregated funds

8. Are there other ways to ensure investors have a meaningful remedy for any misrepresentation in the Fund Facts document for segregated funds?

If the Fund Facts is not delivered

Mutual funds

Investors will be able to cancel their purchase at any time if they do not receive the Fund Facts before or at the point of sale. They will receive the amount of their original investment, plus any fees they have paid.

Segregated funds

The existing insurance laws will apply. Where applicable, it will be an unfair or deceptive act or practice for insurers to fail to deliver the Fund Facts when they are required to do so. This means that although investors will not be able to cancel their purchase, they can complain to their provincial regulator who may take action against the insurer.

Regulatory requirements

This section describes the standards that fund managers, dealers and insurers will have to meet when preparing, filing and delivering the Fund Facts under the proposed framework.

Preparing the Fund Facts

Investors told us they want to easily compare funds and they want a document that is easy to read and understand. Accordingly, many aspects of the Fund Facts will be mandated, including:

- the items and their order
- the items that are on the first page
- the items that are on the second page
- the section headings and certain language in each section
- minimum font size
- maximum Flesch-Kincaid grade level of 5.0

However, we recognize that companies need some flexibility to accommodate different kinds of funds. Companies will have flexibility in certain sections to describe the fund's features, for example, the fund's investments and the types of investors the fund is suitable for.

A separate Fund Facts will be required for each class or series of a fund that has a separate MER. Because performance and sales charge information may be different if the MER is different, it would be difficult to produce a Fund Facts with different sets of performance and sales charge information that is as short and easy to read as the prototype documents. The document would certainly be more complex for investors.

Question about funds with multiple classes, series or guarantee options

We recognize that there could be many versions of the Fund Facts for a fund that has more than one class, series or guarantee option with a separate MER. We also recognize that an investor may receive only one version of the Fund Facts for the fund, based on their adviser's discretion. As a result, the investor might only be made aware of one option for them to purchase the fund. Advisers should tell investors about all the options that might be suitable.

9. Are there other ways of disclosing the information in the Fund Facts for a fund with multiple classes, series or guarantee options that are consistent with our objective of providing investors with a two-page document that is easy to understand?

Investors told us that they do not want to read long documents. We want to make it easy for investors to review and refer to the Fund Facts for the funds that they have bought, which is easier to do with a short document. Accordingly, the proposed framework does not permit the Fund Facts to be consolidated into a fund family document or other grouping.

Filing and review

Under the proposed framework, the Fund Facts will be subject to the requirements described below.

Mutual funds

Filing requirements

The fund manager will have to file Fund Facts with securities regulators. The Fund Facts will have to be filed annually, together with the rest of the fund manager's prospectus documents, for receipt by the regulators. Fund managers will continue to prepare and file the simplified prospectus, annual information form, financial statements and management reports of fund performance according to current practice.

Fund managers will have to update and file the Fund Facts when they file their annual and interim continuous disclosure documents. If fund managers want to provide more current information to investors, they may update and file the Fund Facts more often, but no more frequently than quarterly, unless there is a material change.

Material changes

Fund managers will have to update and file a new or revised Fund Facts if there is a material change to the information in the Fund Facts. These material changes will be treated the same way that any other material change to the prospectus is currently treated. This means the fund manager will have to obtain a receipt for the Fund Facts amendment before using the amended Fund Facts.

Certificate requirements

The certificate requirements for mutual fund prospectuses will be amended so that the certificates are forward looking. This is similar to the requirements for the short form prospectus offering system in National Instrument 44-102 *Shelf Distributions*.

The forward-looking certificates will apply to all updates of the Fund Facts. If a mutual fund files a prospectus amendment because of a material change to the simplified prospectus or to the Fund Facts, new certificates will be needed.

Regulatory review

Securities regulators will review the Fund Facts the same way they review other documents that are currently incorporated by reference into the simplified prospectus.

When the review has been completed, the regulator will issue a receipt for the prospectus. The mutual fund may not be sold until the regulator in each province where the fund will be offered has issued a receipt or where there is a deemed receipt under the passport system in provinces where this system is available.

Regulators may review updates of the Fund Facts as part of a continuous disclosure review, but will not receipt them.

Segregated funds

Filing requirements

The insurer will have to file Fund Facts with insurance regulators in provinces where filing is required. The Fund Facts will have to be filed annually, together with the other documents that form part of the insurance contract, for receipt in provinces where receipting occurs.

Insurers will have to update and file the Fund Facts semi-annually in provinces where filing is required. Insurers may update and file the Fund Facts no more frequently than quarterly, unless there is a material change.

Material changes

Insurers will have to update and file a new or revised Fund Facts in provinces where filing is required if there is a material change to the fund. If the material change requires an amendment to the insurance contract, the insurer will have to obtain a receipt for the amendment in provinces where receipting occurs before using the amended Fund Facts.

Regulatory review

The Fund Facts will form part of the information folder that insurance regulators will review according to their current practices.

When the review has been completed, the insurance regulator will issue a receipt in provinces where receipting occurs.

Regulators will review updates to the Fund Facts that result from material changes according to their current practices and will receipt them in provinces where receipting occurs.

Questions about updating the Fund Facts

The proposed framework allows fund managers and insurers to update the Fund Facts no more frequently than quarterly. Although we want to give industry the ability to disclose reasonably current investment and performance information by allowing quarterly updates, we also want to ensure that investors can easily compare funds. A comparison might be difficult if information in one Fund Facts document is more current than information in another Fund Facts document.

10. Fund managers and insurers: How often would you want to update the Fund Facts? If more or less frequently than quarterly, with what frequency and why?

11. Investors: How current do you want the Fund Facts to be? Would a document that contains investment and performance information that is no more than 6 months old meet your information needs?

Meeting the delivery requirement

Dealers and insurers will have two obligations for meeting the delivery requirement:

- The dealer or insurer will have to deliver the Fund Facts to the investor before or at the point of sale.
- Once delivered, the dealer or insurer will have to bring the Fund Facts to the attention of the investor.

These obligations are designed to give investors an opportunity to review the information and ask questions before they make a purchase.

Changes to current delivery requirements

Mutual funds

The existing delivery requirements will be amended to allow dealers to meet their delivery obligation for the simplified prospectus by delivering only the Fund Facts. Dealers will have to deliver the simplified prospectus to investors only on request.

Segregated funds

Fund Facts will become part of the information folder (see Appendix 3). The current requirements for delivering it will not change.

Proving receipt of the Fund Facts

Mutual funds

Dealers will not be required to have investors acknowledge receipt of the Fund Facts. Dealers may impose their own requirements as part of their compliance policies and procedures for delivery obligations.

Segregated funds

Insurers will have to include a signature line on the insurance contract application for the investor to acknowledge that they have received the Fund Facts for all segregated funds selected on the application. Investors will not have to acknowledge receipt for subsequent purchases.

Providing other materials at point of sale

The proposed framework permits dealers and insurers to provide investors with advertising or marketing material before or at the point of sale. If other materials are provided, the adviser will still have to bring the Fund Facts to the attention of the investor. The existing rules relating to advertising and marketing material will continue to apply.

Next steps

We welcome comments generally and on any aspect of our proposed point of sale disclosure framework from investors and industry participants. We will accept comments until October 15, 2007.

We will review and consider all comments, and conduct any additional consultation that we think is necessary. We will then finalize our proposed framework, subject to government review and approvals and, in the jurisdictions where it may be required, changes to laws.

How to send us your comments

Please send your comments to Neil Mohindra at the address below by **October 15, 2007**.

Neil Mohindra
Acting Policy Manager
Joint Forum Project Office
5160 Yonge St.
Box 85, 17th floor
North York, ON
M2N 6L9

Phone: 416-590-7031
Fax: 416-590-7070
E-mail: jointforum@fsco.gov.on.ca

All comments we receive are public and will be posted on the Joint Forum's website at www.jointforum.ca.

For more information

If you have questions about the proposed framework, please contact the Joint Forum Project Office.

Joint Forum Point of Sale Committee

Chair
Jim Hall
Superintendent of Insurance and Financial Institutions
Saskatchewan Financial Services Commission
Phone: 306-787-7881
E-mail: jhall@sfsc.gov.sk.ca

Members
Noreen Bent
Manager and Senior Legal Counsel
Legal Services, Corporate Finance
British Columbia Securities Commission
Phone: 604-899-6741
E-mail: nbent@bcsc.bc.ca

Christopher Birchall
Senior Securities Analyst
Corporate Finance
British Columbia Securities Commission
Phone: 604-899-6722
E-mail: cbirchall@bcsc.bc.ca

Peter Blandy
Manager of Compliance
Alberta Superintendent of Insurance and Financial Institutions
Phone: 780-415-8556
E-mail: peter.blandy@gov.ab.ca

Bob Bouchard
Director and Chief Administration Officer
Manitoba Securities Commission
Phone: 204-945-2555
E-mail: bob.bouchard@gov.mb.ca

Patricia Callon
Investment Funds Branch
Ontario Securities Commission
Phone: 416-593-3673
Email: pcallon@osc.gov.on.ca

Elliott Katz
Senior Policy Analyst
Licensing and Market Conduct Division
Financial Services Commission of Ontario
Phone: 416-590-7578
E-mail: ekatz@fsco.gov.on.ca

Scott Lamb
Legal Counsel
Financial Services Commission of Ontario
Phone: 416-590-7024
E-mail: slamb@fsco.gov.on.ca

Fernand Lavigne
Financial Analyst
Autorité des marchés financiers
Phone: 514-395-0558, ext. 4818
E-mail: fernand.lavigne@lautorite.qc.ca

Cynthia Martens
Legal Counsel
Alberta Securities Commission
Phone: 403-297-4417
E-mail: cynthia.martens@seccom.ab.ca

Pierre Martin
Senior Legal Counsel
Service de la reglementation
Autorité des marchés financiers
Phone: 514-395-0337, ext. 4375
E-mail: pierre.martin@lautorite.qc.ca

Stephen Paglia
Legal Counsel
Ontario Securities Commission
Phone: 416-593-2393
E-mail: spaglia@osc.gov.on.ca

Carol Shevlin
Acting Policy Manager
CCIR Secretariat
Canadian Council of Insurance Regulators
Phone: 416-226-7893
E-Mail: cshevlin@fsco.gov.on.ca

Susan Silma
Director, Investment Funds
Ontario Securities Commission
Phone: 416-593-2302
E-mail: ssilma@osc.gov.on.ca

Grant Swanson
Executive Director, Licensing and Market Conduct Division
Financial Services Commission of Ontario
Phone: 416-590-7120
E-mail: gswanson@fsco.gov.on.ca

Susan Swayze
Plain Language Editor
Ontario Securities Commission
Phone: 416-593-2338
E-mail: sswayze@osc.gov.on.ca

Appendix 1
Fund Facts for mutual funds

XYZ Mutual Funds

FUND FACTS

XYZ Canadian Equity Fund
June 30, 2006

Quick facts

Date fund created:	January 1, 1996	**Portfolio manager:**	Capital Asset Management Ltd.
Total value on June 30, 2006:	$1 billion	**Distributions:**	Annually, on December 15
Annual expenses, as a % of the fund's total value (also called the MER):	2.25%		

What does the fund invest in?

The fund invests in Canadian companies. They can be of any size and from any industry. The charts below give you a snapshot of the fund's investments on June 30, 2006. The fund's investments will change.

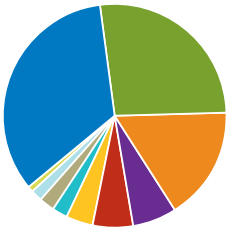
Top 10 investments (June 30, 2006)

1. Royal Bank of Canada
2. Encana Corp.
3. Petro-Canada
4. Alcan Inc.
5. Canadian National Railway Company
6. Goldcorp Inc.
7. Extendicare Inc.
8. Husky Energy
9. Open Text
10. Thomson Corp.

Total investments	**126**

The top 10 investments make up 32% of the fund.

Investment mix (June 30, 2006)



Industry

Financial services	34.0%
Energy	26.6%
Industrial goods	16.5%
Business services	6.4%
Telecommunication	5.9%
Hardware	3.7%
Healthcare services	2.3%
Consumer services	2.1%
Media	1.9%
Consumer goods	0.6%

How has the fund performed?

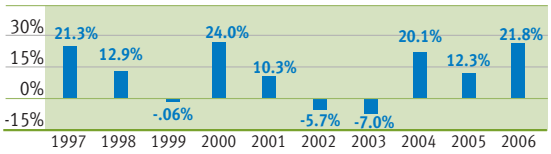
This section tells you how the fund has performed over the past 10 years. Returns are after the annual expenses have been deducted. These expenses reduce the returns you get on your investment.

It's important to note that this doesn't tell you how the fund will perform in the future.

A person who invested $1,000 in the fund 10 years ago now has $2,682. This works out to an average of 10% a year.

Year-by-year returns

This chart shows how the fund has performed in each of the past 10 years. There were three years when people who owned this fund lost some of the money they had at the start of the year.



How risky is it?

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



Are there any guarantees?

Mutual funds don't have any guarantees. You may not get back the amount of money you invest.

Who is this fund for?

Investors who:

- are looking for a long-term investment
- want to invest in a broad range of Canadian companies
- can handle the ups and downs of the stock market.

! Don't buy this fund if you need a steady source of income from your investment.

How much does it cost to buy?

You may have to pay a sales charge. The table below outlines your options. Ask your adviser to explain the pros and cons of each option. Your adviser can also tell you about other sales charge options available on similar funds.

Your sales charge options (✓ Choose one)	What you pay		What else you should know
	(In per cent %)	**(In dollars $)**	
☐ Initial sales charge	0 to 4% when you buy	0 to $40 on every $1,000 you buy	• You and your adviser negotiate the rate. • The initial sales charge is deducted from the amount you buy. That means less of your money is invested in the fund. • Ask your adviser to tell you the sales charge on the amount you're buying.
☐ Deferred sales charge	**If you sell within:** 1 year of buying 6.0% 2 years of buying 5.0% 3 years of buying 4.0% 4 years of buying 3.0% 5 years of buying 2.0% 6 years of buying 1.0% After 6 years none	0 to $60 on every $1,000 you sell	• This is a set schedule. • The deferred sales charge is deducted from the amount you sell. That means you get less of your money back.

How does my adviser get paid?

- Your adviser gets a commission when you buy the fund, unless they choose to waive it.
- Your adviser also gets an ongoing commission for as long as you hold the fund. This is called a "trailing commission".
- The commission rates depend on the sales charge option you choose. Your adviser can tell you the commission rates for this fund, and how they compare with similar funds.
- XYZ Mutual Funds pays the commissions to the company your adviser works for. The company pays your adviser some or all of these commissions.
- The commissions are part of the fund's annual expenses.

What if I change my mind?

- You can cancel your purchase by notifying your adviser in writing within two business days after you buy.
- 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 you paid.

For more information

For more information about this fund or for a copy of the simplified prospectus, speak to your adviser or contact:

XYZ Mutual Funds
123 Asset Allocation St.
Toronto, ON M1A 2B3

Phone: (416) 555-5555
Toll-free: 1-800-555-5556

Email: investing@xyzfunds.com
www.xyzfunds.com



XYZ Mutual Funds

® Registered trademark of XYZ Mutual Funds.

Appendix 2
Fund Facts for segregated funds

GIANT FINANCIAL

FUND FACTS

Choice® Insurance Contract
XYZ Canadian Equity Fund (Combined Guarantee)
June 30, 2006

Quick facts

Date fund created:	January 1, 1996
Total value on June 30, 2006:	$1 billion
Portfolio manager:	Capital Asset Management Ltd
Distributions:	Annually, on December 15

Annual expenses, as a % of the fund's total value:	3.10%
Made up of:	
Fund expenses (also called the MER)	2.25%
Insurance costs	0.85%

What does the fund invest in?

The fund invests in Canadian companies. They can be of any size and from any industry. The charts below give you a snapshot of the fund's investments on June 30, 2006. The fund's investments will change.

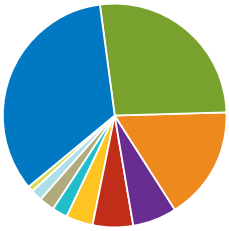
Top 10 investments (June 30, 2006)

1. Royal Bank of Canada
2. Encana Corp.
3. Petro-Canada
4. Alcan Inc.
5. Canadian National Railway Company
6. Goldcorp Inc.
7. Extendicare Inc.
8. Husky Energy
9. Open Text
10. Thomson Corp.

Total investments	**126**

The top 10 investments make up 32% of the fund.

Investment mix (June 30, 2006)



Industry	
Financial services	34.0%
Energy	26.6%
Industrial goods	16.5%
Business services	6.4%
Telecommunication	5.9%
Hardware	3.7%
Healthcare services	2.3%
Consumer services	2.1%
Media	1.9%
Consumer goods	0.6%

How has the fund performed?

This section tells you how the fund has performed over the past 10 years. Returns are after the annual expenses have been deducted. These expenses reduce the returns you get on your investment.

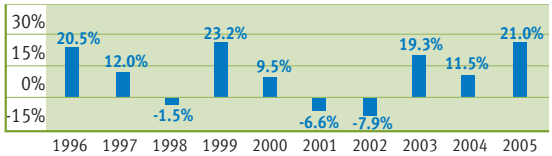
It's important to note that this doesn't tell you how the fund will perform in the future.

Average return

A person who invested $1,000 in the fund 10 years ago now has $2,482. This works out to an average of 9.3% a year.

Year-by-year returns

This chart shows how the fund has performed in each of the past 10 years. There were three years when people who held this fund lost some of the money they had at the start of the year.



How risky is it?

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

Very low	Low	Low to moderate	**Moderate**	Moderate to high	High

Are there any guarantees?

The contract comes with guarantees that protect your investment if the markets go down. You pay annual insurance costs to get these guarantees. For more details, ask your adviser or see the insurance contract *Key Facts* sheet.

Who is this fund for?

Investors who:

- are looking for a long-term investment
- want to invest in a broad range of Canadian companies
- can handle the ups and downs of the stock market.

! Don't buy this fund if you need a steady source of income from your investment.

How much does it cost to buy?

You may have to pay a sales charge. The table below outlines your options. Ask your adviser to explain the pros and cons of each option. Your adviser can also tell you about other sales charge options available on similar funds.

Your sales charge options (✓ Choose one)	What you pay		What else you should know
	(In per cent %)	**(In dollars $)**	
☐ Initial sales charge	0 to 4% when you buy	0 to $40 on every $1,000 you buy	• You and your adviser negotiate the rate. • The initial sales charge is deducted from the amount you buy. That means less of your money is invested in the fund. • Ask your adviser to tell you the sales charge on the amount you're buying.
☐ Deferred sales charge	**If you sell within:** 1 year of buying 6.0% 2 years of buying 5.0% 3 years of buying 4.0% 4 years of buying 3.0% 5 years of buying 2.0% 6 years of buying 1.0% After 6 years none	0 to $60 on every $1,000 you sell	• This is a set schedule. • The deferred sales charge is deducted from the amount you sell. That means you get less of your money back.

How does my adviser get paid?

- Your adviser gets a commission when you buy the fund, unless they choose to waive it.
- Your adviser also gets an ongoing commission for as long as you hold the fund. This is called a "trailing commission".
- The commission rates depend on the sales charge option you choose. Your adviser can tell you the commission rates for this fund, and how they compare with similar funds.
- XYZ Mutual Funds pays the commissions to the company your adviser works for. The company pays your adviser some or all of these commissions.
- The commissions are part of the fund's annual expenses.

What if I change my mind?

- You can cancel your purchase by notifying your adviser in writing within two business days after you buy.
- 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 you paid.

For more information

For more information about this fund, speak to your adviser or contact:

Giant Financial
10010–101 St. NW
Edmonton AB T5J 3G8

Phone: (780) 555-1212
Toll-free: 1-800-GIANTFI
E-mail: Choice@giantfin.com
Website: www.giantfin.com

For more information about your insurance contract, speak to your adviser or see the insurance contract *Key Facts* sheet.



® Registered trademark of Giant Financial.

Appendix 3
Key Facts for segregated funds

Individual Variable Insurance Contracts (IVICs)

IVICs are insurance contracts that provide guarantees and other features. Segregated funds are investment options available under IVICs. This appendix describes the proposed point of sale disclosure framework that the CCIR has developed for IVICs.

Key Facts

The CCIR has separately developed an additional two-page summary document prototype called "Key Facts" for IVICs. This document summarizes the key features of the IVIC. Insurers will be required give the Key Facts to investors before or at the point of sale, together with the Fund Facts for each fund that an investor selects on the application. You will find the prototype of the Key Facts at the end of this Appendix.

The Key Facts helps inform investors about the IVIC they enter into and under which segregated funds are offered. It is designed using a question-and-answer format that makes it easy for an investor to find information.

The first page includes sections on:

- why buy this product
- investment options
- guarantees

The second page includes sections on:

- choosing beneficiaries
- making withdrawals
- how to cancel the contract
- list of the segregated funds available under the contract
- where to get more information

Document testing

In the fall of 2006, the CCIR tested the Key Facts with investors and advisers, in English and in French. They wanted to evaluate the documents for:

- clarity
- readability
- organization
- usefulness
- gaps in content
- overall appeal

You will find the *Insurance Contract Document Research Report for the CCIR* prepared by Allen Research Corporation at the end of this Appendix.

The research report says that the Key Facts was appreciated by the investors and many of the advisers who we tested. They described it as an important document and much needed by industry. The report says that the Key Facts helps inform investors about segregated funds, provides a template to ensure advisers

cover the most important points and introduces a mechanism to create consistency across the industry for presentation of segregated funds.

The research report also includes suggestions for changes to the Key Facts. After reviewing the research report, the CCIR made a number of the suggested changes. The Key Facts document at the end of this Appendix reflects these changes.

Delivering the Key Facts

The delivery requirement under the proposed IVIC framework will consist of two obligations:

- The insurer will have to deliver the Key Facts to the investor before or at the time that the investor signs the application.
- Once delivered, the insurer will have to bring the Key Facts to the attention of the investor.

These obligations are designed to give investors an opportunity to review the information and ask questions before they sign the application.

If the Key Facts is delivered before the application is signed, it may be delivered by hand, by mail, by fax or electronically.

If the Key Facts is delivered when the application is signed, it will have to be delivered by hand.

Insurers will have to include a signature line on the insurance contract application for an investor to acknowledge that they have received the Key Facts.

If the insurer does not deliver the Key Facts, the existing insurance laws will apply. Where applicable, it will be an unfair or deceptive act or practice for an insurer to accept an application from an investor before delivering the information folder consisting of the Key Facts and Fund Facts for the funds selected on the application.

IVIC cooling-off right

Under the proposed IVIC framework, investors will have a cooling-off right that allows them to cancel the IVIC. This right is in addition to the cooling-off right for segregated funds described in the investor rights section of this document.

The two-day “IVIC level” cooling-off right starts on the later of:

- the day the investors signs the application to enter into the IVIC and
- the day that the policy is delivered

The investor will get back the lesser of:

- the amount initially contributed to the segregated funds offered under the IVIC
- the value of their investments in those segregated funds on the date they exercise the cooling-off right

The investor will also receive any sales charges or other fees paid. The investor will not pay any cancellation fees.

The investor will have to give written notice to the insurer if they want to exercise their cooling-off right.

Right for misrepresentation

Under the proposed framework, the Key Facts will be incorporated by reference into the IVIC. This means that if there is a misrepresentation in the Key Facts, the existing laws will apply and the investor will have the right to take action against the insurer for breach of contract.

> **Question about misrepresentation in Key Facts**
> 12. Are there other ways to ensure investors have a meaningful remedy for any breach of contract?

Changes to the information folder

Under the proposed IVIC framework, the information folder will consist of the Key Facts and the Fund Facts for each segregated fund that an investor selects on the application.

Regulatory requirements

The Key Facts will be subject to the requirements described below under the proposed IVIC framework.

Preparing the Key Facts

The CCIR recognizes that insurers need some flexibility to accommodate different kinds of IVICs. They also know that investors want to be able to compare different kinds of IVICs and that they want a document that is easy to read and understand.

Accordingly, some aspects of the Key Facts will be mandated, including:

- a length limit of two pages if the document is printed on the front only or one page if the document is printed on the front and back
- the items and their order
- the section headings
- the wording of some sections such as the introduction, if you change your mind and for more information
- specific components of other elements

Insurers will have flexibility within certain sections to describe features of the IVIC, for example, the reasons why an investor might enter into an IVIC and the ability to make withdrawals.

Filing the Key Facts

The insurer will have to file the Key Facts with insurance regulators annually in provinces where filing is required.

Insurers will have to update and file a new or revised Key Facts in provinces where filing is required if there is a material change to the segregated funds offered under the IVIC or to the IVIC itself. If the material change requires an amendment to the IVIC, the insurer will have to obtain a receipt for the amendment in provinces where receipting occurs before using the amended Key Facts.

Regulatory review

The Key Facts will form part of the information folder that insurance regulators will review according to their current practices.

When the review has been completed, the insurance regulator will issue a receipt in provinces where receipting occurs.

Regulators will review updates to the Key Facts that result from material changes according to their current practices and will receipt them in provinces where receipting occurs.

Changes to IVIC contracts

There will be the following changes to IVIC contracts under the proposed IVIC framework:

- The Key Facts and the Fund Facts for all segregated funds offered under the IVIC will form part of contract or be attached to the contract. Alternatively, the contract may state that the Key Facts and Fund Facts form part of the contract when they are delivered to the investor.
- The contract will have to include a statement that the insurer has to deliver the Key Facts and the Fund Facts for the segregated funds the investor selects on the application.
- The contract will have to describe the cooling-off rights available to investors.

GIANT FINANCIAL

KEY FACTS

Choice Segregated Funds



Here are the basic things you should know before you enter into a *Choice Segregated Funds* policy.

When you enter into a Choice policy, the money you put into the policy is invested in the segregated funds you choose. Your advisor will also be giving you a Fund Facts sheet with basic facts about each segregated fund that you choose.

Your advisor will go over both this sheet and the Fund Facts sheets with you.

Why buy this product?

When you invest in *Choice Segregated Funds*, you combine the growth potential of mutual funds with:

- a guarantee to protect your investment if the markets go down
- a death benefit guarantee
- an option that lets you reset your guarantee to a higher amount if your investment goes up
- possible creditor protection and tax savings.

The death benefits are available immediately, but you will have to hold the policy for 10 years or longer to get some of the other benefits. You should consider this a long-term investment.

You pay an annual insurance cost to get these benefits.

Your investment options

You can choose from the 39 segregated funds listed on the back of this page. Your adviser will help you choose the funds that are right for you.

You can change funds at any time, however:
- changing funds may affect your guarantees
- you may have to pay a sales charge when you change funds.

You'll find information about each segregated fund, including details on sales charges, in its Fund Facts document.

Choosing a guarantee

You choose the guarantee for each fund.

Guarantee option	Guarantee (as a % of amount paid in)		Annual insurance cost (as a % of the fund's total value)
	If you hold the policy for 10 years	On death	
Full	100%	100%	1.20%
Combined	75%	100%	0.85%
Basic	75%	75%	0.60%

The 100% guarantees cost more than the 75% guarantees. The insurance cost is added to the fund expenses (MER) to come to the total charge you will pay each year.

The full guarantee is not available on some higher risk funds.

If you hold the policy for 10 years or if you die, you or your beneficiaries will get the market value of your investment or the guarantee amount, whichever is **higher**. That means if the market has gone down, you or your beneficiaries will get 75% or 100% of what you paid in (depending on the guarantee you've chosen), less any fees or withdrawals you have made.

The full and combined guarantees let you reset your guarantee amount when there are gains on your investment and base the guarantee on the higher amount. Some restrictions apply.

Key Facts revised September 2006

Choosing beneficiaries	You can choose beneficiaries to inherit the guaranteed death benefit. Ask your adviser for details.
Making withdrawals	You can take out some or all of your money at any time: • sales charges and withdrawal fees may apply • withdrawals reduce the amount you get under the guarantee.
If you change your mind	You can cancel your policy by notifying Giant Financial in writing within two business days of signing an application. • you'll get back the amount you invested or less if the value of your investments has gone down • you'll also get back any sales charges you paid.



Investment fund options at September 30, 2006

Fixed income and cash equivalent

Money Market (XYZ)
Fixed-Income Portfolio Fund
Mortgage (XYZ)
Canadian Bond (XYZ)
Global Income (AGF)

Income (XYZ)
Diversified (XYZ)
Equity/Bond
Income (Mackenzie)
Growth & Income (Mackenzie)
Balanced (Mackenzie)
Growth & Income (AGF)

Dividend (XYZ)
Equity Index (XYZ)
Mid-Cap Canada (XYZ)
Canadian Equity (XYZ)
Dividend Growth (Mackenzie)
Larger Company (Mackenzie)
Equity (Mackenzie)
Smaller Company (Mackenzie)
Eclipse Canadian Growth

Real Estate (XYZ)
Canadian Opportunity (Mackenzie)
Canadian Resources (AGF)
Canadian Science and Technology (XYZ)

U.S. Equity (XYZ)
American Growth (AGF)
International Equity (Putnam)
U.S. Mid Cap (XYZ)
Millennia III European Equity Fund

Asian Growth (AGF)
European Equity (Sceptre)
Emerging Markets (Mackenzie)
Japan Equity (Mackenzie)

Conservative Portfolio Fund
Moderate Portfolio Fund
Balanced Portfolio Fund
Advanced Portfolio Fund
Aggressive Portfolio Fund

For more information

You'll find the full details about this product in your policy and application. If you have any questions, or if you would like the Fund Facts documents for any of the investment options, ask your advisor or contact:

Giant Financial
10010–101 St. NW
Edmonton AB T5J 3G8

Phone: (780) 555-1212
Toll-free: 1-800-GIANTFI
E-mail: Choice@giantfin.com
Website: www.giantfin.com

Insurance policies are regulated products. For general information about funds and insurance policies, visit the Canadian Council of Insurance Regulators website at **www.ccir-ccrra.ca**.

If you have a concern with your policy that you have not been able to resolve with your insurer, contact the Canadian Life and Health Insurance OmbudService at 1-888-295-8112 or on the web at **www.clhio.ca** .

GIANT FINANCIAL

Key Facts revised September 2006

Insurance Contract Document Research Report

For

CCIR/CCRRA

By

Allen Research Corporation

(November, 2006)

Table of Contents

	Page
Background & Objectives	3
Method	4
Approach	5
Conclusions & Recommendations	6
Detailed Findings	16
1.0 Consumer Understanding of Segregated Funds	17
2.0 Initial Reactions to Key Facts – Consumers & Advisers	25
3.0 Detailed Reactions to Key Facts	29
4.0 French Language Issues	56
5.0 Overall Reactions to Key Facts	67
6.0 Using Key Facts	72
Appendix	78

Background & Objectives

- The Canadian Council of Insurance Regulators, the Joint Forum Project Office and their members have developed a two-page insurance contract Key Facts sheet to be used as summary information for investors in segregated funds at point of sale.
- Key Facts is intended to provide a concise, plain language summary to help consumers understand the insurance component of segregated funds. The content areas and headings will be mandated for the industry, but the exact language will not be.
- Document research was conducted to examine the clarity, readability, organization, and usefulness of the Key Facts sheet, to identify any gaps in content, and to explore the appeal of the document. It also examined how and when consumers prefer to receive Key Facts.
- Secondly, the research examined the language in some detail. Although language will not be mandated, the research will provide background information to insurance companies when customizing Key Facts.

Method

- A total of 20 one-on-one, one-hour interviews were held distributed as follows:

	Total	Toronto	Montreal (Fr)
Consumers	13	8	5
Advisers	7	4	3
Total	20	12	8

- Consumers, 6 women and 7 men, aged 28 to 72 and from a variety of occupations, were recruited by ARC as the financial decision maker or equal influencer in their households for insurance and investment products, and as using a professional adviser and holding segregated funds.
- Advisors were screened as holding an insurance license and as having sold segregated funds in the past 6 months.
- Canadian insurance regulators were named as the sponsor of the research.
- Interview dates: October 30 to November 2, 2006

Approach

- Because Key Facts is intended to work in combination with Fund Facts, consumers and advisers were shown both documents, but the order of presentation was rotated between interviews. Half the sample saw Key Facts first and half saw Fund Facts first.
- To deepen understanding of how the two documents relate to one another, some participants who had participated in the research on Fund Facts were invited back for this research:
  - In Montreal - 3 repeat consumers; 1 repeat adviser
  - In Toronto – 3 repeat consumers; 2 repeat advisers
- Both segments were invited to read or reread Fund Facts quickly but were not invited to comment on it.
- At the end of each interview, participants were asked to describe the ideal sales process using both documents.

Conclusions & Recommendations

Conclusions & Recommendations

- Key Facts is much appreciated by consumers and by many, but not all, advisers.
- It is an important document and much needed by the industry. Key Facts helps to inform consumers about segregated funds, provides a template to ensure advisers cover the most important points, and introduces a mechanism to create consistency across the industry for presentation of these products. Its use may also help to ensure that the product is only sold to those who can benefit from it.
- Key Facts as currently developed establishes an excellent foundation to meet these goals. Based on consumer and adviser feedback --

  - ✓ 'Key Facts' is a good heading, though its French translation should be confirmed.
  - ✓ One sheet back and front is the preferred length and should be retained.
  - ✓ The question-and-answer format in boxed sections is very effective allowing consumers to scan quickly and encouraging them to read.
  - ✓ The guarantee table is very helpful and fairly clear.
  - ✓ The contact information including the references to CCIR and CLHIO should be maintained for the reassurance and confidence they bring to consumers.

Conclusions & Recommendations cont'd

- Although there are a number of strengths to Key Facts, several changes should be considered to clarify the information it contains and improve its usefulness.
- The most important recommendations are given below. Other more minor comments for consideration can be found within the detailed findings. French language issues are minor and discussed in the appropriate section.

Improving Key Facts

Title

✓ 'Insurance Contract' is not meaningful to consumers. A more useful phrase would speak to segregated funds, fund guarantee, or fund insurance guarantee.

Blue Box

- The blue box is important real estate on the page which is currently not only wasted, but in fact confusing and frightening to consumers.

✓ Many of the issues with Key Facts would disappear if the blue box were used to provide a simple definition of a segregated fund and the relationship to the Fund Facts sheet.

✓ The reference to legal documents should be moved, perhaps ideally to the contact information box which is clearly headed 'For more information'. These documents will continue to be given to clients to meet compliance requirements. Very few advisers go over these with their clients and do not want to be asked to do so.

Conclusions & Recommendations cont'd

Page 1

Why buy this product?

- Along with 'Choosing a guarantee', this is the most important section in Key Facts and accordingly it should be marginally expanded. The current two-page limit for the entire document should not be exceeded.
- ✓ Rewrite 'When you invest through an insurance contract…' in the context of the new product definition.
- ✓ Consider changing 'protect your investment' to 'protect the insured part of your investment'
- ✓ Add a brief note on the reset benefit including that it changes the time line.
- ✓ Expand briefly 'creditor protection' and 'tax savings'.
- ✓ 'You are comfortable paying…' - revise to indicate the idea of 'will pay' and make it clear that insurance costs are in addition to fund costs.

Conclusions & Recommendations cont'd

Your investment options

- Understood for the most part. Advisers like that this ties Key Facts to Fund Facts.
- ✓ It would be helpful to add that fund changes must be within the fund family.
- ✓ Fund Facts should be introduced in the blue box so that the reference here is not puzzling.

Choosing a guarantee

- The table is critical information and usually fairly well understood.
- ✓ Because of its important role and ease of understanding, the table should be moved to the top of this section.
- ✓ 'You choose the guarantee' or 'You may be able to choose the level of guarantee on your fund' should immediately precede and introduce the table.
- ✓ It is important to add a statement that total cost includes the annual insurance cost plus the fund costs immediately below the table and preceding the statement, 'The greater the guarantee, the higher the annual insurance cost.'

Conclusions & Recommendations cont'd

Choosing a guarantee cont'd

- ✓ The reset option should be mentioned here as well as above at 'Why buy this product.' The change in time line if a reset is done should also be mentioned. The phrase 'lock in' should be avoided since it is 'owned' by pensions.
- ✓ Because of the importance of this section it should be given more room. Ideally an example to explain the reset better should be given.
- ✓ Replace 'combined' if a clearer word can be found.

Naming a beneficiary

- Usually understood by consumers as well as advisers and appreciated.
- ✓ Consider adding to the title 'or beneficiaries'.
- ✓ If it is legally necessary then the words 'contingent' or 'preferred' should be added, but this language will be confusing to consumers.
- ✓ The first sentence might benefit from rewriting to improve the tone of 'will get your money when you die.'
- ✓ Depending on what is added to 'Why buy this product?' it may be possible to expand or leave unchanged 'tax advantages' and creditor protection.

Conclusions & Recommendations cont'd

Page 2

- ✓ Management may want to consider whether to keep or drop
  - Making withdrawals
  - When your contract matures
  - Changes to your contract

Making withdrawals

- Some advisers do not think consumers should be encouraged to make withdrawals from segregated funds. Consumers were surprised to learn they could do this.
- ✓ Consumers and advisers find 'unless you have pension money in your contract' confusing. It may be clearer to develop this idea in the context of an RRSP or RRIF. Both abbreviations are also more familiar than 'registered plan'.
- ✓ There is some confusion about whether sales charges include deferred as well as initial sales charges. In French the language makes this more difficult. If the section is retained this issue should be reviewed.

When your contract matures

- ✓ This section is confusing to both consumers and advisers. Both confuse the maturity of the contract with the maturity of the guarantee. This first introduction of the word 'annuity' is also difficult. Again it may be clearer to speak in terms of converting to a RRIF at age 69.

Conclusions & Recommendations cont'd

Changes to your contract

- The idea of changes to a product even before it is purchased is alarming. Neither advisers nor consumers are clear what these changes other than to cost might be.
- ✓ Ideally this section should be dropped. If retained, then it needs to be emphasized that change is allowed only within the family of funds.

If you change your mind

- A much liked and well understood section.
- ✓ Both advisers and consumers want a longer period than two business days.
- ✓ Advisers want consumers to write to the company rather than to them or at least in addition to writing to them.

Investment fund options

- The section is understood and much liked.
- ✓ Although some advisers and consumers would like to see the list moved to Fund Facts, having it here ties the two together and makes very clear which funds this particular insurance contract covers. Unless there is a clear reason for moving it, the list should remain here.
- ✓ Consumers would like to see a reference to more information on the individual funds, especially online. This should be added.

Conclusions & Recommendations cont'd

Other

- ✓ Management should review the font chosen and enlarge it if possible or ensure that there is a strong dark/ light contrast used.
- Many consumers and advisers said, when asked, that they wanted to see page references to the legal contract incorporated in Key Facts under the title to each section.
- ✓ It is not at all clear, however, that these would in fact be used. They would introduce clutter to Key Facts -- which is admired for its clean look – and should not be necessary once changes are carried out.
- ✓ Some advisers and consumers find Key Facts less visually interesting than Fund Facts. Management might consider reviewing ways of improving the visual presence of Fund Facts as suggestions to pass on to insurance companies when customizing the sheet.

Improving the Sales Process

- Almost all of the consumers, even if they still did not fully understand segregated funds, said they would be more comfortable buying these investments if they had Key Facts as a source of information about them. They described the document as informative, easy to read and short. The contact information increased their trust. It was described as the rule book.

Conclusions & Recommendations cont'd

- Consumers wanted to see Key Facts before they see Fund Facts and before making a decision to purchase. Many consumers even said that they would like to have Key Facts sent to them prior to meeting with their advisers.
- Although a few advisers prefer to continue to use their own materials when selling segregated funds, many advisers like the conciseness of Key Facts, its format and plain language presentation. They see it as a handy reminder of what to cover and also as a stimulus to discussion with their clients. In this context, they report that they will go over Key Facts with clients, but most will do so after reviewing Fund Facts. Advisers, for the most part, see selling the fund as their primary job and then the insurance contract.
- ✓ Canadian regulators need to draft their description of compliance for Key Facts carefully, but the main emphasis should be that consumers see Key Facts prior to making a segregated fund investment decision, regardless of whether it is seen before Fund Facts or afterwards.

Detailed Findings

1.0 Consumer Understanding of Segregated Funds

1.1 Consumer Understanding of Segregated Funds

1.2 Advisers' Presentation of Segregated Funds

1.1 Consumer Understanding of Segregated Funds

- Canadian consumers do not understand what a 'segregated fund' is and are, for the most part, not familiar with this term. To overcome this lack of knowledge respondents were recruited as (1) holding mutual funds and (2) holding these mutual funds within an insurance product.
- During the interviews it became clear that all but one of the respondents did indeed have segregated funds, but very few understood the features of this product.
  - Many consumers knew their money was guaranteed in some way, but seldom knew what the guarantee applied to or what level of guarantee they had.
  - Very few were aware of the possible opportunity to reset their guarantee. Some had purchased segregated funds when young – teens to 20s – and had not looked at their policies since, in one case for 40 years. Some were no longer with the same insurance representative.
  - Consumers did not use the word 'annuity' and only one or two had heard the term and with one exception were unable to define it.
  - With the exception of a very few small business owners, none understood the creditor protection the product offers.
  - Only one consumer had any idea of possible tax advantages.

Understanding of Segregated Funds cont'd

- When consumers were asked why they had purchased segregated funds, they reported a variety of reasons:
  - To diversify my portfolio
  - Less risk because managed by an insurance company
  - To get a lump sum at age 50
  - Life insurance but a better return than just with life insurance
  - Flexible life insurance, could cash out at 65
  - Told I could borrow against it
  - Got a statement every month and a dividend
  - As an annuity with a regular payment schedule
  - For bankruptcy protection
- The reason given most often, however, was trust in the adviser's recommendation, followed by diversifying portfolio and less risk.

  "We did it because they said so. We trust them, I've been with them a long time…a bank."

  "My adviser is a personal friend. I trust him."

Understanding of Segregated Funds cont'd

- Consumers reported a variety of discussions with their advisers, but in several cases the sale of segregated funds had happened several years before and they could not fully remember what was said to them.
- In some cases, it was clear that several advisers made every effort to inform the consumer fully, but consumers often did not understand or did not remember.

> *"I was comfortable with what I was told. I usually research my investments, but then I had no time."*
>
> *"He showed me with a pad and pen how it works, but mainly I was trusting the insurance broker."*
>
> *"I didn't listen…He went over it… a detailed insurance program…But I just did it. I was in the middle of a divorce. I didn't know it was a segregated fund, but he said it would be available later."*

Understanding of Segregated Funds cont'd

- Many consumers also admitted that they had received print materials after the sale – a substantial amount – which they did not read.

> *"It takes too much time and energy to read [all that]. They give you too much, it's too thick and too complicated for people with no experience in the financial area."*
>
> *"I listened to him…After I bought he sent [something] to me, but it was thick and I didn't' read it. I had enough information."*
>
> *"Print stuff? Yes. Did I read it? No."*

- Usually they received this material after they had made the decision to buy. During the sale, several said they were not shown any printed materials.

1.2 Advisers' Presentation of Segregated Funds cont'd

- Advisers vary substantially in their approach to selling segregated funds and also seem to vary widely in their own knowledge.
- Advisers reported a variety of reasons for selling segregated funds after they determine the objectives and risk profile of their clients --
- Several said they sold segregated funds to clients who --
  - Have low risk tolerance or
  - Want to diversity their portfolios
- A few sell to older clients with 'specific needs on death' – estate planning or estate conservation.
- Only a few who have several small business owners as clients talked about
  - creditor protection and
  - even fewer talked tax advantages.
- Very few reported telling their clients about reset options. Those who did, however, stressed that this is an important feature.

Advisers' Presentation cont'd

- Advisers also vary in the language they use to describe this product with only a few using the term 'segregated funds' –
  - A mutual fund
  - Guaranteed investment fund
  - A mutual fund with a tool for guarantees
  - A mutual fund with a death benefit guarantee
  - An investment with a guaranteed component
  - Similar to a mutual fund but with different layers of protection
  - A segregated fund

  "The name means diddly…they [clients] want to know risk and reward."
- Almost none of the advisers reported talking about an annuity, and a few deny that a segregated fund is an annuity.
- For many advisers the investment portion of this product is primary in their discussions with their clients; the insurance is secondary.
- While some advisers do use email to send information to their clients, segregated fund materials are usually given during or more often at the end of a face-to-face meeting.
- This product seems to be presented in person, often in the client's home. One agent noted how difficult it is to get clients to concentrate with the children screaming and the television blaring in the background.

Advisers' Presentation cont'd

- Some advisers try very hard to explain segregated funds to their clients. They provide their own summaries usually of the fund [not the insurance contract], use existing fund summaries from the manufacturers, or use the pen and pad approach to outline the features. A very few go over the contract or prospectus with a yellow highlighter prior to sale.
- Many advisers, however, take a more reserved position. They do not really believe clients want to hear all the details and do not believe they can understand them in any case. For this reason, they try to explain only the major points focusing mainly on the mutual fund and talking about a guarantee with little emphasis on insurance.
- At the other extreme are the few advisers who reported –

  "We don't have to provide details to the client…no print information prior to sale."
- As a compliance issue, many advisers report giving the prospectus and contract to clients after they buy. They do not believe that clients read this material.
- When asked, advisers reported that they do not know of any good online segregated fund material with the exception of manufacturer's information. A few mentioned Manulife's brochure as a good document.
- Some advisers mentioned that print materials for segregated funds, for the most part, are poor or absent.

2.0 Initial Reactions to Key Facts - Consumers and Advisers

Initial Reactions to Key Facts

- Consumers' initial impressions of Key Facts were positive. They described it as
  - Clear and uncluttered
  - Containing a lot information and
  - Easy to read.
- They particularly liked the question-and-answer structure with its left to right columns, the use of bolded headings, and the guarantee table.

  "It looks good. It's not too cluttered, clear…a lot of information."

  "I like this in colour. Fund statements are black and white. I like the titles. If I'm not interested I can skip."

  "It's inviting to read…well divided. I can find what I'm looking for.

  "It gives me important information at a glance."

  "There's no mumbo jumbo. It's pretty clear English."
- At the same time, especially in Toronto, some consumers wanted more colour, finding Key Facts a little bland particularly in comparison to Fund Facts.
- A few described the font as too small, though several were comfortable with it. In part, these comments may reflect the choice of colours which did not stand out as well as other colours may.

Initial Reactions cont'd

- More importantly, while advisers immediately understood that Key Facts is about segregated funds, many consumers were not initially sure what the product is.
- In Toronto consumers were allowed to interact with the document without an explanation from the moderator.
- Many did not read the title or see the date. Their eyes were drawn instead immediately to the blue box, which they scanned only briefly. A few read most of the first page and then asked what product Key Facts is about – Why buy what?

  "It's about insurance but I'm not sure what kind."

  "I see the beneficiary so I guess it's about life insurance."
- Even among those who read the title, however, there was still confusion. The term 'insurance contract' means very little to consumers.
- In Montreal when told that Key Facts is about a mutual fund with an insurance guarantee, consumers were much more comfortable.
- Advisers understood the product covered by Key Facts, but were often not sure whether it is intended as a marketing or education piece.

Initial Reactions cont'd

- Visually advisers also described Key Facts as clearly laid out and easy to read. They liked the question-and-answer format and the bolded headings. Several said they thought their clients would read it.

  "It's very nicely presented and compelling to read."

  "It's very legible and the layout is simple."

  "I like this. It's concise. When I look for something I don't want to hunt. I can see the headlines on the left and the detail on the right."

  "It's simple enough to sift through."

  "The colour catches the eye and the illustration."

- Much more than the consumers, however, advisers were concerned that their elderly clients would have trouble reading the font and wanted it larger and darker.
- A few also noted that compared to Fund Facts visually, Key Facts is 'boring'.

3.0 Detailed Reactions to Key Facts

3.1 Consumers' Detailed Reactions

3.2 Advisers' Detailed Reactions

3.1 Consumers' Reactions

- The comments in the following section reflect the opinions of both French and English respondents.
- Both segments liked Key Facts, but French respondents questioned specific areas of the text less, especially 'Why Buy this product?', because they were provided with an explanation prior to seeing the document –
  - They were told that Key Facts is about a mutual fund with an insurance guarantee.
- Respondents in Toronto were deliberately asked to react to Key Facts without an explanation.
- Once Key Facts is in use by the industry, it is assumed that financial advisers will provide some introduction prior to giving Key Facts to clients, but insofar as possible, the document should be clear as stand-alone information. Consumers may receive Key Facts prior to meeting with an adviser or may be asked to take it home to read alone.
- Specific French language issues are treated in the next section.

Consumers' Reactions - Masthead



- Consumers seldom read the subtitle 'Insurance Contract' or the date. When read, neither was understood. Consumers think of policies, but not of contracts. 'Contract' does, however, signal a 'binding' agreement to them.
- When asked, consumers thought the date important; but related it to the fund not the contract.
- Consumers saw but seldom commented on the logo of Giant Financial.
- Instead the blue box was the initial focal point of the document. Consumers looked at it, but read or scanned it only quickly. They saw it as introductory, but not critical.
- Consumers who read the text understood it, but did not know where the application, insurance contract and information folder are or why Key Facts is not mentioned or its relationship to the other documents.
- This text made the product seem complicated and a few found the reference to legal documents 'scary'.

Consumers' Reactions – Page 1

Why buy this product?	When you invest through an insurance contract, you combine the growth potential of mutual funds with: • guarantees that protect your investment if the markets go down • death benefit guarantees • possible creditor protection and tax savings. This product might be right for you if: • you plan to keep the contract until it matures (usually 10 years) • you are comfortable paying annual insurance costs for the guarantees.

- Consumers liked the initial question, but had more trouble with this section than any other because they do not understand the product. Nowhere is it defined.
- The first sentence is difficult for consumers, especially the use of 'through'. They do not understand the relationship between the mutual fund and the insurance contract. It also reverses the expected order putting insurance before the fund.
- They understood that their investment was somehow protected, but did not know what part of it or how.

  "Is this true? If I'm losing money how do they top it up?"
- 'Death benefit guarantees' was also difficult though usually worked out.
- Only a few consumers, usually small business owners, had any idea what 'creditor protection' means.
- Even fewer understood what tax savings might be involved or how substantial they might be – *"Is it like an RSP?" "Is it a tax shelter?"*

Consumers' Reactions – Page 1

Why buy this product? cont'd

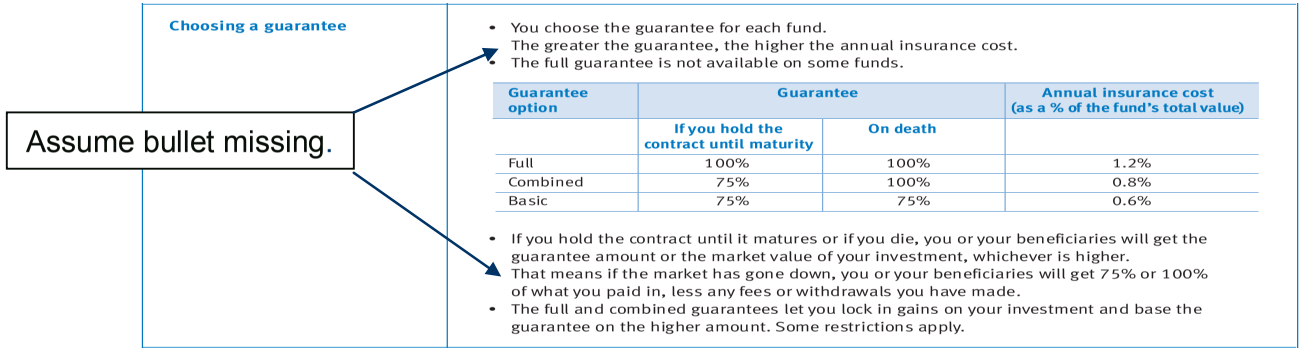
- The second part of this section was easier to understand.
- Several liked the use of 'if' to introduce the next two bullets.
- 'usually 10 years' informed consumers well that this is a long-term product.
- 'You are comfortable' was clear but seemed a strange way of saying the product carries insurance costs. Importantly, few understood that these costs are additional to the fund costs.
- The green bolding was helpful, but not always as strong a highlight as some consumers wanted.
- Consumers see all the points in this section as very important and several complained that they are too understated or too brief.
- Although consumers did not understand fully this section, many were glad to see it and assumed that their adviser would explain it to them. It at least gives them an idea of the questions to ask.

Consumers' Reactions – Page 1 cont'd

Your investment options	• You can choose from the 39 investment funds listed on the back of this page. Your adviser will help you choose the funds that are right for you. • You can change funds at any time. Changing funds may change your guarantee. • You may have to pay a sales charge when you buy or change funds. You'll find details on sales charges and other information about each fund in its *Fund Facts* document.

- This section was well understood.
- A few were initially puzzled by 'Changing funds may change your guarantee', but then worked through this.
- The phrase 'the greater the guarantee' was also often puzzling because they had not yet read the table and still do not know what the guarantee is or to what it is applied. A clearer presentation of the phrase - if not relocated - might be similar to 'the larger [the amount of/the percentage of] your money you guarantee'. Once understood some thought this statement should be emphasized more.
- When asked, all said they understood that they would be limited to the 39 funds listed on the back page when changing funds.
- Consumers who had not yet seen Fund Facts wondered what it was and where to find it. Several also asked why it was not included in the document list given in the blue box.
- Because of the way the section is blocked several consumers thought that a bullet was missing in front of 'Your adviser will help…'

Consumers' Reactions – Page 1 cont'd



Guarantee option	Guarantee		Annual insurance cost (as a % of the fund's total value)
	If you hold the contract until maturity	On death	
Full	100%	100%	1.2%
Combined	75%	100%	0.8%
Basic	75%	75%	0.6%

- Consumers particularly liked this section, but did not always find it easy to understand. They liked the simple table, but the key idea that the guarantee applies to the money or principal they pay in has not yet been explained – *"100% of what?"*
- A few said the first bullet is not true. They could not choose the guarantee; it was set with the fund.
- 'The greater the guarantee…' not immediately understood, but usually worked out. It may work better following the chart instead of preceding it.
- The chart works well, although it is doubtful if consumers understand what 'maturity' means or what it applies to.
  - The word 'combined' is confusing.
- Importantly, many consumers did not understand that the insurance costs are in addition to fund costs. They assume the formal column outlines total costs.

Consumers' Reactions – Page 1 cont'd

Choosing a guarantee cont'd

- 'If you hold the contract until it matures…' was difficult for consumers because they do not know what 'guarantee amount' means. They read 'guaranteed'
- The second sentence, 'That means if the market has gone down…', is very helpful, but the two sentences need to be revised together.
- 'less any fees or withdrawals' is usually understood, but some are confused because they think this investment works like a pension or RSP and they are not allowed to withdraw.
- 'The full and combined guarantees let you lock in gains…' – seldom understood.
- Many consumers were unaware of any reset features and did not know what 'lock in' means. Often their reference point is pensions which are 'locked in'. Once understood, some then wondered if resetting the guarantee changes the time line.
- 'Some restrictions apply' – understood. 'The full guarantee is not available on some funds' may be better placed here too. A few suggested 'not available on some *higher risk* funds'. Some would also substitute '100% guarantee' for 'full guarantee' throughout.
- In this section, consumers found it easier to understand when given examples, especially of the reset option.

Consumers' Reactions – Page 1 cont'd

Naming a beneficiary Add 'or beneficiaries'	• You can choose a beneficiary who will get your money if you die. There are tax advantages to this. • Naming a beneficiary may also help protect the contract from creditors. Ask your adviser for details.

- Consumers read through this section quickly.
  - They know what a beneficiary is.
  - A few thought the phrase 'get your money if you die', too blunt and a little funny.
  - They do not know what the tax advantages are, but understand the sentence.
  - They do not understand 'protect the contract from creditors' – but, for the most part, assume it won't apply to them. Some wondered why the 'contract' instead of their investment or fund would be protected.
  - A few consumers asked for an example of the tax advantages and of the creditor protection.

Consumers' Reactions – Page 2

KEY FACTS ← Seen

Choice Insurance Contract cont'd

Making withdrawals	
Understood → {	• You can take out some or all of your money at any time, unless you have pension money in your contract. In this case, special withdrawal rules apply. • Sales charges and withdrawal fees may apply. • If the contract is held in a registered plan, withholding tax may apply. • Withdrawals reduce the amount you get under the guarantee.

- Some consumers were surprised by this section since they were reluctant to believe that they could take funds out of this type of investment.
- Consumers understood most of this section except the first bullet.
- Consumers did not understand 'unless you have pension money in your contract'. A few also stumbled momentarily over 'registered plan' [3rd bullet] although when asked they understood well the abbreviations 'RRSP' and 'RRIF'. This section needs to be rewritten in the context consumers understand.
- A very few consumers wondered if 'sales charge' includes 'deferred sales charge'?

Consumers' Reactions – Page 2 cont'd

When your contract matures	• You will automatically get monthly annuity payments when your contract matures. • You can choose to start the annuity at any time before maturity or to receive a lump sum payment instead. • Some restrictions apply. Ask your adviser for details.

- Consumers do not understand the concept behind this section and are especially confused by the first bullet.
  - Consumers find the phrase 'monthly annuity payments' difficult. Although they have a rough idea of what an annuity is, they do not understand how it applies here. More importantly, they do not know the difference between maturity of the guarantee and maturity of the contract. They believe the annuity will apply in 10 years.
  - A few asked if beneficiaries would get the annuity if they die.
  - Some asked if this was like a RRIF which they understand better.
- 'You can choose to start the annuity…' consumers understand this sentence; a few add that if you start the annuity earlier then the amount of payment would be less.
- If the first sentence is accepted or just passed over then the next two bullets are understood.

Consumers' Reactions – Page 2 cont'd

Changes to your contract

Revised in the interviews to 'If as a result of these changes, you decide…'

- If there are important changes to how much your insurance contract costs or how your investment funds work, we will tell you 60 days before we make the change.
- If you decide to move to a different investment fund, you can do so without charge.

- Several consumers were surprised by this information, and some were somewhat alarmed. They do not think signed contracts should be arbitrarily changed by one party. A few thought that if the product is working well for them that the company will then step in and change it.
- Consumers have trouble understanding how or what changes there could be to 'how your investment funds work'.
- None objected to the 60 days.
- The second bullet when revised helped to allay concerns.

Consumers' Reactions – Page 2 cont'd

If you change your mind	• You can cancel your contract by notifying your adviser in writing **within two business days** of signing the contract. • You'll get back the amount you invested or less if the value of your investments has gone down. • You'll also get back any sales charges you paid.

- Consumers understood this section and were reassured by it.
- Several, however, argued that two business days is too short a period of time. They suggested 10 days or 2 weeks.
- Consumers understood '…if the value of your investments has gone down', but often read it more than once to be sure they understood correctly. It is an important warning, since few think about this possibility within a short space of time.
- No one asked what happened if the value of the investment goes up.

Consumers' Reactions – Page 2 cont'd



Investment fund options at September 30, 2006

Fixed income and cash equivalent funds
- Money Market (XYZ)
- Fixed-Income Portfolio Fund
- Mortgage (XYZ)
- Canadian Bond (XYZ)
- Global Income (AGF)

Balanced funds
- Income (XYZ)
- Diversified (XYZ)
- Equity/Bond
- Income (Mackenzie)
- Growth & Income (Mackenzie)
- Balanced (Mackenzie)
- Growth & Income (AGF)

Canadian equity funds
- Dividend (XYZ)
- Equity Index (XYZ)
- Mid-Cap Canada (XYZ)
- Canadian Equity (XYZ)
- Dividend Growth (Mackenzie)
- Larger Company (Mackenzie)
- Equity (Mackenzie)
- Smaller Company (Mackenzie)
- Eclipse Canadian Growth

Canadian specialty funds
- Real Estate (XYZ)
- Canadian Opportunity (Mackenzie)
- Canadian Resources (AGF)
- Canadian Science and Technology (XYZ)

Foreign equity funds
- U.S. Equity (XYZ)
- American Growth (AGF)
- International Equity (Putnam)
- U.S. Mid Cap (XYZ)
- Millennia III European Equity Fund

Foreign specialty funds
- Asian Growth (AGF)
- European Equity (Sceptre)
- Emerging Markets (Mackenzie)
- Japan Equity (Mackenzie)

Asset allocation funds
- Conservative Portfolio Fund
- Moderate Portfolio Fund
- Balanced Portfolio Fund
- Advanced Portfolio Fund
- Aggressive Portfolio Fund

- Consumers liked this section and that the funds are organized by categories – though they did not always understand the categories, especially 'Foreign specialty funds' and 'Asset allocation funds'.
- Some welcomed the list so that they could check out the funds on the Internet. Some asked for a reference for more information to be provided. A few wanted more information about the funds on the Key Facts document, including an explanation of the categories.
- Consumers readily connected this list with the reference to 39 funds on page 1.
- Some consumers, however, wanted a sharp distinction between the Key Facts insurance document and the Fund Facts document. Because of this they wanted the fund list to be in the Fund Facts document and not to appear here at all.

Consumers' Reactions – Page 2 cont'd



For more information

Giant Financial
10010–101 St. NW
Edmonton AB T5J 3G8

Phone: (780) 555-1212
Toll-free: 1-800-GIANTFI
E-mail: Choice@giantfin.com
Website: www.giantfin.com

Insurance contracts are regulated products. For general information about funds and insurance contracts, visit the Canadian Council of Insurance Regulators website at **www.ccir-ccrra.org**.

If you have a concern with your contract that you have not been able to resolve with your insurer, contact the Canadian Life and Health Insurance OmbudService at **1-888-295-8112** or on the web at **www.clhio.ca**.

GIANT FINANCIAL

- Consumers welcomed the contact information and regarded it as complete. No one asked for a fax number.
- Consumers were particularly interested in the information about CCIR and CLHIO. It was described as 'reassuring' and as reflecting well on the company Giant.

  "I've never seen this. It's a major step forward."

  "It's a good closing comment. It's reassuring that Giant is meeting the standards and is aware of them."

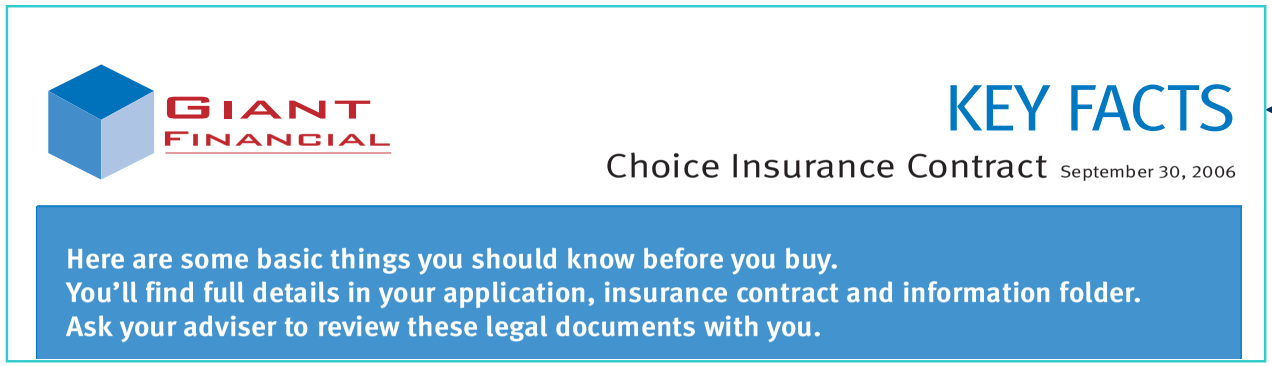
  "It makes the insurance company more credible."

  "Giant has to adhere to some kind of standard. It makes me feel good."

3.2 Advisers' Reactions

- Advisers had a much broader range of reactions to their detailed inspection of Key Facts than did consumers. Since they know so much more about segregated funds they were much more aware of what had been included and what omitted.
- For some the document represents an opportunity to educate their clients about the product. For these advisers, Key Facts contains about the right amount of detail since it gives them room to hold a discussion with clients.
- For others, especially those who prefer to talk about the funds, Key Facts raises unnecessary questions – some of which they are not always comfortable about answering – or do not believe are important. They think to provide this information will simply confuse clients. Some would prefer to give much less information or only the information their clients need based on the direction the adviser has recommended.
- Still other advisers, especially in Toronto, suggested that Key Facts be expanded to 3 or 4 pages to ensure that consumers have enough information. These advisers were very much aware of the length of the legal contract and how much has been omitted. They welcomed the shorter version, but thought it might be too short.

3.2 Advisers' Reactions - Masthead



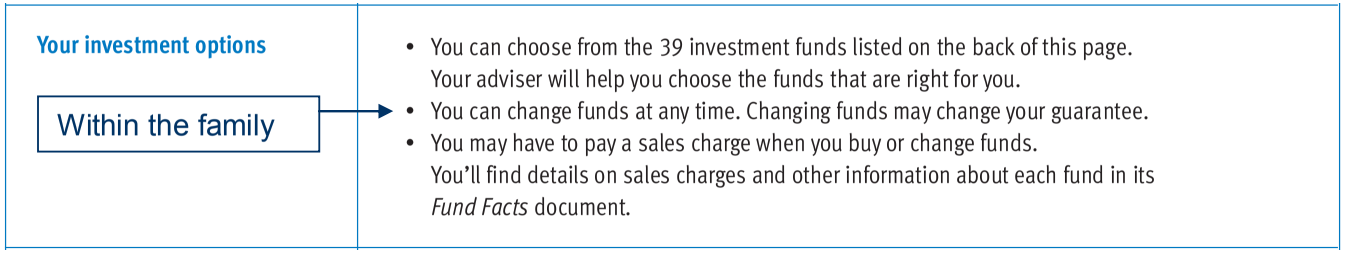
- Some advisers noted that consumers do not understand the word 'contract'. A very few described 'contract' and 'folder' as 'jargon'.
- Some also did not want to emphasize the insurance component of segregated funds and instead want a title focused on 'guarantee'.
- Some also noted that advising clients to read 'legal documents' is an unnecessarily negative way to begin talking about a new product. It makes it sound risky.
- Some said they had never been asked to review 'the legal documents' by customers though they give them to them after the sale. Only a few advisers review these legal documents with clients.

Advisers' Reactions – Page 1

Why buy this product?	When you invest through an insurance contract, you combine the growth potential of mutual funds with: • guarantees that protect your investment if the markets go down • death benefit guarantees • possible creditor protection and tax savings. This product might be right for you if: • you plan to keep the contract until it matures (usually 10 years) • you are comfortable paying annual insurance costs for the guarantees.

- Advisers welcomed the initial question as the right starting place. Some then liked the points listed, as a place to start a conversation.
- A few stated, 'I don't go this far', in explaining benefits of the product.
- Others thought more detail required. Possible additions included a better explanation of the nature of the guarantee, reference to probate court and protection for beneficiaries.
- A few argued strongly that resets should be included at this point as a major benefit for consumers.
- A few described 'death benefit guarantees' as jargon.
- Some advisers also objected to 'are comfortable paying annual insurance costs' since the statement would be more accurate as, 'You will pay annual insurance costs in addition to fund fees'.
- Some advisers liked the mention of fees upfront and argued that there is a need for more disclosure.

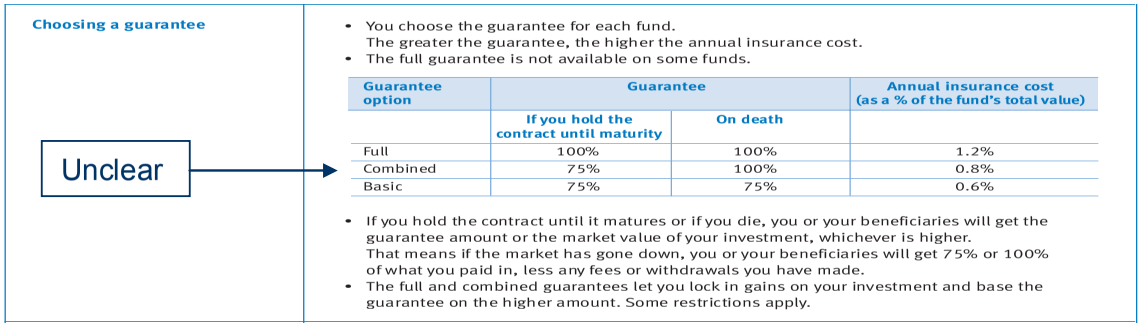
Advisers' Reactions – Page 1 cont'd



- This section seemed clear to the advisers and seemed to be fairly well liked –

  "This answers to what we do. It's clear and leads to interesting points."
- A few questioned the second bullet, especially 'Changing funds may change your guarantee'. They believe it will lead to many questions.
- Advisers wanted it made clear that consumers can change only within the fund family.

Advisers' Reactions – Page 1 cont'd



Choosing a guarantee

- You choose the guarantee for each fund.
  The greater the guarantee, the higher the annual insurance cost.
- The full guarantee is not available on some funds.

Guarantee option	Guarantee		Annual insurance cost (as a % of the fund's total value)
	If you hold the contract until maturity	On death	
Full	100%	100%	1.2%
Combined	75%	100%	0.8%
Basic	75%	75%	0.6%

- If you hold the contract until it matures or if you die, you or your beneficiaries will get the guarantee amount or the market value of your investment, whichever is higher.
  That means if the market has gone down, you or your beneficiaries will get 75% or 100% of what you paid in, less any fees or withdrawals you have made.
- The full and combined guarantees let you lock in gains on your investment and base the guarantee on the higher amount. Some restrictions apply.

Unclear

- Advisers found the table clear and helpful.
- Some very much liked the column of annual insurance costs, although a few objected strongly as raising too many questions.
- Several advisers pointed out that the section should make clear that the insurance cost is in addition to fund costs.
- Some advisers did not think consumers would understand 'lock in gains' and thought more detail or an example was required. Several said they use the word 'reset'. Some said more detail on the reset – when, frequency, etc. -- would be helpful to advisers since every fund is different and they cannot remember the details.
- A very few advisers did not seem to understand what 'lock in gains' means or do not talk about it with their clients.
- Some wanted the phrase 'Ask your adviser' added to the section on resets.
- A few wanted more information about the fees and the restrictions.

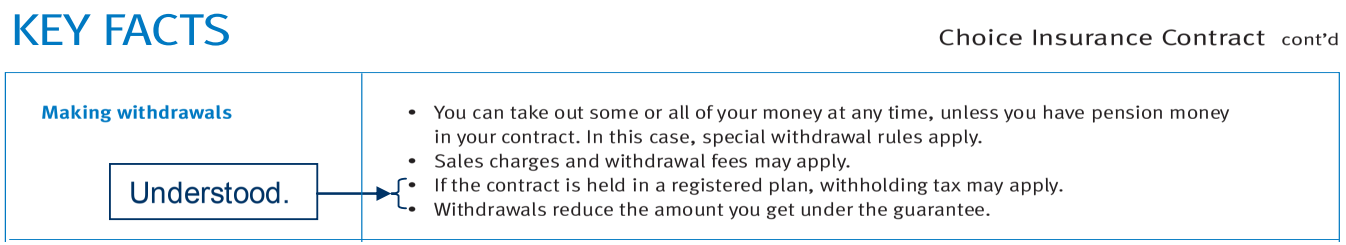
Advisers' Reactions – Page 1 cont'd

Naming a beneficiary	• You can choose a beneficiary who will get your money if you die. There are tax advantages to this. • Naming a beneficiary may also help protect the contract from creditors. Ask your adviser for details.

- Some advisers noted that there 'may be' tax advantages, not that there always are.
- Several also wanted more detail on what the tax advantages are –

  "It may be a tax disadvantage unless they have named a contingent beneficiary. They can't roll over to spouses."
- Others insert the language 'preferred beneficiary'.
- For some the creditor protection is important and needs more emphasis. They also said it is the fund, not the contract that is protected.

Advisers' Reactions – Page 2



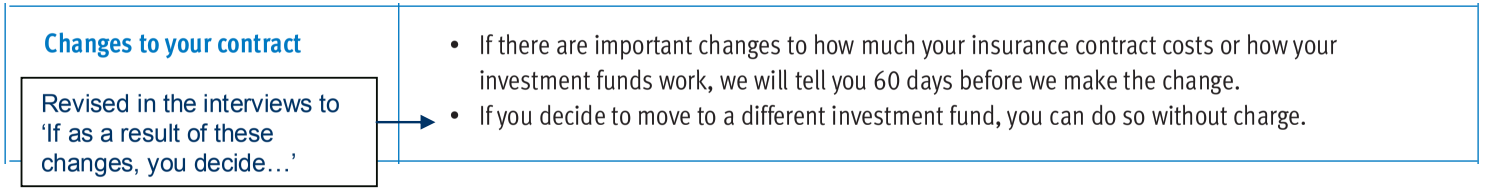
- Several advisers argued that the reference to pension money is not clear. They wondered why the statement was not about an RRSP instead.
- A few wanted to drop this section on the grounds that if investors want to make withdrawals they should not be in segregated funds.

Advisers' Reactions – Page 2 cont'd

When your contract matures	• You will automatically get monthly annuity payments when your contract matures. • You can choose to start the annuity at any time before maturity or to receive a lump sum payment instead. • Some restrictions apply. Ask your adviser for details.

- Several advisers were confused by this section. They wondered if the product is a segregated fund, a flex fund or a variable fund. Like consumers they did not always interpret 'monthly annuity payments' easily or differentiate between the maturity of a contract or guarantee.
- Some noted the normal progress is for the product to 'morph into a RRIF at 69'.
- Others were not sure that clients need to know this.
- To the first bullet a few would add 'as stipulated in your contract'.

Advisers' Reactions – Page 2 cont'd



- Advisers, like consumers, were told about the phrase added to bullet two.
- Advisers were not sure what changes there could be to the way the investment funds work and some asked if this were a reference to changes in the guarantee.
- Others noted that clients become suspicious if told there may be changes and were uncomfortable with the section.
- They also wanted to be sure, if this section appears, that clients understand they can only change within the same fund family.

Advisers' Reactions – Page 2 cont'd

If you change your mind	• You can cancel your contract by notifying your adviser in writing **within two business days** of signing the contract. • You'll get back the amount you invested or less if the value of your investments has gone down. • You'll also get back any sales charges you paid.

- Advisers found this section, but thought two days too short a time.
- They were also concerned to have the first bullet changed to – 'notifying your adviser or the company'. They were afraid they might be out of office or not available.

Advisers' Reactions – Page 2 cont'd



Investment fund options at September 30, 2006

Fixed income and cash equivalent funds
- Money Market (XYZ)
- Fixed-Income Portfolio Fund
- Mortgage (XYZ)
- Canadian Bond (XYZ)
- Global Income (AGF)

Balanced funds
- Income (XYZ)
- Diversified (XYZ)
- Equity/Bond
- Income (Mackenzie)
- Growth & Income (Mackenzie)
- Balanced (Mackenzie)
- Growth & Income (AGF)

Canadian equity funds
- Dividend (XYZ)
- Equity Index (XYZ)
- Mid-Cap Canada (XYZ)
- Canadian Equity (XYZ)
- Dividend Growth (Mackenzie)
- Larger Company (Mackenzie)
- Equity (Mackenzie)
- Smaller Company (Mackenzie)
- Eclipse Canadian Growth

Canadian specialty funds
- Real Estate (XYZ)
- Canadian Opportunity (Mackenzie)
- Canadian Resources (AGF)
- Canadian Science and Technology (XYZ)

Foreign equity funds
- U.S. Equity (XYZ)
- American Growth (AGF)
- International Equity (Putnam)
- U.S. Mid Cap (XYZ)
- Millennia III European Equity Fund

Foreign specialty funds
- Asian Growth (AGF)
- European Equity (Sceptre)
- Emerging Markets (Mackenzie)
- Japan Equity (Mackenzie)

Asset allocation funds
- Conservative Portfolio Fund
- Moderate Portfolio Fund
- Balanced Portfolio Fund
- Advanced Portfolio Fund
- Aggressive Portfolio Fund

- Advisers liked the categories. The list showed a good break down and some liked the color which helped make the list easy to read.
- Several said having the date was very important.
- For some having the list here helps to tie this document to Fund Facts.
- A few, however, thought the list should not be here, but on the Fund Facts document itself.

Advisers' Reactions – Page 2 cont'd

For more information

Giant Financial
10010–101 St. NW
Edmonton AB T5J 3G8

Phone: (780) 555-1212
Toll-free: 1-800-GIANTFI
E-mail: Choice@giantfin.com
Website: www.giantfin.com

Insurance contracts are regulated products. For general information about funds and insurance contracts, visit the Canadian Council of Insurance Regulators website at **www.ccir-ccrra.org**.

If you have a concern with your contract that you have not been able to resolve with your insurer, contact the Canadian Life and Health Insurance OmbudService at **1-888-295-8112** or on the web at **www.clhio.ca**.



- Advisers were comfortable with the contact information for Giant Financial, but many were very uncomfortable about the references to CCIR and CLHIO.
- They thought these references called into question the product and the process and raised unnecessary negatives.

  "Here we're giving them wonderful information and then they say call and blast us and give consumers the tools to go against us."

  "I don't know why this is here."
- Only a few saw anything positive about these references.

  "Maybe it will make the consumer more confident.

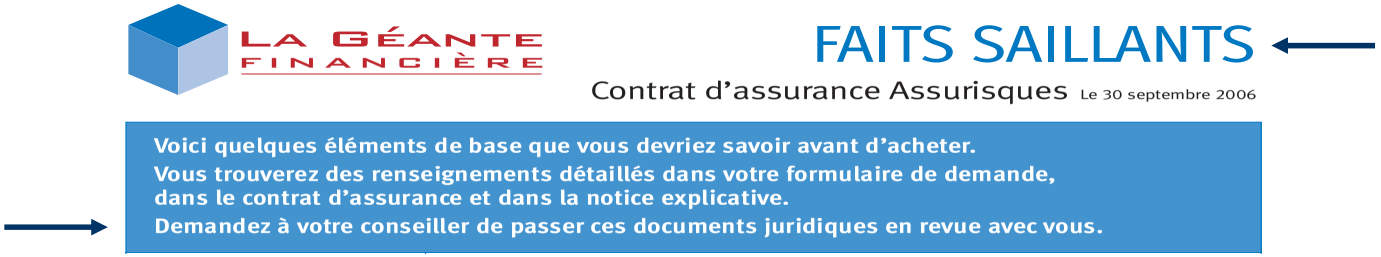
  "I often have to defend the insurance company. If this is here I may have to do it less often."

4.0 French Language Issues

French Language Issues

- In Montreal there were very few French language issues among consumers or advisers. Usually where consumers stumbled it was because they did not understand segregated funds rather than that the choice of words or terms was incorrect.
- Readers should carefully review the comments that follow since often they reflect differences in style or emphasis rather than any genuine translation errors.

French Language Issues – Page 1



- In Montreal, segregated funds were referred to by French respondents as “Fonds avec une compagnie d’assurance, fonds de placement garantis, REER avec assurance-vie”. Although several understand “fonds distincts” – the term used in recruiting -- it is not a well known term and seems to be less descriptive.
- “Faits Saillants” for ‘Key Facts’ may not be the most appropriate term. Although many respondents agree that the document is about “highlights” or “key facts’, in French for some respondents this particular phrase relates more often to something in the news, important events to remember, or a newsletter received on a regular basis especially when followed by a date. For a few respondents, “Bref Aperçu” (Overview) or “Résumé” (Summary), are more appropriate.
- Again, as in Toronto, consumers do not know what ‘Contrat d’assurance Assurisques’ is and do not always see it. “Faits Saillants” often seems to have no anchor.
- “Demandez à votre conseiller de passer ces documents juridiques en revue avec vous” is somewhat awkward. It might be rephrased to say : « Demandez à votre conseiller de passer en revue avec vous ces documents juridiques » or perhaps « de revoir avec vous ces documents juridiques ».

French Language Issues – Page 1 cont'd

Pourquoi acheter ce produit?	**En investissant via un contrat d'assurance, vous combinez le potentiel de croissance des fonds communs de placement avec :** • des garanties qui protègent votre investissement en cas de baisse des marchés; • des garanties en matière de capital-décès; • des possibilités d'économies d'impôt et de protection contre les créanciers. **Ce produit pourrait vous convenir si :** • vous comptez conserver le contrat jusqu'à l'échéance (habituellement 10 ans); • vous êtes à l'aise de payer des frais d'assurance annuels pour obtenir les garanties.

- "Capital-décès" is not a commonly used term by respondents, however, they understand that upon one's death the 'capital' is guaranteed.

- "Créanciers" is the proper word in French. Respondents understand the word, but not how it applies to them. As in Toronto, only some small business owners understood this benefit.

French Language Issues – Page 1 cont'd

Vos options en matière de placements	• Vous pouvez choisir parmi les 39 fonds de placement figurant au verso. Votre conseiller vous aidera à choisir ceux qui vous conviennent. • Vous pouvez changer de fonds à tout moment. Cela pourrait entraîner une modification de votre garantie. • Il est possible que vous deviez payer des frais d'acquisition à l'achat ou lors d'un changement de fonds. Vous trouverez des renseignements détaillés sur les frais d'acquisition et d'autres informations sur chaque fonds dans le document *Aperçu du Fonds*.

- No language issues.

97

French Language Issues – Page 1 cont'd

Le choix d'une garantie

- Vous choisissez la garantie pour chaque fonds. Plus la garantie est élevée, plus les frais d'assurance annuels sont élevés.
- Dans le cas de certains fonds, la garantie totale n'est pas disponible.

Option en matière de garantie	Garantie		Frais d'assurance annuels (en pourc. de la valeur totale du fonds)
	Si vous conservez le contrat jusqu'à l'échéance	Au décès	
Garantie totale	100 %	100 %	1,2 %
Garantie combinée	75 %	100 %	0,8 %
Garantie de base	75 %	75 %	0,6 %

- Si vous conservez le contrat jusqu'à l'échéance ou si vous décédez, vous ou vos bénéficiaires recevrez le plus élevé du montant garanti ou de la valeur marchande de votre investissement. Cela signifie que si le marché a baissé, vous ou vos bénéficiaires recevrez 75 % ou 100 % de ce que vous avez payé, moins les frais ou les retraits que vous avez effectués.
- Les garanties totale et combinée vous permettent de bloquer vos gains et de baser la garantie sur le montant le plus élevé. Certaines restrictions s'appliquent.

- In terms of the guarantee, the word "combiné" is not clear. Respondents rely on the chart to explain its meaning but they cannot directly understand the term. The same applies to "totale" and "de base" although these are easier to figure out. "Garantie partagée" may be another option.
- "Bloquer vos gains" (Lock in gains) is not understood. The French word may be the proper word to use, but the process needs to be explained further. In Montreal as in Toronto, advisers do not seem to explain the reset option very well.
- "Baser la garantie" may not be the most appropriate term because it is confusing. The whole sentence may need to be rephrased. An example would also be very helpful.

French Language Issues – Page 1 cont'd

Désignation d'un bénéficiaire	• Vous pouvez choisir le bénéficiaire qui recevra votre argent si vous décédez. Il est avantageux de le faire, du point de vue fiscal. • La désignation d'un bénéficiaire peut aussi vous permettre de mettre le contrat à l'abri des créanciers. Demandez des précisions à votre conseiller.

- No language issues.

French Language Issues – Page 2

FAITS SAILLANTS

Contrat d'assurance Assurisques suite

Retraits	• Vous pouvez retirer une partie ou la totalité de votre argent à tout moment, sauf si le contrat vise des sommes économisées en vue de votre retraite, auquel cas des règles particulières s'appliquent aux retraits. • Il est possible que des frais d'acquisition différés ou des frais de retrait s'appliquent. • Si le contrat est détenu dans un régime enregistré, il peut y avoir une retenue d'impôt. • Les retraits ont pour effet de réduire le montant que vous obtenez aux termes de la garantie.

- "Pension money" is translated appropriately. The sentence, however, is somewhat misleading in that some respondents understand "sauf si le contrat vise des sommes économisées en vue de votre retraite" -- as if they have to tell their financial adviser for what purpose they will be using the sum invested. The use of financial terminology may be more appropriate here, such as "vous pouvez retirer une partie ou la totalité de votre argent à tout moment, sauf si l'argent est prévu pour une rente ou pour votre retraite, auquel cas des règles…. »

- "Frais d'acquisition différés" is ambiguous and contradictory since the word "différés" applies upon withdrawal while "frais d'acquisition" applies upon investment. "Frais d'acquisition différés" is not always the same as "sales charges" in the minds of respondents. A few consumers wondered whether deferred sales charges are included in this description.
- Some French advisers also questioned the words used for sales charge, 'frais d'acquisition différés'. This was almost the only comment advisers made on language.

French Language Issues – Page 2 cont'd

Lorsque votre contrat arrive à échéance	• À l'échéance de votre contrat, vous recevez automatiquement des versements mensuels de rente. • Vous pouvez choisir de faire commencer les versements de rente à n'importe quel moment avant l'échéance du contrat ou de recevoir plutôt un paiement forfaitaire. • Certaines restrictions s'appliquent. Demandez des précisions à votre conseiller.

- No language issues.

French Language Issues – Page 2 cont'd

Options de fonds de placement au 30 septembre 2006

Fonds de titres à revenu fixe et de titres liquides
- Fonds du marché monétaire (XYZ)
- Fonds de titres à revenu fixe
- Fonds hypothécaire (XYZ)
- Fonds d'actions canadiennes (XYZ)
- Fonds de revenu mondial (AGF)

Fonds équilibrés
- Fonds de revenu (XYZ)
- Fonds diversifié (XYZ)
- Fonds d'actions/obligations
- Fonds de revenu (Mackenzie)
- Fonds de croissance et de revenu (Mackenzie)
- Fonds équilibré (Mackenzie)
- Fonds de croissance et de revenu (AGF)

Fonds d'actions canadiennes
- Fonds de bénéfices (XYZ)
- Fonds indiciel d'actions (XYZ)
- Fonds de sociétés canadiennes à capitalisation moyenne (XYZ)
- Fonds d'actions canadiennes (XYZ)
- Fonds de bénéfices axé sur la croissance (Mackenzie)
- Fonds de grandes entreprises (Mackenzie)
- Fonds d'actions (Mackenzie)
- Fonds de petites entreprises (Mackenzie)
- Fonds canadien de croissance Eclipse

Fonds canadiens spécialisés
- Fonds immobilier (XYZ)
- Fonds canadien d'occasions de placement (Mackenzie)
- Fonds de ressources canadiennes (AGF)
- Fonds canadien science et technologie (XYZ)

Fonds d'actions étrangères
- Fonds d'actions américaines (XYZ)
- Fonds américain de croissance (AGF)
- Fonds d'actions internationales (Putnam)
- Fonds de sociétés américaines à moyenne capitalisation (XYZ)
- Fonds d'actions européennes Millennia III

Fonds étrangers spécialisés
- Fonds de croissance asiatique (AGF)
- Fonds d'actions européennes (Sceptre)
- Fonds des marchés émergents (Mackenzie)
- Fonds d'actions japonaises (Mackenzie)

Fonds de répartition de l'actif
- Portefeuille prudent
- Portefeuille modéré
- Portefeuille équilibré
- Portefeuille confiant
- Portefeuille dynamique

- Under the section where the 39 funds are listed, the first: "Fonds de titres à revenu fixe et de titres liquides", the words "titres liquides" should be replaced by "titres de liquidités".

French Language Issues – Page 2 cont'd

Pour de plus amples renseignements

La Géante financière
100, rue Quelconque
Nimportou NB T5J 3G8

Téléphone : (780) 555-1212
Sans frais : 1 800 GEANTEF
Courriel : Assurisques@geantefin.com
Site Web : www.geantefin.com

Les contrats d'assurance sont réglementés. Vous trouverez des renseignements généraux sur les fonds et les contrats d'assurance dans le site Web du Conseil canadien des responsables de la réglementation d'assurance (**www.ccir-ccrra.org**).

Si vous avez des problèmes concernant votre contrat d'assurance que vous n'avez pu régler avec votre assureur, adressez-vous au Service de conciliation des assurances de personnes du Canada, par téléphone (1 888 295-8112) ou par Internet (**www.clhio.ca**).



LA GÉANTE FINANCIÈRE

- No language issues.

5.0 Overall Reactions to Key Facts

5.1 Overall Reactions – Consumers

5.2 Overall Reactions - Advisers

5.1 Overall Reactions to Key Facts - Consumers

- Overall reactions to Key Facts among consumers were positive in both cities, though somewhat more so in Montreal than in Toronto.
- Both English and French consumers very much liked the use of plain language, the brevity of the document, and the way the information is laid out by question and answer so that it can be scanned quickly. Consumers also recognize that Key Facts provides important information for them.

  "I like the simplicity and directness of it. It covers all the basics on an introductory level. It's a good start into looking further if interested."

  "The fact that it's on one sheet, the way it is set out in tables. The language is simple for people with a non-insurance, non-financial background…I really like seeing CCIR and the OmbudService."

  "There are slight changes to be made, but the main points are there….It's very clear."

  "Personally, compared to what I have seen, it's a 10 out of 10."

  "It's very good…simple, front and back. It's not the 'brick' [of material I got before]."

  "It's absolutely informative. I'd rather see this than other endless contracts."

  "There's nothing missing. All my questions are answered in this document."

Overall Reactions – Consumers cont'd

- Those who were somewhat less positive were in Toronto. They agreed with the points mentioned above and liked Key Facts, but felt it did not tell them enough. Without an initial description of the product, they remained somewhat confused even after reading Key Facts.

  "It doesn't tell me what it's about."

  "It's a pretty good document. I just want some more detail."

  "The title's not clear."

- However, in both cities Key Facts is not seen as quite as compelling a document as Fund Facts. Fund Facts provides more detail but it also has the advantage of focusing on more exciting topics, for example, risk and return.
- In Toronto, some respondents also noted that in comparison to Fund Facts, Key Facts is visually less attractive.

  "It's not interesting to the eye…no graphs…."

- The use of colour was also more subdued in Key Facts.

5.2 Overall Reactions to Key Facts - Advisers

- After reading Key Facts, advisers continued to like the question-and-answer format, the short length, and the guarantee table. But they also continued to disagree about how much detail Key Facts should include.
- Some, but not all advisers, wanted page references to the legal contract added to Key Facts. Others thought this would be too cluttered and unnecessary.
- Overall reactions to Key Facts among advisers in Toronto remained mixed, but was uniformly positive in Montreal.

Comments from Montreal

"It's about segregated funds and demystifying them. It's not detailed, but fairly specific so that clients can make an enlightened decision."

"Clients love to have materials even if they don't read them. This is concise and helps them to read. They can keep it on the coffee table and read it during the ads."

"I really like this document. It's very useful. If a client asks a question then here's the answer. He can underline it and in one document there are the answers to many questions."

Overall Reactions – Advisers cont'd

- The comments below from Toronto show the range of opinions and also suggest that Key Facts offers a good foundation to work with and that many of these objections can be met.

"The layout is good. I like the bullet points. There's not too much detail or legalese…key headings. The guarantees jump out visually. But it's not a marketing document. There are too many negatives."

"It's a step in the right direction, but too many options just confuse clients."

"I've always had a simple mind. I like the questions. They've found the top questions people ask…There's nothing missing, but it [needs expanding]. I dislike the annuity language…they need to clarify the total fee…I dislike the [reference to] Ombudsman…and they need to make the type bigger."

"It's OK as a crib sheet for me to remind me what to talk about, but it's problematic for clients….The level of concept can't be done in two pages….I want more detail and bigger print."

"An insurance contract with a fund attached throws me off….It's reversed."

6.0 Using Key Facts

6.1 Using Key Facts - Consumers

6.2 Using Key Facts - Advisers

6.1 Using Key Facts - Consumers

- Consumers in both cities were very pleased to see Key Facts. Almost all of the respondents in both cities said that they would read Key Facts. It is short and the question-and-answer format allows them to scan quickly for the points of greatest interest to them.
- Several did not remember being given the information folder or the legal contract for their segregated funds, but those who did remember admitted they had not read it. Only a few had scanned it briefly. Key Facts was an important improvement.
- When asked if the points contained in Key Facts should have page references to the legal contract, several consumers liked this idea. They might be encouraged to read the relevant section in the larger document.
- Others, however, thought that these added page numbers, even if under the question/title for each section, would clutter Key Facts, making it more difficult to read. They also expect their adviser to answer questions and remain reluctant to go to the legal contract.

Using Key Facts – Consumers cont'd

- Consumers very much wanted to have Key Facts available to them before deciding to invest in segregated funds.
  1. Consumers wanted advisers --
     - to use both Key Facts and Fund Facts.
  2. Many wanted to see Key Facts first, and several said they would like it sent to them by email or mail prior to meeting with their adviser. Some would download it from the internet.

     'Start with this. These are the rules.'
  3. At the meeting their FA could then review both documents with them and answer any of their questions. Key Facts would help them to formulate these questions.
  4. Some would make their decision then, while others wanted to take both documents home to read further and then make a decision.

Using Key Facts – Consumers cont'd

- Consumers in both cities reported that they would feel more comfortable buying segregated funds as a result of having Key Facts.

  "I'm more comfortable. This changes the perspective I have on segregated funds. It's very clear…the options, guarantees, and withdrawals."

  "It's very informative…very good news for Canadian investors."
  "I'd be better equipped to make a decision than last time."

  "They should regulate the two documents. It'd be a very good thing. It'd standardize [the industry] so all are on the same wave length."

  "It's just right. We can't be too well informed."

- Consumers do not see either Key Facts or Fund Facts as replacing their adviser. Instead they see both documents as facilitating and helping that relationship.

  "This would be helpful to launch a discussion with my adviser…'may' here and 'may' there."

  "I'd read these two documents [Key Facts and Fund Facts] but not the large one. Keep in mind I trust my financial adviser."

6.2 Using Key Facts - Advisers

- A few of the advisers in Toronto indicated that they would prefer to continue using the materials they currently have – manufacturers' brochures and the letters and fact sheets they themselves make up. One adviser would continue to work through the contract itself with his client and a yellow highlighter.
- Others in Toronto and all of those interviewed in Montreal said they would use Key Facts. It seemed easy to read, a document that would stimulate discussion, and would not take too long to cover.

  "It doesn't hurt to have good, concise material that explains what a segregated fund is."

  "Like it or not, clients are on their guard nowadays if there is not document to corroborate what you tell them. This [Key Facts] from a company is a heavy weight document and persuasive. When clients see this they are reassured and believe they are in the hands of a professional."

  "This is a quick overview. It saves time and is preferable and less scary for the client."

Using Key Facts – Advisers cont'd

- Unlike consumers, however, advisers often wanted to present Fund Facts first – since selling the fund seems to be most important to them -- and Key Facts second, going over both in a meeting. Very few considered sending Key Facts to their clients ahead of time until suggested.
- Some said that if the client could not make a decision they might leave Key Facts with them to think about the guarantee options.
- A few would send it with their letters of recommendations after the first meeting and then review it along with Fund Facts in the second meeting.
- The processes advisers currently use to sell segregated funds vary widely. At this point they do not see one consistent use for Key Facts.

Appendix

XYZ Company

FUND FACTS

Choice Insurance Contract

XYZ Canadian Equity Fund Class B Guarantee

June 30, 2006

Quick facts

Date created:	January 1, 1996
Total value on June 30, 2006:	$1 billion
Portfolio manager:	Capital Asset Management Ltd.
Distributions:	Annually, on December 15

Annual expenses, as a % of the fund's total value for the year ended June 30, 2006:	3.10%
Made up of:	
Fund expenses	2.25%
Insurance costs	0.85%

What does the fund invest in?

The fund invests in Canadian companies. They can be of any size and from any industry.

The charts below give you a snapshot of the fund's investments on June 30, 2006. The fund's investments will change, sometimes frequently.

Top 10 investments (June 30, 2006)

1. Royal Bank of Canada
2. Encana Corp.
3. Petro-Canada
4. Alcan Inc.
5. Canadian National Railway Company
6. Goldcorp Inc.
7. Extendicare Inc.
8. Husky Energy
9. Open Text
10. Thomson Corp.

Total investments	**126**
The top 10 investments make up 32% of the fund.	

Investment mix (June 30, 2006)



Industry	
Financial services	34.0%
Energy	26.6%
Industrial goods	16.5%
Business services	6.4%
Telecommunication	5.9%
Hardware	3.7%
Healthcare services	2.3%
Consumer services	2.1%
Media	1.9%
Consumer goods	0.6%

How much can I make?

Here's how the fund has performed in the past. Returns are after the annual expenses have been deducted. All things being equal, the higher the expenses, the lower your return.

It's important to note that this doesn't tell you how the fund will perform in the future.

Year-by-year returns

This chart shows how the fund has performed in each of the past 10 years ending on June 30. There were three years when people who held this fund lost some of the money they had at the start of the year.



Average return

A person who invested $1,000 in the fund 10 years ago now has $2,682. This works out to an average of 10% a year.

How risky is it?

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

Very low	Low	Low to moderate	**Moderate**	Moderate to high	High

Are there any guarantees?

You are guaranteed to receive 75% of the amount you invest, less any withdrawals and fees, if you hold the contract for 10 years. If you hold the contract until you die, your beneficiaries will receive 100% of the amount you invest, less any withdrawals and fees.

You pay annual insurance costs to get these guarantees. For more details, ask your adviser or see the insurance contract fact sheet.

Who is this fund for?

Investors who:

- are looking for a long-term investment
- want to invest in a broad range of Canadian companies
- can handle the ups and downs of the stock market.

Don't buy this fund if you need a steady source of income from your investment.

How much does it cost to buy?

You may have to pay a sales charge. The table below outlines your options. Ask your adviser to explain the pros and cons of each option, and how they compare with similar funds.

Sales charge option	What you pay		What else you should know
	(In per cent %)	(In dollars $)	
Initial sales charge	0-4% when you buy	Up to $40 on every $1,000 you buy	• You and your adviser negotiate the rate. • The sales charge is deducted from the amount you buy, so less of your money goes to work for you. • Ask your adviser to tell you the sales charge on the amount you're buying.
Deferred sales charge	**If you sell within:** 1 year of buying 6.0% 2 years of buying 5.0% 3 years of buying 4.0% 4 years of buying 3.0% 5 years of buying 2.0% 6 years of buying 1.0% After 6 years none	Up to $60 on every $1,000 you sell	• This is a set schedule. • The sales charge is deducted from the amount you sell, so you get less of your money back.

How does my adviser get paid?

- Your adviser gets a commission when you buy, unless they choose to waive it.
- Your adviser also gets an ongoing commission for as long as you hold the fund. This commission may increase over time.
- Your adviser can tell you the commission rates for this fund, and how they compare with similar funds.

What if I change my mind?

- You can cancel your purchase by notifying your adviser in writing within two business days after you buy.
- 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 you paid.

For more information

For more information about this fund, speak to your adviser or contact:

XYZ Mutual Funds Inc.
123 Asset Allocation St.
Toronto, ON M1A 2B3

Phone: (416) 555-5555
Toll-free: 1-800-555-5556

Email: investing@xyzfunds.com
www.xyzfunds.com

For more information about your insurance contract, speak to your adviser or see the insurance contract fact sheet.

XYZ Company

® Registered trademark of XYZ Company

XYZ Compagnie

APERÇU DU FONDS

Contrat d'assurance Assurisques

XYZ Fonds d'actions canadiennes – Garantie de la catégorie B

au 30 juin 2006

Bref aperçu

Date de création	1er janvier 1996
Valeur totale au 30 juin 2006	1 milliard de dollars
Gestionnaire de portefeuille	Gestion de capitaux Ltée
Distributions	Annuelles, le 15 décembre

Dépenses annuelles, en % de la valeur totale du fonds pour l'exercice terminé le 30 juin 2006	3,10 %
Composition :	
Dépenses du fonds	2,25 %
Frais d'assurance	0,85 %

Dans quoi le fonds investit-il?

Le fonds investit dans des entreprises canadiennes de toutes tailles et de tous secteurs. Les graphiques qui suivent vous donnent un aperçu des placements du fonds au 30 juin 2006. Ces placements sont appelés à changer, parfois fréquemment.

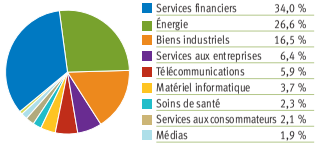
Dix principaux placements (au 30 juin 2006)

1. Banque Royale du Canada
2. Encana Corp.
3. Petro-Canada
4. Alcan Inc.
5. Compagnie des chemins de fer nationaux du Canada
6. Goldcorp Inc.
7. Extendicare Inc.
8. Husky Energy
9. Open Text
10. Thomson Corp.

Nombre total de placements	**126**

Les dix principaux placements représentent 32% du fonds.

Répartition des placements (au 30 juin 2006)



Secteur d'activité	
Services financiers	34,0 %
Énergie	26,6 %
Biens industriels	16,5 %
Services aux entreprises	6,4 %
Télécommunications	5,9 %
Matériel informatique	3,7 %
Soins de santé	2,3 %
Services aux consommateurs	2,1 %
Médias	1,9 %
Biens de consommation	0,6 %

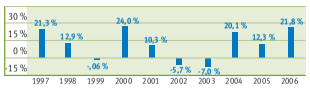
Combien est-ce que le fonds peut me rapporter?

Voici les résultats obtenus par le fonds dans le passé. Les rendements indiqués sont ceux après déduction des dépenses annuelles. Toutes choses étant égales par ailleurs, plus les dépenses sont élevées, plus le rendement est faible.

Il importe de noter que ces résultats ne vous permettent pas de prévoir le rendement du fonds dans l'avenir.

Rendements annuels

Ce graphique montre le rendement annuel du fonds pour les dix dernières années terminées le 30 juin. On note trois années durant lesquelles les détenteurs ont perdu une partie des sommes détenues au début de l'année.



Rendement moyen

La personne qui a investi 1 000 $ dans le fonds il y a dix ans détient aujourd'hui 2 682 $, ce qui correspond à un rendement annuel moyen de 10 %.

Quel est le degré de risque?

Le risque associé au fonds est modéré. Lorsque vous investissez dans un fonds, la valeur de votre placement peut augmenter ou diminuer.

Très faible	Faible	Faible à modéré	**Modéré**	Modéré à élevé	Élevé

Y a-t-il des garanties?

Vous bénéficiez d'une garantie de 75 % du montant investi, moins les retraits et les frais, si vous conservez le contrat pendant dix ans. Si vous conservez le contrat jusqu'à votre décès, vos bénéficiaires recevront 100 % du montant investi, moins les retraits et les frais.

Vous payez des frais d'assurance annuels pour obtenir ces garanties. Pour plus de détails, contactez votre conseiller ou consultez la fiche de renseignements du contrat d'assurance.

À qui le fonds est-il destiné?

Aux investisseurs qui :

- cherchent un placement à long terme;
- désirent investir dans un large éventail d'entreprises canadiennes;
- peuvent supporter les hauts et les bas du marché boursier.

N'achetez pas ce fonds si vous avez besoin d'une source de revenu régulier.

Quels sont les frais d'acquisition?

Vous pourriez avoir à payer des frais d'acquisition. Le tableau qui suit donne un aperçu de vos options. Demandez à votre conseiller de vous expliquer le pour et le contre de chaque option et d'établir une comparaison avec des fonds semblables.

Option de frais d'acquisition	Ce que vous payez		Ce que vous devriez également savoir
	(En pourcentage %)	**(En dollars $)**	
Frais d'acquisition initiaux	Entre 0 % et 4 % au moment de l'achat	Jusqu'à 40 $ sur chaque tranche de 1 000 $ achetée	• Vous négociez le taux avec votre conseiller. • Les frais d'acquisition sont déduits du montant acheté, ce qui signifie qu'une somme moins importante travaille pour vous. • Demandez à votre conseiller de vous informer des frais d'acquisition à payer sur le montant acheté.
Frais d'acquisition différés	**Si vous vendez après :** moins de 1 an 6,0 % moins de 2 ans 5,0 % moins de 3 ans 4,0 % moins de 4 ans 3,0 % moins de 5 ans 2,0 % moins de 6 ans 1,0 % 6 ans ou plus 0,0 %	Jusqu'à 60 $ sur chaque tranche de 1 000 $ vendue	• Il s'agit d'un tarif fixe. • Les frais d'acquisition sont déduits du montant vendu, ce qui signifie que vous récupérez une somme moins importante à la vente.

Comment mon conseiller est-il rémunéré?

- Votre conseiller touche une commission lorsque vous achetez, sauf s'il choisit d'y renoncer.
- Il touche également sur une base continue une commission tant que vous détenez le fonds. Cette commission peut augmenter avec le temps.
- Votre conseiller peut vous informer des taux de commission associés à ce fonds et établir une comparaison avec des fonds semblables.

Et si je change d'idée?

- Vous pouvez annuler votre achat en envoyant à votre conseiller un avis écrit dans les deux jours ouvrables suivant la date d'achat.
- Vous récupérerez le montant investi, ou moins si la valeur du fonds a baissé.
- Vous récupérerez également les frais d'acquisition payés.

Renseignements

Pour de plus amples renseignements sur le fonds, adressez-vous à votre conseiller ou contactez :

Fonds communs XYZ Inc.
123, rue Répartition de l'actif
Toronto (Ontario) M1A 2B3

Téléphone : 416-555-5555
Sans frais : 1-800-555-5556

Courriel : placement@fondsxyz.com
Site Web : www.fondsxyz.com

Pour de plus amples renseignements au sujet de votre contrat d'assurance, contactez votre conseiller ou consultez la fiche de renseignements du contrat d'assurance.

XYZ Compagnie

® Marques déposées de XYZ Compagnie.

CCIR/CCRRA

GIANT FINANCIAL

KEY FACTS

Choice Insurance Contract September 30, 2006

Here are some basic things you should know before you buy.
You'll find full details in your application, insurance contract and information folder.
Ask your adviser to review these legal documents with you.

Why buy this product?

When you invest through an insurance contract, you combine the growth potential of mutual funds with:

- guarantees that protect your investment if the markets go down
- death benefit guarantees
- possible creditor protection and tax savings.

This product might be right for you if:

- you plan to keep the contract until it matures (usually 10 years)
- you are comfortable paying annual insurance costs for the guarantees.

Your investment options

- You can choose from the 39 investment funds listed on the back of this page. Your adviser will help you choose the funds that are right for you.
- You can change funds at any time. Changing funds may change your guarantee.
- You may have to pay a sales charge when you buy or change funds. You'll find details on sales charges and other information about each fund in its *Fund Facts* document.

Choosing a guarantee

- You choose the guarantee for each fund. The greater the guarantee, the higher the annual insurance cost.
- The full guarantee is not available on some funds.

Guarantee option	Guarantee		Annual insurance cost (as a % of the fund's total value)
	If you hold the contract until maturity	On death	
Full	100%	100%	1.2%
Combined	75%	100%	0.8%
Basic	75%	75%	0.6%

- If you hold the contract until it matures or if you die, you or your beneficiaries will get the guarantee amount or the market value of your investment, whichever is higher. That means if the market has gone down, you or your beneficiaries will get 75% or 100% of what you paid in, less any fees or withdrawals you have made.
- The full and combined guarantees let you lock in gains on your investment and base the guarantee on the higher amount. Some restrictions apply.

Naming a beneficiary

- You can choose a beneficiary who will get your money if you die. There are tax advantages to this.
- Naming a beneficiary may also help protect the contract from creditors. Ask your adviser for details.

KEY FACTS

Choice Insurance Contract cont'd

Making withdrawals

- You can take out some or all of your money at any time, unless you have pension money in your contract. In this case, special withdrawal rules apply.
- Sales charges and withdrawal fees may apply.
- If the contract is held in a registered plan, withholding tax may apply.
- Withdrawals reduce the amount you get under the guarantee.

When your contract matures

- You will automatically get monthly annuity payments when your contract matures.
- You can choose to start the annuity at any time before maturity or to receive a lump sum payment instead.
- Some restrictions apply. Ask your adviser for details.

Changes to your contract

- If there are important changes to how much your insurance contract costs or how your investment funds work, we will tell you 60 days before we make the change.
- If you decide to move to a different investment fund, you can do so without charge.

If you change your mind

- You can cancel your contract by notifying your adviser in writing **within two business days** of signing the contract.
- You'll get back the amount you invested or less if the value of your investments has gone down.
- You'll also get back any sales charges you paid.

Investment fund options at September 30, 2006

Fixed income and cash equivalent funds
Money Market (XYZ)
Fixed-Income Portfolio Fund
Mortgage (XYZ)
Canadian Bond (XYZ)
Global Income (AGF)

Balanced funds
Income (XYZ)
Diversified (XYZ)
Equity/Bond
Income (Mackenzie)
Growth & Income (Mackenzie)
Balanced (Mackenzie)
Growth & Income (AGF)

Canadian equity funds
Dividend (XYZ)
Equity Index (XYZ)
Mid-Cap Canada (XYZ)
Canadian Equity (XYZ)
Dividend Growth (Mackenzie)
Larger Company (Mackenzie)
Equity (Mackenzie)
Smaller Company (Mackenzie)
Eclipse Canadian Growth

Canadian specialty funds
Real Estate (XYZ)
Canadian Opportunity (Mackenzie)
Canadian Resources (AGF)
Canadian Science and Technology (XYZ)

Foreign equity funds
U.S. Equity (XYZ)
American Growth (AGF)
International Equity (Putnam)
U.S. Mid Cap (XYZ)
Millennia III European Equity Fund

Foreign specialty funds
Asian Growth (AGF)
European Equity (Sceptre)
Emerging Markets (Mackenzie)
Japan Equity (Mackenzie)

Asset allocation funds
Conservative Portfolio Fund
Moderate Portfolio Fund
Balanced Portfolio Fund
Advanced Portfolio Fund
Aggressive Portfolio Fund

For more information

Giant Financial
10010–101 St. NW
Edmonton AB T5J 3G8

Phone: (780) 555-1212
Toll-free: 1-800-GIANTFI
E-mail: Choice@giantfin.com
Website: www.giantfin.com

Insurance contracts are regulated products. For general information about funds and insurance contracts, visit the Canadian Council of Insurance Regulators website at **www.ccir-ccrra.org**.

If you have a concern with your contract that you have not been able to resolve with your insurer, contact the Canadian Life and Health Insurance OmbudService at **1-888-295-8112** or on the web at **www.clhio.ca**.

GIANT FINANCIAL

LA GÉANTE FINANCIÈRE

FAITS SAILLANTS

Contrat d'assurance Assurisques Le 30 septembre 2006

Voici quelques éléments de base que vous devriez savoir avant d'acheter.
Vous trouverez des renseignements détaillés dans votre formulaire de demande, dans le contrat d'assurance et dans la notice explicative.
Demandez à votre conseiller de passer ces documents juridiques en revue avec vous.

Pourquoi acheter ce produit?

En investissant via un contrat d'assurance, vous combinez le potentiel de croissance des fonds communs de placement avec :

- des garanties qui protègent votre investissement en cas de baisse des marchés;
- des garanties en matière de capital-décès;
- des possibilités d'économies d'impôt et de protection contre les créanciers.

Ce produit pourrait vous convenir si :

- vous comptez conserver le contrat jusqu'à l'échéance (habituellement 10 ans);
- vous êtes à l'aise de payer des frais d'assurance annuels pour obtenir les garanties.

Vos options en matière de placements

- Vous pouvez choisir parmi les 39 fonds de placement figurant au verso. Votre conseiller vous aidera à choisir ceux qui vous conviennent.
- Vous pouvez changer de fonds à tout moment. Cela pourrait entraîner une modification de votre garantie.
- Il est possible que vous deviez payer des frais d'acquisition à l'achat ou lors d'un changement de fonds. Vous trouverez des renseignements détaillés sur les frais d'acquisition et d'autres informations sur chaque fonds dans le document *Aperçu du Fonds*.

Le choix d'une garantie

- Vous choisissez la garantie pour chaque fonds. Plus la garantie est élevée, plus les frais d'assurance annuels sont élevés.
- Dans le cas de certains fonds, la garantie totale n'est pas disponible.

Option en matière de garantie	Garantie		Frais d'assurance annuels (en pourc. de la valeur totale du fonds)
	Si vous conservez le contrat jusqu'à l'échéance	Au décès	
Garantie totale	100 %	100 %	1,2 %
Garantie combinée	75 %	100 %	0,8 %
Garantie de base	75 %	75 %	0,6 %

- Si vous conservez le contrat jusqu'à l'échéance ou si vous décédez, vous ou vos bénéficiaires recevrez le plus élevé du montant garanti ou de la valeur marchande de votre investissement. Cela signifie que si le marché a baissé, vous ou vos bénéficiaires recevrez 75 % ou 100 % de ce que vous avez payé, moins les frais ou les retraits que vous avez effectués.
- Les garanties totale et combinée vous permettent de bloquer vos gains et de baser la garantie sur le montant le plus élevé. Certaines restrictions s'appliquent.

Désignation d'un bénéficiaire

- Vous pouvez choisir le bénéficiaire qui recevra votre argent si vous décédez. Il est avantageux de le faire, du point de vue fiscal.
- La désignation d'un bénéficiaire peut aussi vous permettre de mettre le contrat à l'abri des créanciers. Demandez des précisions à votre conseiller.

FAITS SAILLANTS

Contrat d'assurance Assurisques suite

Retraits

- Vous pouvez retirer une partie ou la totalité de votre argent à tout moment, sauf si le contrat vise des sommes économisées en vue de votre retraite, auquel cas des règles particulières s'appliquent aux retraits.
- Il est possible que des frais d'acquisition différés ou des frais de retrait s'appliquent.
- Si le contrat est détenu dans un régime enregistré, il peut y avoir une retenue d'impôt.
- Les retraits ont pour effet de réduire le montant que vous obtenez aux termes de la garantie.

Lorsque votre contrat arrive à échéance

- À l'échéance de votre contrat, vous recevez automatiquement des versements mensuels de rente.
- Vous pouvez choisir de faire commencer les versements de rente à n'importe quel moment avant l'échéance du contrat ou de recevoir plutôt un paiement forfaitaire.
- Certaines restrictions s'appliquent. Demandez des précisions à votre conseiller.

Modifications de votre contrat

- Si nous devons apporter des modifications importantes dans vos frais de contrat d'assurance ou dans le fonctionnement de vos fonds de placement, nous vous aviserons 60 jours à l'avance.
- Si vous décidez d'investir dans un autre fonds de placement, vous pouvez le faire sans frais.

Si vous changez d'avis

- Vous pouvez annuler votre contrat en envoyant un avis écrit à votre conseiller dans les **deux jours ouvrables** suivant la signature du contrat.
- Vous recouvrerez le montant que vous avez investi ou moins si la valeur de vos placements a baissé.
- On vous remboursera aussi tous les frais d'acquisition que vous avez payés.

Options de fonds de placement au 30 septembre 2006

Fonds de titres à revenu fixe et de titres liquides
- Fonds du marché monétaire (XYZ)
- Fonds de titres à revenu fixe
- Fonds hypothécaire (XYZ)
- Fonds d'actions canadiennes (XYZ)
- Fonds de revenu mondial (AGF)

Fonds équilibrés
- Fonds de revenu (XYZ)
- Fonds diversifié (XYZ)
- Fonds d'actions/obligations
- Fonds de revenu (Mackenzie)
- Fonds de croissance et de revenu (Mackenzie)
- Fonds équilibré (Mackenzie)
- Fonds de croissance et de revenu (AGF)

Fonds d'actions canadiennes
- Fonds de bénéfices (XYZ)
- Fonds indiciel d'actions (XYZ)
- Fonds de sociétés canadiennes à capitalisation moyenne (XYZ)
- Fonds d'actions canadiennes (XYZ)
- Fonds de bénéfices axé sur la croissance (Mackenzie)
- Fonds de grandes entreprises (Mackenzie)
- Fonds d'actions (Mackenzie)
- Fonds de petites entreprises (Mackenzie)
- Fonds canadien de croissance Eclipse

Fonds canadiens spécialisés
- Fonds immobilier (XYZ)
- Fonds canadien d'occasions de placement (Mackenzie)
- Fonds de ressources canadiennes (AGF)
- Fonds canadien science et technologie (XYZ)

Fonds d'actions étrangères
- Fonds d'actions américaines (XYZ)
- Fonds américain de croissance (AGF)
- Fonds d'actions internationales (Putnam)
- Fonds de sociétés américaines à moyenne capitalisation (XYZ)
- Fonds d'actions européennes Millennia III

Fonds étrangers spécialisés
- Fonds de croissance asiatique (AGF)
- Fonds d'actions européennes (Sceptre)
- Fonds des marchés émergents (Mackenzie)
- Fonds d'actions japonaises (Mackenzie)

Fonds de répartition de l'actif
- Portefeuille prudent
- Portefeuille modéré
- Portefeuille équilibré
- Portefeuille confiant
- Portefeuille dynamique

Pour de plus amples renseignements

La Géante financière
100, rue Quelconque
Nimportou NB T5J 3G8

Téléphone : (780) 555-1212
Sans frais : 1 800 GEANTEF
Courriel : Assurisques@geantefin.com
Site Web : www.geantefin.com

Les contrats d'assurance sont réglementés. Vous trouverez des renseignements généraux sur les fonds et les contrats d'assurance dans le site Web du Conseil canadien des responsables de la réglementation d'assurance (**www.ccir-ccrra.org**).

Si vous avez des problèmes concernant votre contrat d'assurance que vous n'avez pu régler avec votre assureur, adressez-vous au Service de conciliation des assurances de personnes du Canada, par téléphone (1 888 295-8112) ou par Internet (**www.clhio.ca**).

LA GÉANTE FINANCIÈRE

Advisers' Interview Guide

CCIR Insurance Contract
Advisors Interview Guide

1. Introduction to Research

    1. Role of interviewer
        1. Facilities – audiotaping/ one-way mirror
        2. Purpose of Research - Canadian insurance regulators want to make sure that Canadian consumers receive the information they need to make a decision when choosing investments and insurance products and that the information is presented in way that is acceptable and useful to Advisors.

        3. *Emphasize testing the document, not the participant in any way.*

2. Current advisor practice

    1. Just to understand your work environment, what types of clients do you deal with primarily? PROBE: demographics, level of knowledge, goals
    2. And what types of investments do you work with most often?
    3. PROBE: GICs, Mutual Funds inside an RSP, MFs outside an RSP, Segregated funds, Equities inside an RSP, Equities outside an RSP, Bonds, Principal Protected Notes, Universal life insurance,other
    4. What is the main reason you offer clients segregated funds? PROBE

    5. *How do you describe this type of fund [LISTEN FOR: segregated fund within an insurance policy/ annuity/ mutual fund with guarantee?]*

    6. Can you describe the process you go through when working with a consumer for their first segregated fund, that is, when they have not invested in segregated funds before?
    7. What fund information do you provide? PROBE: details of content [investments, history, expenses, commission, right to cancel], format, channel, when?
    8. Source of this information
    9. Do you give/send them any of the printed information they take away with them?
    10. IF YES: Do you think they read the fund information? Why or why not?
    11. Do you give them electronic access to any fund information? Why or why not?
    12. IF YES: Do you think they access that information? Why or why not?
    13. How many new funds would you typically introduce to a client at one time?

3. Fund Facts Sheet – Quick Review [ROTATE WITH INSURANCE CONTRACT]

3. Fund Facts Sheet – Quick Review [ROTATE WITH INSURANCE CONTRACT]

EXPLAIN: Canadian regulators are planning to introduce two new fact sheets for investors when they buy segregated funds. ONE is a brief description of the mutual fund as an investment; the SECOND is a description of the insurance contract that accompanies a mutual fund purchased as part of an insurance policy or annuity. Our main focus is the insurance contract today, but to give you the full context please take a moment and look at the Fund Facts.

HAND FUND FACTS.

1. In general, what do you think of this document. Probe briefly.

4. Initial impressions of key facts sheet

EXPLAIN: A FACT SHEET FOR CONSUMERS WHEN THEY FIRST BUY ANY SEGREGATED FUND. IT IS BASED ON A HYPOTHETICAL PRODUCT BUT WOULD BE DEVELOPED BY THE INSURANCE COMPANY FOR A SPECIFIC SEGREGATED FUND.

SHOW KEY FACTS SHEET BRIEFLY; EXPLAIN LOGO AND COLOURS OF INSURANCE COMPANY

1. Initial impressions
2. What noticed, likes, dislikes
3. Titles, Font size, use of bolding, layout, graphs, tables
4. Ability to find key information
5. Easy to read or not easy to read

5. Detailed reactions to Key Facts sheet – Verbal Protocol

PAGE 1

Masthead

1. Title – Understanding of what the document is?
2. Date – Noticed?
3. Logo?

Advisers' Interview Guide cont'd

Opening Note

1. Noticed, read, terms understood, relevant

Why buy this product?

1. Explain in own words why someone would buy this product?

PROBE: Understanding of death benefit guarantees, creditor protection

a. Notice length of time to be held – 10 years; cost implications

Your investment options

b. Understanding of fund options; understand can change, but among these funds.

Choosing a guarantee

1. What happens as the guarantee increases?
2. Understanding of table – what is maturity? Combined? % of total value of fund – when?
3. 'Lock in'? Restrictions?

Naming a beneficiary

a. Understood? Helpful?
b. Where for more information?

Page 2

Making Withdrawals

- Understanding of 'pension money in your contract'.
- Other bullets?

When your contract matures

- What does the title mean?
- Some restrictions apply – Sufficient for a fact sheet?

Changes to your contract

- Understanding of content
- Reactions to 60 days?

If you change your mind [New provision]

1. Understanding of it?

Investment Fund Options

1. Awareness of date and its importance
2. Organization of funds

For more information

- Noticed?
- Complete?
- Awareness of and reaction to the two paragraphs

6. Review of Document

Take a moment and look back over the Key Facts document.

1. How well do you think it meet consumer needs in deciding to buy an annuity product?
2. How well, if at all, does it meet your needs as an advisor?
3. What, if anything, do you particularly like about it?
4. What, if anything, do you particularly dislike about it?
5. Is there any information here you do not need? What sections do you see as critical?
6. Any information missing that you would like to have?
7. Is the information in the right order? On the right page?
8. Length?

7. REVIEW SECOND DOCUMENT IN ROTATION.

- Now that you have seen both of these documents, how would you use them?

9. Would you use Key Facts with your clients? Why or why not? IF USE: How would you use Key Facts with your clients?

10. How would you like for these documents to fit in with the information you currently use?

11. When would you give it to clients? How? PROBE:] By hand, Internet, email, post.
12. What value, if any, would it bring to your relationship with clients?
13. Do you think these documents would help clients feel more comfortable with segregated funds or not?
14. PROBE: Help to support sale, save you time, act as a reminder?

Advisers' Interview Guide cont'd
Consumers' Interview Guide

8. Insurance Package

REVIEW CONTENTS BRIEFLY

1. How do you feel about this package?
2. How would you use it?
3. The insurance contract sheet could be referenced to pages in the longer document. Would this be helpful or not?

9. Conclusions

1. Thinking back about all that you have seen, the Fund Facts Sheet, the Insurance Contract Facts Sheet, the Package, does this give clients enough information? Is it the right amount? Not enough? Too much? DEPENDING ON ANSWER – What would you as an advisor DROP/ADD?
2. Would having this material be helpful in the sales process or not for segregated funds.
3. What impression does this new material create of you as an advisor? PROBE FULLY.

1. Any other suggestions for improvement?

CCIR Insurance Contract
Consumers Interview Guide

1. Introduction to Research

1. Role of interviewer
   1. Facilities – audiotaping/ one-way mirror
   2. Purpose of Research - Canadian insurance regulators want to make sure that Canadian consumers receive the information they need to make a decision when choosing investments and insurance products and that that information is presented in an easy-to-understand way that encourages consumers to read it.
   3. Remember the research is on behalf of all Canadian consumers and I will not ask you any private information,
   4. *Emphasize testing the document, not the participant in any way.*

2. Current insurance and investment experience

- Just to understand your background, in general what types of insurance products do you carry apart from property and vehicle insurance?

PROBE: Universal Life, Whole life, Annuities

- And what types of investments do you have? BRIEFLY

PROBE: Mutual Funds in an RSP, MFs outside an RSP, MFs/seg funds in universal life or annuity, Equities, anything else

1. When did you last make an investment in a segregated fund? How was this investment described to you [PROBE for name/title]? Were you told your purchase was for an annuity?
2. Can you describe the sales process?

PROBE:

a. Fund information received, reviewed [SHOW FUND FOLDER, TEST RECEIPT]
b. Channel used
c. Any other

3. IF GIVEN TO READ: Did you read the insurance contract information? Why or why not? What information did you get on the investment choices you had? Did you read it? Why or why not?
4. Did you have enough information to make a decision? To understand your advisor's recommendation?

Consumers' Interview Guide cont'd

1. What was to you the key reason for buying a segregated fund instead of a mutual fund or other investment?
2. Storage of fund information; other use of fund information
3. Satisfaction with process; reasons

3. Fund Facts Sheet – Quick Review [ROTATE WITH KEY FACTS SHEET]

EXPLAIN: Canadian regulators are planning to introduce two new fact sheets for investors when they buy segregated funds. ONE is a brief description of the mutual fund as an investment; the SECOND is a description of the insurance contract that accompanies a mutual fund purchased as part of an insurance policy or annuity. Our main focus is the insurance contract today, but to give you the full context please take a moment and look at the Fund Facts.

HAND FUND FACTS.

- In general, what do you think of this document. Probe briefly.

4. Initial impressions of key facts sheet

EXPLAIN: A FACT SHEET FOR CONSUMERS WHEN THEY FIRST BUY A SEGREGATED FUND THAT YOU HAVEN'T PREVIOUSLY HELD

SHOW KEY FACTS SHEET BRIEFLY; EXPLAIN LOGO AND COLOURS OF INSURANCE COMPANY

1. Initial impressions
2. What noticed, likes, dislikes
3. Titles, Font size, use of bolding, layout, graphs, tables
4. Ability to find key information
5. Easy to read or not easy to read

5. Detailed reactions to Key Facts sheet – Verbal Protocol

PAGE 1

Masthead

1. Title – Understanding of what the document is?
2. Date – Noticed?
3. Logo?

Opening Note

1. Noticed, read, terms understood, relevant

Why buy this product?

1. Explain in own words why someone would buy this product?

PROBE: Understanding of death benefit guarantees, creditor protection, tax savings [*in unincorporated businesses insurance contracts not part of personal estate*]

a. Notice length of time to be held – 10 years; cost implications

Your investment options

b. Understanding of fund options; understand can change, but among these funds.

Choosing a guarantee

1. What happens as the guarantee increases?
2. Understanding of table – what is maturity? Combined? % of total value of fund – when?
3. 'Lock in'? Restrictions?

Naming a beneficiary

a. Understood? Helpful?
b. Where for more information?

Page 2

Making Withdrawals

- What is a withdrawal in this case? [Redemption of fund units]
- Understanding of 'pension money in your contract'.
- Other bullets?

When your contract matures

- What does the title mean?
- Some restrictions apply – Sufficient for a fact sheet?

Changes to your contract

- Understanding of content
- Reactions to 60 days?

Consumers' Interview Guide cont'd

If you change your mind [New Provision]

1. Understanding of it?

Investment Fund Options

- Awareness of date and its importance
- Organization of funds

For more information
Noticed?
Complete?
Awareness of and reaction to the two paragraphs

6. Review of Document

Take a moment and look back over the Key Facts document.

1. How well does it meet your needs as consumer deciding to buy an annuity product?
2. What, if anything, do you particularly like about it?
3. What, if anything, do you particularly dislike about it?
4. Is there any information here you do not need? What sections do you see as critical?
5. Any information missing that you would like to have?
6. Is the information in the right order? On the right page?
7. Length?

8. How would you like to receive this information? PROBE: from adviser [when], Internet, email, post.

    1. How likely are you to read this information? Why?
    2. When? Is there anything that can be done to encourage you to read it, or to read it more carefully?

PROBE FULLY. COLOUR, FONT, LAYOUT, SPONSOR, TITLE, ETC.

    3. How would you use this information?

PROBE: to make your investment decision, to confirm the adviser's recommendation? As a reference?

    4. Would you want or need any other printed information if you received this document?
    5. Do you understand how you could get more information if you wanted it?
    6. What use would you expect your Adviser to make of this document?
    7. How would you feel about an Adviser who provided this key facts document to you?

7. REVIEW SECOND DOCUMENT ROTATION.

8. Process with Two Documents

- If both of these documents were available to you, how do you see using them?
- How would you want your advisor to handle them? Which first? Go over both?
- Receipt – email, internet, post, fax, by hand
- Do you need both? Why are they separate documents?
- If the Regulators were to regulate both documents for the sale of segregated funds, how would you as a consumer feel about this? PROBE FULLY.

9. Insurance Package - BRIEFLY
REVIEW CONTENTS BRIEFLY [Application, detailed insurance contract, review of contract; Still available, but how, when use]

1. How do you feel about this package?
2. How would you use it?
3. The insurance contract sheet could be referenced to pages in the longer document. Would this be helpful or not?
4. When would you expect to receive it?
5. Once you have completed your purchase what would you do with this package?

10. Conclusions

    1. Thinking back about all that you have seen, the Fund Facts Sheet, the Insurance Contract Facts Sheet, the Package, does this give you enough information? Is it the right amount? Not enough? Too much? DEPENDING ON ANSWER – What would you DROP/ADD?
    2. Would having this material make you feel more comfortable with your investment decision or not?

1. Any other suggestions for improvement.

Appendix 4
Investor research and other sources

ABC Canada Literacy Foundation. “Literacy Facts and Links.”

AC Nielsen.DJC Research, November 1998. “Executive Summary and Conclusions.” [A consumer research study commissioned by the Investment Funds Institute of Canada (IFIC) on the fund summary proposed by the 1998 draft National Instrument 81-101.]

Autorité des marchés financiers (France), March 2007. “Investigation of investment information and management processes and analysis of disclosure documents for retail investors.”

Canadian Securities Administrators (CSA), October 18, 2006. “CSA Investor Index.”

CSA, April 30, 2004. “CSA Notice 81-311 Report on Consultation Paper 81-403 *Rethinking Point of Sale Disclosure for Mutual Funds and Segregated Funds.*”

CSA, April 30, 1999. “Notice of Proposed Changes to National Instrument 81-101, Forms 81-101F and 81-101F2 and Companion Policy 81-101CP Mutual Fund Prospectus Disclosure.”

Deaves, Richard; Dine, Catherine and Horton, William, May 2006. “Research Study: How Are Investment Decisions Made?”

Financial Services Authority (FSA), November 2006. “Consumer Research 55–*Investment disclosure research.*”

FSA, November 2006. “Feedback Statement 06/5–*Point of sale investment product disclosure: feedback on CP170 and CP05/12.*”

FSA, July 2005. “Consultation Paper 05/12–*Investment product disclosure: proposals for a Quick Guide at the point of sale.*”

FSA, July 2005. “Consumer Research 41–*KeyFacts Quick Guide: Research Findings.*”

FSA, March 2003. “Consumer Research 18–*The development of more effective product disclosure.*”

FSA, February 2003. “Consultation Paper 170–*Informing consumers: product disclosure at the point of sale.*”

FSA, November 2000. “Consumer Research 5–*Informed decisions? How consumers use Key Features: a synthesis of research on the use of product information at the point of sale.*”

FSA, November 2000. “Discussion Paper–*Informing Consumers: A review of product information at the point of sale.*”

Forrester Research, March 20, 2006. “Use of the Internet by Mutual Fund Shareholders.”

Government of Canada, March 2006. “Why Financial Capability Matters–Synthesis Report on Canadians and Their Money: A National Symposium on Financial Capability held on June 9-10, 2005 in Ottawa.”

Joint Forum of Financial Market Regulators (Joint Forum), February 13, 2003. "Consultation Paper 81-403 *Rethinking Point of Sale Disclosure for Segregated Funds and Mutual Funds."*

Joint Forum, February 13, 2003. "Background Research on Report to Consultation Paper 81-403."

International Organization of Securities Commissions, May 2002. "Investor Disclosure and Informed Decisions: Use of Simplified Prospectuses by Collective Investment Schemes."

Investment Company Institute, August 2006. "Understanding Investor Preferences for Mutual Fund Information."

Investment Funds Institute of Canada, September 2006. "Annual Investor Survey: Canadian Investors' Perceptions of Mutual Funds and the Mutual Fund Industry."

Investment Funds Steering Group for the CSA, November 1996. "The Stromberg Report: An Industry Perspective."

Investor Education Fund, February 2003. "Financial Literacy Research."

Kingsford Smith, Dimity, June 20, 2006. "Research Study: Importing the e-World into Canadian Securities Regulation."

National Association of Insurance Commissioners (NAIC), August 2006. "Draft NAIC Disclosure Guidelines and Process."

National Association of Securities Dealers (NASD), April 2005. "Profile Plus."

NASD, April 2005. "Report of the Mutual Fund Task Force: Mutual Fund Distribution."

NASD, March 23, 2005. "Mutual Fund Point of Sale Disclosure Investor Research Findings."

National Bureau of Economic Research, May 2006. "Why Does the Law of One Price Fail? An Experiment on Index Mutual Funds."

Ontario Securities Commission and Financial Services Commission of Ontario, August 29 and September 5, 2001. "Point of Sale Disclosure and Consumer's Guide Dual-licensed Advisor Panels."

Securities and Exchange Commission (SEC), June 1, 2005. "Results of Investor Interviews to Test Oral Point of Sale Disclosure."

SEC, May 31, 2005. "Results of Investor Interviews to Test and Refine Point of Sale Disclosure Forms."

SEC, November 4, 2004. "Results of In-Depth Interviews Regarding Proposed Mutual Fund Sales Fee and Conflict of Interest Disclosure Forms."

Securities Investor Protection Corporation and Investor Protection Trust, December 13, 2005. "Investor Survivor Skills Survey–An Examination of Investor Knowledge and Behaviour."

Standing Senate Committee on Banking, Trade and Commerce, June 2006. “Consumer Protection in the Financial Services Sector.”

Statistics Canada, November 9, 2005. “The Daily: International Adult Literacy and Skills Survey.”

Statistics Canada, 2003. “International Adult Literacy and Skills Survey.”

Statistics Canada, 2001. “Census of Canada.”

Stromberg, Glorianne for the Office of Consumer Affairs, Industry Canada, October 1998. “Investment Funds in Canada and Consumer Protection: Strategies for the Millennium.”

Stromberg, Glorianne for the CSA, January 1995. “Regulatory Strategies for the Mid-90’s– Recommendations for Regulating Investment Funds in Canada.”

Appendix 5
Research Strategy Group
Fund Facts document research report

Fund Facts Document Research

— REPORT —

Prepared for:

OSC
Ontario Securities Commission

Research | Strategy Group
250 Bloor Street East, Suite 1530, Toronto ON M4C 2B4
(416) 928-0678 www.rsginc.ca

October 25, 2006
RSG# 3587 MA

Table of Contents

		Page
1.0	Introduction	3
	1.1 Background	4
	1.2 Research Objectives	5
	1.3 Methodology	6
	1.4 Interview Structure	9
	1.5 Document Research	10
2.0	Conclusions and Recommendations	11
3.0	Detailed Findings	19
	3.1 Initial Reactions to the Core Document	21
	3.2 Detailed Reactions	26
	3.3 French Language Issues	51
	3.4 Impact of Colour	62
4.0	Overall Impressions	63
5.0	Role in the Sales Process	67
	Appendix	72

Research | Strategy Group

1.0 Introduction

1.1 Background

- The Joint Forum of Financial Market Regulators, including both the securities and insurance industries, is reviewing sales disclosure information for segregated and mutual funds. The Ontario Securities Commission [OSC], with the approval of the Canadian Securities Administrators [CSA] and in conjunction with the Canadian Council of Insurance Regulators [CCIR], has undertaken to spearhead testing of the proposed disclosure documents developed by the Point-of-Sale Committee.
- As part of this work, document research was held to evaluate a one-sheet [two page] fund facts document among mutual fund and segregated funds investors and advisers.
- The research will be used to fine-tune the document and to provide guidance in the most appropriate usage.

1.2 Research Objectives

- The research was intended to evaluate
  - Clarity of language and format
  - Relevance and completeness of content
  - Layout and design
  - Usefulness in making investment decisions
  - Desired role in the sales process
  - Overall appeal

1.3 Methodology

- One-on-one in-depth interviews, lasting 1 hour each
- Investors were screened as the decision maker for their investments and as using a professional adviser. In Toronto 6 women and 5 males were interviewed; in Montreal, 4 women and 2 men.

INVESTORS	Total	Toronto	Montreal [Fr]
Mutual Funds			
- Naïve/medium investors	5	3	2
- Sophisticated investors	4	3	1
Segregated Funds			
- Naïve/medium investors	6	4	2
- Sophisticated investors	2	1	1
Total	17	11	6

Methodology cont'd

- Level of financial sophistication was determined by self-report during the screening process:
  - "Which of the following statements best describes your experience as an investor?

I don't know a lot about investments. I rely on my adviser for advice.	1	Naive
I know a little about investments and I discuss my decisions with my adviser.	2	Medium
I am fairly knowledgeable about investments. I use an adviser but I have definite ideas about how I want to invest.	3	Sophisticated

- In the research naïve and medium investors were grouped together.
- During the interviews, it was observed that some of those who described themselves as naïve were too modest, while some who said they were 'fairly knowledgeable' in fact were not. Between the two counter balancing claims, the research achieved a good mix of financial experience.
- Investors were given an incentive of $75 to cover parking and other expenses.

Methodology cont'd

- Advisers were recruited according to their license and sale of mutual funds or segregated funds.
- In most cases, advisers had eight or more years of experience.

Advisers	Total	Toronto	Montreal [Fr]
Brokers/Dealers			
- MFDA Licensed	2	1	1
- IDA Licensed	2	1	1
Segregated Funds			
- Life Insurance licensed/sells segregated funds	2	1	1
- Dual licensed (Life and MFDA or IDA)	4	2	2
Total	10	5	5

- Advisers were not given an incentive.
- Research dates: September 18 – October 6, 2006

1.4 Interview Structure

- Interview Structure
  - Review of current investment experience
  - Initial impressions of the Fund Facts document
  - Detailed reactions to the document
  - Overall impressions
  - Preferred use of the document
- Participants were told that the document had been prepared by Canadian securities regulators and Canadian insurance regulators, but the Fund Facts sheet would carry the logo and colours of the fund company.
- In both the investor and adviser interviews, black and white documents were rotated with colour documents. At the end of each interview, participants were shown the other presentation and asked to comment on the impact of using colour.

1.5 Document Research

- Document research uses special techniques to evaluate the interface between the reader and print materials, helping to identify successful and unsuccessful print strategies. It uncovers problems of interpretation at various levels, including those of lexical selection, syntax, paragraph and document organization, coherence, layout and visual aids.
- Document research is most usefully applied to print materials designed to elicit specific behaviours from readers, for example, tax returns, application forms, financial statements, instructions and others. It is not primarily concerned with the investigation of attitudes, but with observation of the ability of the reader to understand or respond appropriately to the document. A good document unobtrusively guides the reader through the information provided and ensures that comprehension is progressive and clear because it is organized appropriately and at the right level.
- Testing is always done with participants who are native speakers and who are drawn from the target audience. Because native speakers share a common core language competence – even if they cannot apply academic labels to their knowledge -- a relatively small sample is sufficient to reveal areas where the document fails to support the reader. Consistent patterns of reader discomfort must then be reviewed.
- These problem areas are not always apparent to writers who may be too close to the topic and who often unintentionally draw on specialized knowledge not always available to the reader. However, once problems have been identified, the writers can analyze them and choose a more successful approach.

Research | Strategy Group

2.0 Conclusions & Recommendations

2.0 Conclusions & Recommendations

OSC Ontario Securities Commission

The Fund Facts document, whether for mutual or segregated funds, was very well received by both investors and advisers. It should be adopted with minor modifications.

- Investors and advisers described the Fund Facts document as informative, relevant, and easy to read. They particularly liked its brevity and many in both segments praised its honest, factual disclosure. Investors report that they will read this document.
- Investors want to receive it before they make a decision to invest in a fund, in other words, prior to the point of sale.
- They want to receive it by email attachment or on the web or to review it with their adviser when considering an investment fund.
- Investors admit that they do not always read the prospectus.
- Almost all of the advisers reported that they will use it with clients as a presale document and that it will be helpful in explaining things to them. Some also said the Fund Facts document would make their job easier. They believe that investors are more likely to read this document than the prospectus. Many are happy to have this document regulated instead of the prospectus, provided the prospectus is still available for those who want it.
- Both investors and advisers said that if there is consistency of format it would be easy to compare more than one fund at a time if multiple purchases are considered.

Conclusions & Recommendations cont'd

- The suggestions which follow highlight the more important issues for review. Other more minor issues are covered in the detailed findings.

Tone

- The Fund Facts document was highly praised for its honesty, realism, and bluntness in informing investors that investments can go down as well as up and that the specific fund in this example had lost money in 3 years out of 10. A minority of investors and advisers, however, while accepting the need for this information wanted it to be softened or more balanced. For example, to point out the years when the fund gained as well as lost.

  ✓ The information given was clear and accurate. Regulators should consider the overall purpose of the document in determining exactly what balance they wish to strike.

Content

- Many investors and advisers could think of no information to add or drop. Instead they described the information as complete as a basic description of a fund, and as providing more disclosure than they had had before. Many investors did not want additional information on the Fund Facts document, but said they would go elsewhere if they wanted more information. Many advisers said that they would walk their clients through the document providing additional comments as needed or give them other sources or links.

Conclusions & Recommendations cont'd

- A minority of investors and advisers, however, wanted more comparative data for expenses, performance and risk.
  - ✓ In light of these comments, regulators should review what they consider basic essentials and whether or not there is need or room to provide comparisons or additional information. Investors and advisers agree that they do not want the length of the document to increase.
- Advisers and investors need to know how timely the information in the document is. Advisers need to know how often they will have to reorder Fund Facts and when they need to supplement it.
  - ✓ The meaning of the date June 30, 2006 needs to be clarified.
- Advisers and investors are almost unanimous in arguing that the use of colour makes the document more professional, more credible, more trustworthy, and more readable. So strong was this preference that investors ruled out receipt by fax.
  - ✓ The Fund Facts document should be provided in colour.
- Several investors commented that the font is somewhat too small.
  - ✓ Regulators should review whether it is possible to increase the size of the font without exceeding the 2 page limit. A better use of colour may help.

Conclusions & Recommendations cont'd

Sections

- Four sections need particular attention – Guarantees for segregated funds, risk, sales charges, and commissions.

<u>Segregated funds guarantees, paragraph 1 [page 1]</u>

- While some advisers thought the document gave enough information for them to speak to, others wanted a clearer discussion. Investors also stumbled especially as they tried to work out the 'if' clauses.
  - ✓ Clarification is needed regarding 'the amount you invest', limitations, and conditions.

<u>Risk [page 1]</u>

- Many advisers and investors were satisfied with the discussion of risk describing it as clear and standard and the bar graph as helpful and easy to read. Others in both segments wanted more explanation of 'moderate' and some way to compare with other types of investments or funds.
  - ✓ Ideally the first two sentences would be reversed and a very simple comparison or word explanation added –

    "When you invest in a fund, the value of your investment can go down as well as up. This fund has moderate risk. It …"

Conclusions & Recommendations cont'd

OSC Ontario Securities Commission

Sales charges [page 2]

- Investors were confused by the visual layout of this section. Advisers had much less trouble and usually welcomed this disclosure. Not all of them, however, welcomed the advice to investors to negotiate the initial sales charge. Several advisers noted that they are unable to do this.
- ✓ The chart needs to make clear that investors pay an initial sales charge or a deferred sales charge but not both. Stronger blocking would help to clarify the columns and separate the sections.
  - 'Sales charge' would be less ambiguous if always accompanied by 'initial' or 'deferred'.
  - '0 to $40' and '0 to $60' instead of 'up to' would also improve clarity.
  - The clauses 'so less of your money…' or 'so you get less of your money…' could be rewritten so that they do not stop investors who then find it difficult to work through the sentences as a whole.

Conclusions & Recommendations cont'd

OSC Ontario Securities Commission

Commissions [page 2]

- Many investors were confused by this section – they did not know who pays the commission or how much it may increase -- and advisers were unhappy with it. Advisers reported that there is wide variation in the treatment of commissions. Few report waiving them and others said they were unable to do this. They see this section as raising many questions that are difficult to answer.
  - ✓ The section as a whole needs to be reworked to explain:
    - how commissions fit in with annual expenses
    - The variations across the country [advisers only]
    - 'Trailer fees' also needs to be included in the terminology.

Other Issues

- ✓ The pie chart and bar graph of performance should be retained as they are with the exception that the vertical axis label on the bar graph may be omitted.
- ✓ On the mutual funds document, 'annual expenses' would be more informative if a limited breakdown is given similar to that used on the segregated funds document. Inclusion of the term 'MER' may also be helpful for some advisers and investors.

Conclusions & Recommendations cont'd

- ✓ Some advisers and investors want to see the name of the portfolio manager rather than that of the company. Regulators might consider leaving this decision up to the fund company, provided one or the other is given.
- ✓ The phrase 'sometimes frequently' suggests a volatile fund to some investors and advisers. Regulators may want to review this language in the context of the overall tone they want to set in the document.
- ✓ In the French version in the set schedule for deferred sales charges, the word 'après' should be replaced by 'avant'.
- ✓ Other comments on the French version should be reviewed in the detailed findings.

Research | Strategy Group

Detailed Findings

Research | Strategy Group

The Fund Facts documents for segregated and mutual funds are based on the same core model. For clarity and conciseness of reporting, the Segregated Fund document in English is used as the base document.

- ✓ Comments on identical sections are given once. Where sections differ, these are highlighted and treated separately.
- ✓ Comments are based on all investors, both French and English. Quotations from French language speakers are included in translation.
- ✓ Comments from Advisers follow those by investors.
- ✓ French language issues are discussed in a separate section.

3.1 Initial Reactions to Core Document

OSC
Ontario Securities Commission

XYZ Company

FUND FACTS

Choice Insurance Contract
XYZ Canadian Equity Fund Class B Guarantee
June 30, 2006

Quick facts

Date created:	January 1, 1996
Total value on June 30, 2006:	$1 billion
Portfolio manager:	Capital Asset Management Ltd.
Distributions:	Annually, on December 15

Annual expenses, as a % of the fund's total value for the year ended June 30, 2006:	3.10%
Made up of:	
Fund expenses	2.25%
Insurance costs	0.85%

What does the fund invest in?

The fund invests in Canadian companies. They can be of any size and from any industry.

The charts below give you a snapshot of the fund's investments on June 30, 2006. The fund's investments will change, sometimes frequently.

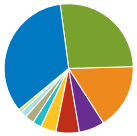
Top 10 investments (June 30, 2006)

1. Royal Bank of Canada
2. Encana Corp.
3. Petro-Canada
4. Alcan Inc.
5. Canadian National Railway Company
6. Goldcorp Inc.
7. Extendicare Inc.
8. Husky Energy
9. Open Text
10. Thomson Corp.

Total investments	**126**

The top 10 investments make up 32% of the fund.

Investment mix (June 30, 2006)



Industry	
Financial services	34.0%
Energy	26.6%
Industrial goods	16.5%
Business services	6.4%
Telecommunication	5.9%
Hardware	3.7%
Healthcare services	2.3%
Consumer services	2.1%
Media	1.9%
Consumer goods	0.6%

How much can I make?

Here's how the fund has performed in the past. Returns are after the annual expenses have been deducted. All things being equal, the higher the expenses, the lower your return.

It's important to note that this doesn't tell you how the fund will perform in the future.

Year-by-year returns

This chart shows how the fund has performed in each of the past 10 years ending on June 30. There were three years when people who held this fund lost some of the money they had at the start of the year.



Average return

A person who invested $1,000 in the fund 10 years ago now has $2,682. This works out to an average of 10% a year.

How risky is it?

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

Very low	Low	Low to moderate	**Moderate**	Moderate to high	High

Are there any guarantees?

You are guaranteed to receive 75% of the amount you invest, less any withdrawals and fees, if you hold the contract for 10 years. If you hold the contract until you die, your beneficiaries will receive 100% of the amount you invest, less any withdrawals and fees.

You pay annual insurance costs to get these guarantees. For more details, ask your adviser or see the insurance contract fact sheet.

Who is this fund for?

Investors who:

- are looking for a long-term investment
- want to invest in a broad range of Canadian companies
- can handle the ups and downs of the stock market.

Don't buy this fund if you need a steady source of income from your investment.

FUND FACTS

XYZ Canadian Equity Fund Class B Guarantee cont'd

How much does it cost to buy?

You may have to pay a sales charge. The table below outlines your options. Ask your adviser to explain the pros and cons of each option, and how they compare with similar funds.

Sales charge option	What you pay		What else you should know
	(In per cent %)	**(In dollars $)**	
Initial sales charge	0-4% when you buy	Up to $40 on every $1,000 you buy	• You and your adviser negotiate the rate. • The sales charge is deducted from the amount you buy, so less of your money goes to work for you. • Ask your adviser to tell you the sales charge on the amount you're buying.
Deferred sales charge	**If you sell within:** 1 year of buying 6.0% 2 years of buying 5.0% 3 years of buying 4.0% 4 years of buying 3.0% 5 years of buying 2.0% 6 years of buying 1.0% After 6 years none	Up to $60 on every $1,000 you sell	• This is a set schedule. • The sales charge is deducted from the amount you sell, so you get less of your money back.

How does my adviser get paid?

- Your adviser gets a commission when you buy, unless they choose to waive it.
- Your adviser also gets an ongoing commission for as long as you hold the fund. This commission may increase over time.
- Your adviser can tell you the commission rates for this fund, and how they compare with similar funds.

What if I change my mind?

- You can cancel your purchase by notifying your adviser in writing within two business days after you buy.
- 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 you paid.

For more information

For more information about this fund, speak to your adviser or contact:

XYZ Mutual Funds Inc.
123 Asset Allocation St.
Toronto, ON M1A 2B3

Phone: (416) 555-5555
Toll-free: 1-800-555-5556

Email: investing@xyzfunds.com
www.xyzfunds.com

For more information about your insurance contract, speak to your adviser or see the insurance contract fact sheet.

XYZ Company

® Registered trademark of XYZ Company

150

Initial Reactions - Investors

OSC
Ontario Securities Commission

- ✓ Initial reactions to the two documents by investors were, for the most part, positive in Toronto and Montreal driven by the easily scanned layout and amount of information relevant to them. Investors commented spontaneously and positively on –
  - The pie chart and bar graph
  - The Quick Facts box
  - Questions as titles followed by answers
  - The use of separate segments
  - The brevity of the document
- The document seemed to be easy to read because of the separate sections, the format that uses questions as titles, the graphs, and the simple language.
- It also seemed to contain important information. Participants quickly understood that Fund Facts addresses the size of fund, the companies and industries in it, the fund's risk level, performance history, annual expenses, costs, and contact information. Several investors also noticed the portfolio manager, average return and the section on their ability to change their minds.
- Overall, the length of the document – one page – was much appreciated.

Initial Reactions cont'd

OSC
Ontario Securities Commission

"It gives a break down of everything you could ask for off the top…nice, clean, concise. It's all there. It gives anybody and everybody enough to make a decision…very easy to read."

"It has all I am looking for – how the funds are made up, the mix, risk, guarantees, performance, and how long it's been around, who manages it, fees, and it's easy to read."

"These are very important questions…It's good, well thought out."

"The titles as questions are good for someone like me who is not very knowledgeable."

"A factual facts document. It gives a break down of everything you could ask for off the top… I see everything I need and I can do more due diligence if I want to."

"It's not 'fine print'. They're not trying to hide anything…not too busy."

"I like the pie chart and 'How much can I make?'. I could fold this and take it to work."

"I like the layout. I see the pie immediately….it's an attractive layout."

"I like the layout on page 1. It's what everyone wants to know."

Initial Reactions cont'd

- ✓ Those who were less satisfied commented that there is a lot of information on the first page, and a small minority admitted they do not like graphs.

  "It's a lot of information….that's bad."

  "I'm not a numbers person. This turns me off….The sales cost – I don't like that. It looks hard."

- After reading the document, however, many of these same respondents agreed that the document is informative and easy to read and understand.
- Several also objected to the layout of the costs on the back page as confusing. Again, respondents were able to work their way through this section, but some improvements are required.

  "The whole top half [page 2] I'd ignore."

  "I don't want to go through the table [page 2]. It looks confusing."

  "The schedule of sales charges is hard to read."

- Opinions were divided about the size of the font with several investors spontaneously noting that they found it too small.

Initial Reactions - Advisers

- ✓ Initial reactions among advisers in Toronto and Montreal were positive and echoed many of the comments of investors.
- Advisers liked the use of questions for titles, the layout including the use of boxed sections and the Quick facts. Some mentioned favorably the open focus on costs.
- They also much liked the brevity of the document. The Fund Facts sheet looked easy to read.

  "For the average investor this quickly covers some of the questions they would have…the titles. I like the risk section, the costs….It looks relatively coherent."

  "It's not too busy. It gives the main facts upfront."

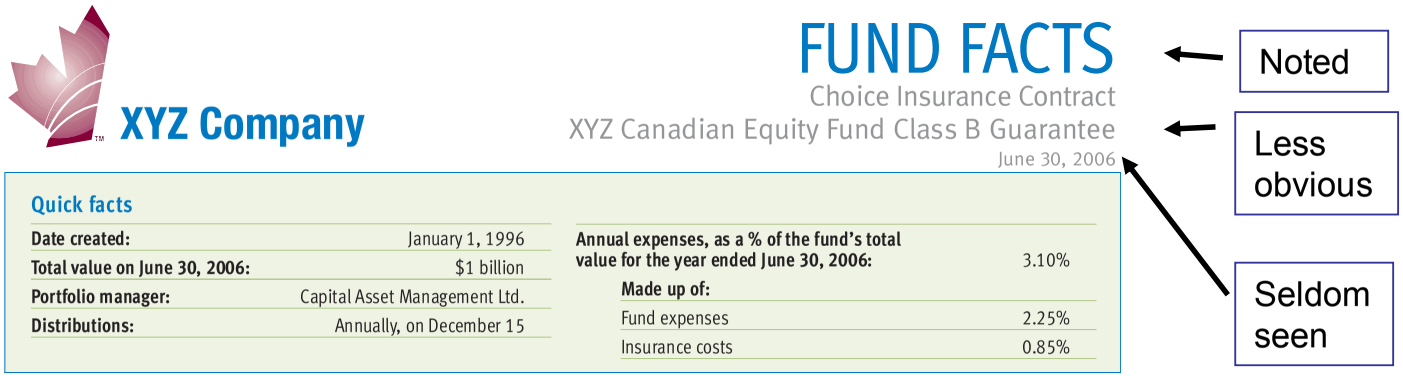
  "It's well laid out. The expenses are clear at the top…easy to read."

  "I like it. It's a much more informative document than anything I've seen in the past."

3.2 Detailed Reactions - Investors Masthead

OSC Ontario Securities Commission

Seg. Fund



- ✓ The masthead is effective in identifying the source and purpose of the document.
- Investors quickly noted the title, 'Fund Facts', and understood the purpose of the document. The name of the fund was less obvious, but this may be a function of the colors chosen for the test document.
- Some segregated fund investors did not understand 'Class B Guarantee', but many did not seem troubled by this name.
- The date 'June 30, 2006' was seldom seen, though noted in the body of the text. Some sophisticated investors wanted to know if this was date of issue and how often the document will be updated. If not frequently, some will not feel confident using the information.

Detailed Reactions – Advisers Masthead

- ✓ Comments among advisers were similar to those of investors.
- Some wanted the name of the fund made more prominent. [The light colour may have made the name less prominent.]
- Although a prospectus usually lasts a year, some advisers saw Fund Facts as a more fluid document.
- In this context, a small minority of advisers commented on the date:
  - They are concerned about how often this information would be updated. A small minority suggested that 30 to 45 days would be too long. They would go to other sources for risk and performance.
  - Some also wondered how often they would have to reorder.
- Some segregated fund advisers also noted that investors will not understand 'Class B Guarantee'. They thought it might encourage investors to ask about Class A Guarantees.

156

Detailed Reactions – Investors
Quick facts

OSC
Ontario Securities Commission

Seg. Fund

Understood.

Some sophisticated users prefer a personal name



FUND FACTS

Choice Insurance Contract
XYZ Canadian Equity Fund Class B Guarantee
June 30, 2006

Quick facts

Date created:	January 1, 1996
Total value on June 30, 2006:	$1 billion
Portfolio manager:	Capital Asset Management Ltd.
Distributions:	Annually, on December 15

Annual expenses, as a % of the fund's total value for the year ended June 30, 2006:	3.10%
Made up of:	
Fund expenses	2.25%
Insurance costs	0.85%

- ✓ The 'Quick facts' box was much appreciated and contained most of the desired information. Some also wanted to see risk level and average return in the box.
- 'Date created' - occasionally confused with date document created. One possibility, 'Date fund created'.
- 'Distributions' – intent usually understood, but unsure if dividends, interest, capital gains, etc.
- 'Annual Expenses' – particularly well received in the segregated funds document because of the breakdown. Most participants were able to add the column to reach the total, though some wanted to add down instead of up.

Detailed Reactions – Investors
Quick facts cont'd

OSC
Ontario Securities Commission

Mutual Fund



XYZ Company

FUND FACTS

XYZ Canadian Equity Fund June 30, 2006

Quick facts

Date created:	January 1, 1996	**Portfolio manager:**	Capital Asset Management Ltd.
Total value on June 30, 2006:	$1 billion	**Distributions:**	Annually, on December 15
Annual expenses, as a % of the fund's total value for the year ended June 30, 2006:	2.25%		

- ✓ Reactions by MF investors were similar to those of Segregated Fund investors. They understood immediately what the document is and they much appreciated the boxed Quick facts information.
- MF investors had no difficulty with the name of the fund.
- All of the MF investors appreciated seeing the annual expenses information in Quick facts, but some wanted more information. They did not know how the expenses are made up. Some asked if annual expenses is the same as the MER.

Detailed Reactions – Advisers
Quick facts

- ✓ Advisers also much liked the Quick facts information and the way it was boxed and shaded at the top of the page.
- Some, but not all, wanted to see the actual portfolio manager's name, not the company.
- Some thought that their investors would not know what distributions are.
- On the segregated funds facts sheet, several praised the breakout of expenses – *"It's a good break out. It's top, front and prominent for comparison."*
- On the mutual fund facts sheet, some advisers wanted a break out of annual expenses – *'Management cost, administration, trading fees….'* They seemed to feel this would help to justify costs.
- Some suggested adding average return to Quick facts.

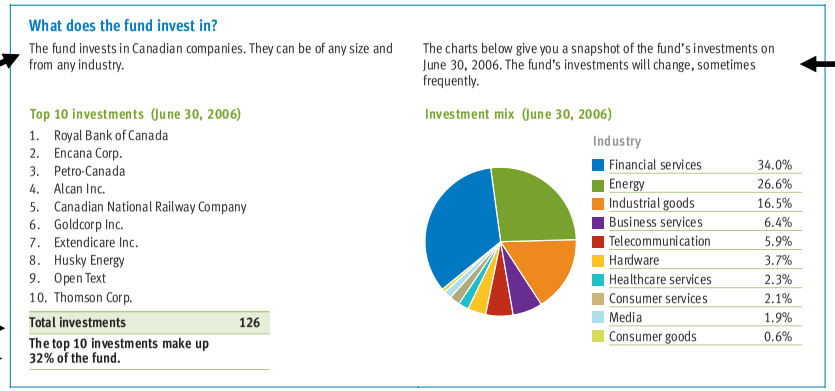
Detailed Reactions – Investors
Investment mix

OSC
Ontario Securities Commission

Seg. fund

Noted & understood

Usually understood



What does the fund invest in?

The fund invests in Canadian companies. They can be of any size and from any industry.

The charts below give you a snapshot of the fund's investments on June 30, 2006. The fund's investments will change, sometimes frequently.

Top 10 investments (June 30, 2006)

1. Royal Bank of Canada
2. Encana Corp.
3. Petro-Canada
4. Alcan Inc.
5. Canadian National Railway Company
6. Goldcorp Inc.
7. Extendicare Inc.
8. Husky Energy
9. Open Text
10. Thomson Corp.

Total investments 126

The top 10 investments make up 32% of the fund.

Investment mix (June 30, 2006)

Industry

Financial services	34.0%
Energy	26.6%
Industrial goods	16.5%
Business services	6.4%
Telecommunication	5.9%
Hardware	3.7%
Healthcare services	2.3%
Consumer services	2.1%
Media	1.9%
Consumer goods	0.6%

Understood; but not always noticed. The pie chart pulls the eye down.

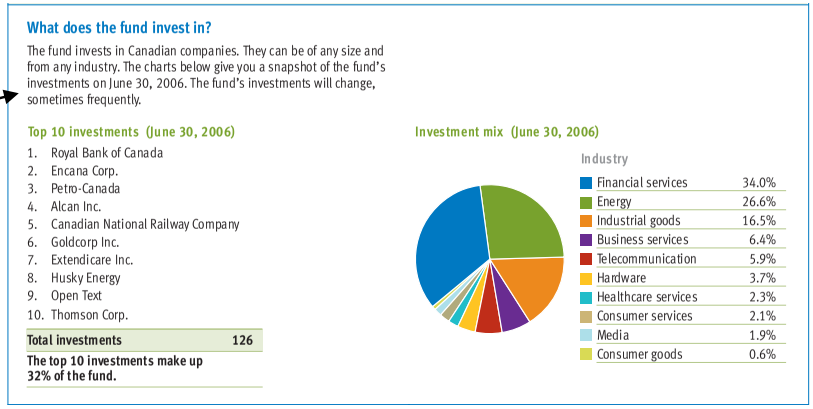
Some labels unclear – hardware, consumer services, consumer goods

- ✓ Investors liked and understood the information on companies and industry sectors. It showed them that the fund is invested in solid companies which they often recognize and that it is well diversified by industry.
- The pie chart was very visible, especially in colour and appreciated as a quick overview of the diversity of the fund. A small minority do not use graphs of any kind.
- Several wanted a reference added for an online source to see the other 116 companies.
- Only a few wanted to see the percentage held beside each company.
- The phrase 'sometimes frequently' was alarming to some investors since it suggested a volatile fund. Others noted that it is important and accurate information.

Detailed Reactions – Investors
Investment mix cont'd

Mutual Fund

Usually seen



What does the fund invest in?

The fund invests in Canadian companies. They can be of any size and from any industry. The charts below give you a snapshot of the fund's investments on June 30, 2006. The fund's investments will change, sometimes frequently.

Top 10 investments (June 30, 2006)

1. Royal Bank of Canada
2. Encana Corp.
3. Petro-Canada
4. Alcan Inc.
5. Canadian National Railway Company
6. Goldcorp Inc.
7. Extendicare Inc.
8. Husky Energy
9. Open Text
10. Thomson Corp.

Total investments	126

The top 10 investments make up 32% of the fund.

Investment mix (June 30, 2006)

- The companies and investment mix listed are identical on both documents, except that the paragraph under 'What does the fund invest in?' is separated into two columns on the segregated fund document.
- On the mutual fund document the last two sentences were more apt to be read and thus there was marginally more notice taken of the phrase 'sometimes frequently'.

Detailed Reactions – Advisers
Investment mix

- Many advisers liked the list of top ten companies. They think familiar names reassure clients – *'Brand recognition comforts them.'* Some thought their clients would not be very interested in the holdings.
- They liked the pie chart which was clear and stood out – *'Clients like pie charts although it may not mean lots to them.'*
- 'The fund's investments will change, sometimes frequently' was usually well received as a useful reminder to clients. A small minority of advisers thought it made the fund seem volatile – *'moving in and out all over the place…not certain of the game plan'*
- One adviser suggested putting a glossary of the industry labels on the web with examples.

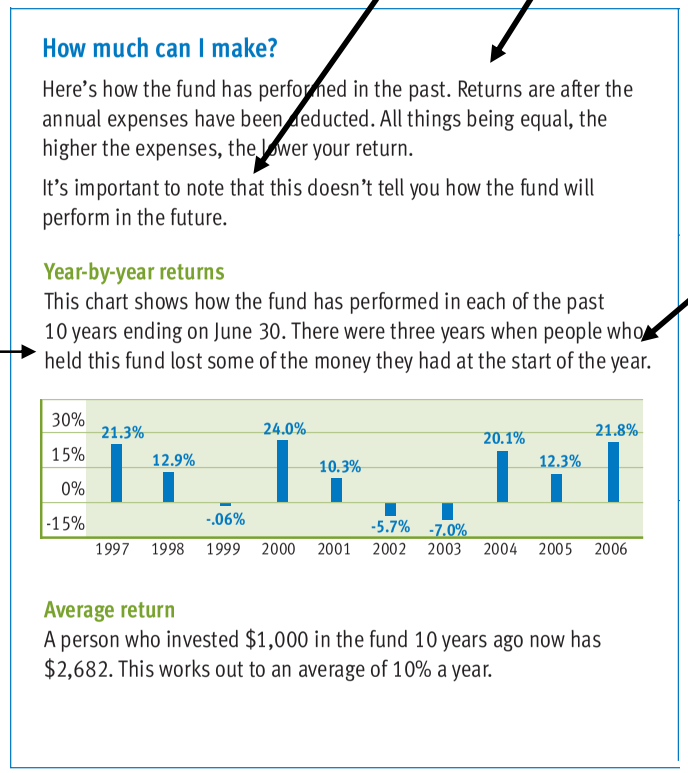
Detailed Reactions – Investors Performance

OSC
Ontario Securities Commission

Seg. Fund

Important

Understood



Mutual fund – 'when people who owned this fund'

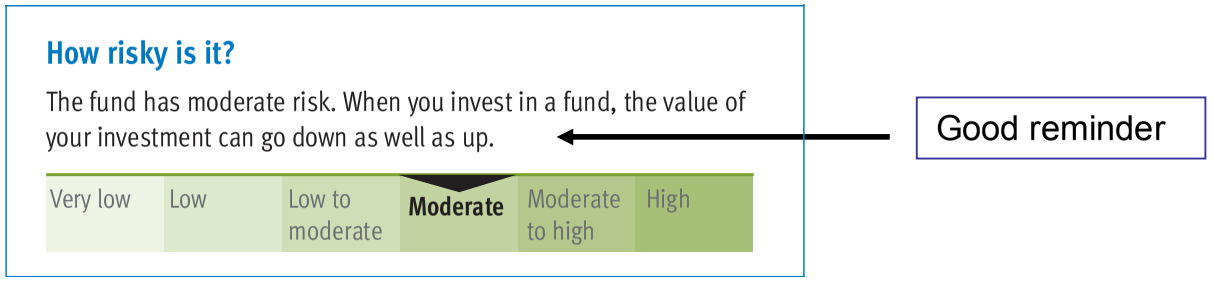
- ✓ Investors agreed that this section is very important to them and that it clearly explains that future performance is not guaranteed. There can be losses as well as gains.
- With few exceptions, investors believed this strong reminder of the potential for loss should be in the document. A small minority asked why the good years were not also pointed out.
- The bar chart was easily understood, though some would prefer a line graph. The vertical axis label is not necessary.
- A small minority asked for rolling returns instead of a year-by-year chart, but others noted that rolling returns can 'hide a lot of information'. The bar chart was described as '*realistic…facts'*.
- 'Average return' was understood; several wanted it to be more prominent. A small minority asked to have 'compounded' added.
- In Montreal some investors asked for a comparison, perhaps to an index.

Detailed Reactions – Advisers Performance

- ✓ Many advisers liked the section on fund performance, describing it as honest, informative and a good explanation.
- Some thought it was important to point out that expenses and fees will come out of earnings in order to help manage expectations --

  "It's helpful to me to explain to clients."
- Several commented favourably on the warnings about future performance and the 3 years of loss. One noted that 'there were three years…' has a 'family feel to it, a nice sentence'.
- Some, especially in Montreal, wanted a more balanced statement, one that points out the 3 years of losses but also the years of gains. They consider the current treatment biased. One adviser in Toronto noted that it isn't accurate to say the investors had lost money since money is only lost when the fund is cashed in. He preferred 'value of the account'.
- Advisers also liked the bar chart though a small minority prefer to show a rolling return.
- Some suggested some form of comparison of returns.

Detailed Reactions – Investors
Risk Level



- ✓ Investors welcomed the section on risk and described the legend as easy to scan and understand. For many the expression 'moderate' was meaningful and standard terminology.
- Some, however, wanted an explanation of 'moderate'.
- A small minority suggested the term is misleading because it suggests average risk and yet is not in the middle of the chart, i.e., higher than average.
- Some also felt the warning that the fund can go 'down as well as up' contradicts the idea of a moderate fund. A possibility might be to say, 'When you invest even in a moderate fund…' to tie the two together, or to reverse the order of the two sentences.
- Some, especially in Montreal, wanted some method of comparison to other types of funds or perhaps to other types of investments.

Detailed Reactions – Advisers
Risk Level

- ✓ Many of the advisers liked this approach to risk. They described 'moderate' as appropriate and as common language they are comfortable with. They also noted,

  "It is good to have this discussion."

  "This is the easiest way to do this."

- Many assume the adviser will go through this with the client and add information as necessary.
- A minority of advisers, however, wanted more explanation of 'moderate' in the text. One suggested comparison to other funds or to types of investments, cash, balanced fund, conservative fund, etc.
- In Montreal, some suggested the warnings in the document are too strong for a 'moderate' fund.

166

Detailed Reactions – Investors Guarantees

OSC
Ontario Securities Commission

Seg. Fund

Are there any guarantees?

You are guaranteed to receive 75% of the amount you invest, less any withdrawals and fees, if you hold the contract for 10 years. If you hold the contract until you die, your beneficiaries will receive 100% of the amount you invest, less any withdrawals and fees.

You pay annual insurance costs to get these guarantees. For more details, ask your adviser or see the insurance contract fact sheet.

- ✓ Investors had trouble with the first paragraph of this section. Many do not know what a segregated fund is or how it works. They read the paragraph several times to try to understand what it means by working through the impact of the 'if' clauses.
- They did not understand what 'the amount you invest' means – does it include growth or just principal? They were also not always sure of the limitations.
- In Montreal some questioned the award of 75% vs 100%.
- The second paragraph is clear and many referred the insurance costs back to the information in Quick facts.
- Some asked where they would find the insurance contract facts sheet.

Detailed Reactions – Investors Guarantees cont'd

OSC
Ontario Securities Commission

Mutual Fund

Are there any guarantees?

Mutual funds don't have any guarantees. You may not get back the amount of money you invest

- ✓ Seen as blunt and to the point.
- A number of investors praised the directness and honesty of the Fund Facts based on statements such as this one.
- Only a small minority suggested there was too much repetition of potential losses.

Detailed Reactions – Advisers Guarantees

- ✓ Advisers had very few comments on the mutual fund guarantee section. Several said it was a good idea, but a small minority described it as 'scary'.
- Advisers also liked the explanation of segregated fund guarantees, but did not think it is enough.

  "It's as good as what we use now."
- Several said they would go through it with their clients.

Detailed Reactions – Investors
Who is this fund for?



Especially important

- ✓ Seen as useful information by MF and Segregated Fund investors.
- Investors noted that the fund is long term, Canadian, diversified and can go up and down with the stock market.
- The bolded warning with the '!' was noted and described as very good information.
- Only a very few were uncomfortable with this warning or felt that it was so strong it contradicts the 'moderate' risk rating.

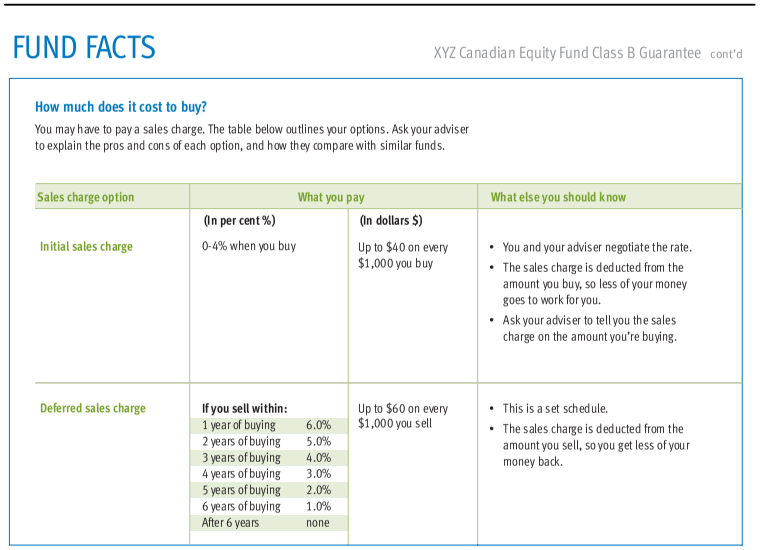
Detailed Reactions – Advisers
Who is this fund for?

- ✓ Some advisers saw this section as useful. They said they could use it to help them uncover the goals of the client.
- Some thought it was too broad to be very helpful.
- Reactions to the final statement – 'Don't buy this fund if you need a steady source of income from your investment' -- were somewhat divided.
  - Several liked it very much as a necessary warning to clients, even pointing out that clients often think mutual funds are safe and forget that these funds are invested in the stock market and therefore carry risks.
  - Some, especially in Montreal, thought it was too strong and would stop clients from purchasing the fund even though it might be the right investment for them.

Detailed Reactions – Investors
Sales charges

OSC Ontario Securities Commission

Page 2



FUND FACTS

XYZ Canadian Equity Fund Class B Guarantee cont'd

How much does it cost to buy?

You may have to pay a sales charge. The table below outlines your options. Ask your adviser to explain the pros and cons of each option, and how they compare with similar funds.

Sales charge option	What you pay		What else you should know
	(In per cent %)	(In dollars $)	
Initial sales charge	0-4% when you buy	Up to $40 on every $1,000 you buy	• You and your adviser negotiate the rate. • The sales charge is deducted from the amount you buy, so less of your money goes to work for you. • Ask your adviser to tell you the sales charge on the amount you're buying.
Deferred sales charge	**If you sell within:** 1 year of buying 6.0% 2 years of buying 5.0% 3 years of buying 4.0% 4 years of buying 3.0% 5 years of buying 2.0% 6 years of buying 1.0% After 6 years none	Up to $60 on every $1,000 you sell	• This is a set schedule. • The sales charge is deducted from the amount you sell, so you get less of your money back.

- ✓ The table explaining sales charges was visually confusing to some investors and not always immediately understood.
- Investors --
  - did not always understand that they have an option to pay an initial sales charge or a deferred sales charge but not both, and
  - some became confused between a 'buy' and a 'sell', given the language is sale in both cases.
- It may be helpful to add 'initial' and 'deferred' when 'sales charge' is used to avoid confusion with the word 'sales'.
- The greatest visual improvement may come from stronger blocking especially greater separation horizontally of the two charges.
- The information is very important to investors since many of the details were not known, especially that the initial sales charge can be negotiated or what the set schedule is for deferred sales charges.

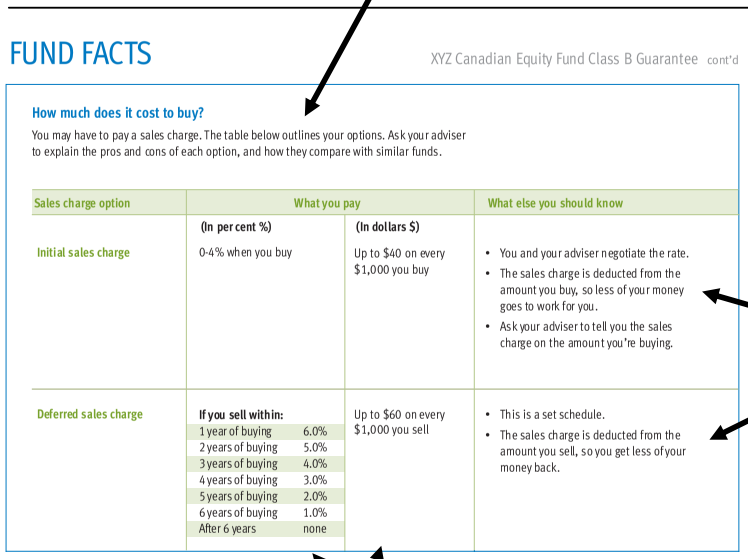
"This is usually sugarcoated. This is more factual, more upfront – a good thing."

Detailed Reactions – Investors
Sales charges cont'd

OSC Ontario Securities Commission

Page 2

Clear, reference to adviser well liked



FUND FACTS

XYZ Canadian Equity Fund Class B Guarantee cont'd

How much does it cost to buy?

You may have to pay a sales charge. The table below outlines your options. Ask your adviser to explain the pros and cons of each option, and how they compare with similar funds.

Sales charge option	What you pay		What else you should know
	(In per cent %)	(In dollars $)	
Initial sales charge	0-4% when you buy	Up to $40 on every $1,000 you buy	• You and your adviser negotiate the rate. • The sales charge is deducted from the amount you buy, so less of your money goes to work for you. • Ask your adviser to tell you the sales charge on the amount you're buying.
Deferred sales charge	If you sell within: 1 year of buying 6.0% 2 years of buying 5.0% 3 years of buying 4.0% 4 years of buying 3.0% 5 years of buying 2.0% 6 years of buying 1.0% After 6 years none	Up to $60 on every $1,000 you sell	• This is a set schedule. • The sales charge is deducted from the amount you sell, so you get less of your money back.

Liked having both % and $

Set Schedule -- "legally binding and as clear as a bell.'

- The column headings were difficult to see.
- 'Up to…' should be '0 to…' to match the '0 - 4 %' column.
- Investors stumbled over 'Up to $60…' since it appears beside '1 year of buying' but seems to refer to 6 years. The use of '0 to $60 on every $1,000 you sell' clarifies this.
- The sentences identified by the second bullet in both sections were somewhat difficult to understand. The final clause in each case, 'so less of your money…' is startling and makes readers go back to work out the causality. It may be possible to soften this.
- Several investors liked being given questions for their advisers. They do not always know what to ask.

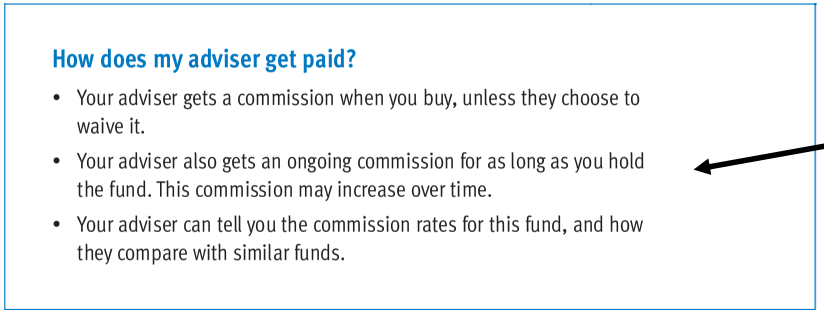
Detailed Reactions – Advisers
Sales Charges

- ✓ Many advisers believe that it is important to inform clients about sales charges and reported that they do so. Several described this section as clear and unambiguous and helpful in explaining sales charges to their clients.
- Advisers liked when clients were told to 'ask your adviser'.
- Some wondered why clients were advised to compare sales charges on different funds when these charges are fairly similar.
- Some noticed that it is not clear that the two charges are options; clients do not pay both.
- Advisers liked having both the % and $ charges – 'simple math'.
- Some also found the 'up to $60…' as a summary potentially confusing, but looked at it until they understood it. The phrase applies to all of the schedule but appears only against the first line.
- There was considerable discussion of 'You and your adviser negotiate the rate'. Some advisers pointed out that they do not negotiate; others said the statement will encourage clients to try to negotiate.
- Advisers did not have any difficulty with the statements at each second bullet and usually said this information is good for clients to know.

Detailed Reactions – Investors Commissions

OSC
Ontario Securities Commission

Page 2



How does my adviser get paid?

- Your adviser gets a commission when you buy, unless they choose to waive it.
- Your adviser also gets an ongoing commission for as long as you hold the fund. This commission may increase over time.
- Your adviser can tell you the commission rates for this fund, and how they compare with similar funds.

'Is this the trailer fee?'

'Why do they get two commissions?'

- ✓ Investors were very interested in this topic, but did not always understand the explanation. Much of this information was new to many of them. After reading, they still did not know how the commission fits into the annual expenses mentioned in Quick facts or who pays the commission – *'Is this part of the 3.10%'?* It also seems to overlap with sales charges.
- Some were concerned that the commission may increase over time. A minority wanted to know by how much, if they would have any warning, and why it should increase.
- A small minority also wanted some way to judge the fees, a comparison with other funds.
- When asked, however, most felt that the document overall gave them enough information about costs.

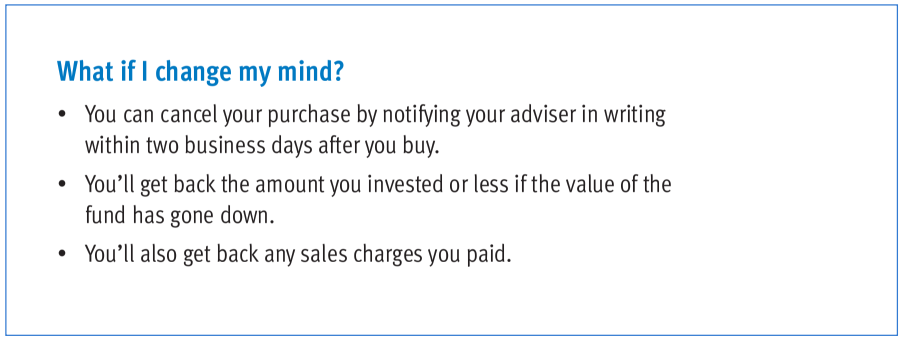
Detailed Reactions – Advisers Commissions

- ✓ Advisers had more difficulty with this section than with any other in the Fund Facts document. Some advisers reported that they always tell clients outright what their commission is. Some reported that clients do not ask.
- Advisers argued that commission practices across Canada vary so widely that it is hard to explain them clearly and succinctly to investors.
- Several advisers claimed that this section will just mean '*more explaining to do if I do it differently.*"
  - Some especially disliked 'unless they choose to waive it'.
    "I'll have to explain why I don't waive it."
    "My dealer gets it, I don't."
    "Delete it. I don't know anyone who does this."
- Several advisers looked for the language 'trailer fees' and when they could not find it concluded it was not covered. They also pointed out that the statement should read, 'Your adviser may also get an ongoing commission…', since not all advisers receive trailer fees.
- Some advisers were also unhappy with the last bullet which asks for a comparison among fees for similar funds.
- Overall, this section needs to be substantially rewritten for both investors and advisers.

Detailed Reactions - Investors
What if I change my mind?

OSC
Ontario Securities Commission

Page 2



What if I change my mind?

- You can cancel your purchase by notifying your adviser in writing within two business days after you buy.
- 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 you paid.

- ✓ Investors were glad to see this information and had no trouble understanding any of it.
- Some were aware that there is a cooling off period, but did not know it was two days.
- Several were surprised that they would get back less if the fund has gone down, but accepted this when they thought about it.
- Many did not know they would get their sales charge back.

Detailed Reactions – Advisers
What if I change my mind?

- ✓ The section was clear and informative. Several advisers admitted they seldom discuss this information with their clients.
- Advisers were usually aware that there is a cooling off period but did not always know it was two business days or that investors got their sales charges back.
- Many advisers did not mind this section assuming many investors are aware to some degree anyhow.

  "It doesn't hurt anything if I do the sales process right."
- Only a minority objected –

  "It allows buyer's remorse to set in. The more prominent this is the more second guessing they will do. It's in the prospectus.
- One adviser pointed out that to his knowledge, *"in 90% of cases, clients can withdraw up to 10% of their funds without penalty",* and that this point should be added.

Detailed Reactions – Contact Information

OSC
Ontario Securities Commission

Seg. Fund

For more information

For more information about this fund, speak to your adviser or contact:

XYZ Mutual Funds Inc.
123 Asset Allocation St.
Toronto, ON M1A 2B3

Phone: (416) 555-5555
Toll-free: 1-800-555-5556

Email: investing@xyzfunds.com
www.xyzfunds.com

For more information about your insurance contract, speak to your adviser or see the insurance contract fact sheet.

XYZ Company

® Registered trademark of XYZ Company

Mutual Fund

For more information

For more information about this fund or for a copy of the simplified prospectus, speak to your adviser or contact:

XYZ Mutual Funds Inc.
123 Asset Allocation St.
Toronto, ON M1A 2B3

Phone: (416) 555-5555
Toll-free: 1-800-555-5556

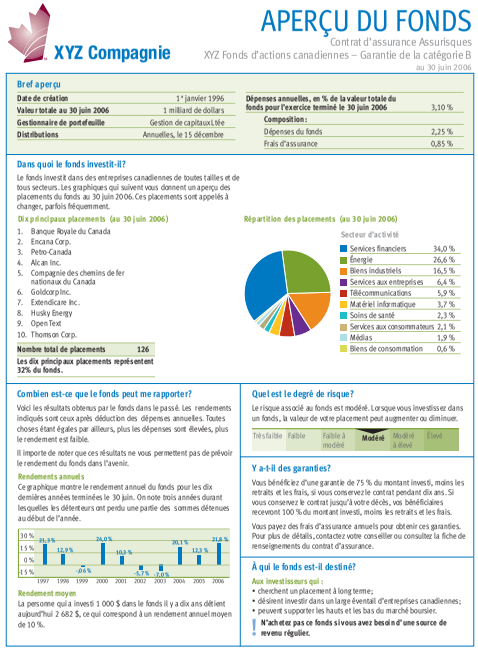
Email: investing@xyzfunds.com
www.xyzfunds.com

XYZ Company

® Registered trademark of XYZ Company

- ✓ The contact information was appreciated and seemed to be complete to both investors and advisers.
- Segregated Fund investors wanted to know where to find the insurance contract facts sheet.
- Some investors wanted to see hours of operation added.

3.3 French Language Issues



XYZ Compagnie

APERÇU DU FONDS

Contrat d'assurance Assurisques

XYZ Fonds d'actions canadiennes – Garantie de la catégorie B

au 30 juin 2006

Bref aperçu

Date de création	1er janvier 1996
Valeur totale au 30 juin 2006	1 milliard de dollars
Gestionnaire de portefeuille	Gestion de capitaux Ltée
Distributions	Annuelles, le 15 décembre

Dépenses annuelles, en % de la valeur totale du fonds pour l'exercice terminé le 30 juin 2006	3,10 %
Composition :	
Dépenses du fonds	2,25 %
Frais d'assurance	0,85 %

Dans quoi le fonds investit-il?

Le fonds investit dans des entreprises canadiennes de toutes tailles et de tous secteurs. Les graphiques qui suivent vous donnent un aperçu des placements du fonds au 30 juin 2006. Ces placements sont appelés à changer, parfois fréquemment.

Dix principaux placements (au 30 juin 2006)

1. Banque Royale du Canada
2. Encana Corp.
3. Petro-Canada
4. Alcan Inc.
5. Compagnie des chemins de fer nationaux du Canada
6. Goldcorp Inc.
7. Extendicare Inc.
8. Husky Energy
9. Open Text
10. Thomson Corp.

Nombre total de placements 126

Les dix principaux placements représentent 32% du fonds.

Répartition des placements (au 30 juin 2006)

Secteur d'activité	
Services financiers	34,0 %
Énergie	26,6 %
Biens industriels	16,5 %
Services aux entreprises	6,4 %
Télécommunications	5,9 %
Matériel informatique	3,7 %
Soins de santé	2,3 %
Services aux consommateurs	2,1 %
Médias	1,9 %
Biens de consommation	0,6 %

Combien est-ce que le fonds peut me rapporter?

Voici les résultats obtenus par le fonds dans le passé. Les rendements indiqués sont ceux après déduction des dépenses annuelles. Toutes choses étant égales par ailleurs, plus les dépenses sont élevées, plus le rendement est faible.

Il importe de noter que ces résultats ne vous permettent pas de prévoir le rendement du fonds dans l'avenir.

Rendements annuels

Ce graphique montre le rendement annuel du fonds pour les dix dernières années terminées le 30 juin. On note trois années durant lesquelles les détenteurs ont perdu une partie des sommes détenues au début de l'année.

30 %
15 %
0 %
-15 %
1997 1998 1999 2000 2001 2002 2003 2004 2005 2006

Rendement moyen

La personne qui a investi 1 000 $ dans le fonds il y a dix ans détient aujourd'hui 2 682 $, ce qui correspond à un rendement annuel moyen de 10 %.

Quel est le degré de risque?

Le risque associé au fonds est modéré. Lorsque vous investissez dans un fonds, la valeur de votre placement peut augmenter ou diminuer.

Très faible | Faible | Faible à modéré | **Modéré** | Modéré à élevé | Élevé

Y a-t-il des garanties?

Vous bénéficiez d'une garantie de 75 % du montant investi, moins les retraits et les frais, si vous conservez le contrat pendant dix ans. Si vous conservez le contrat jusqu'à votre décès, vos bénéficiaires recevront 100 % du montant investi, moins les retraits et les frais.

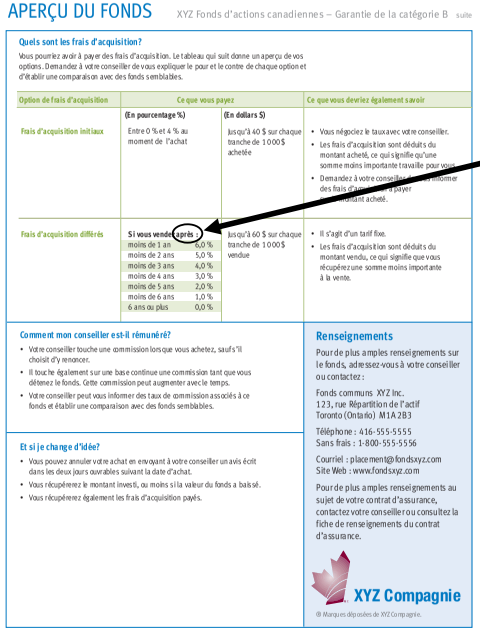
Vous payez des frais d'assurance annuels pour obtenir ces garanties. Pour plus de détails, contactez votre conseiller ou consultez la fiche de renseignements du contrat d'assurance.

À qui le fonds est-il destiné?

Aux investisseurs qui :

- cherchent un placement à long terme;
- désirent investir dans un large éventail d'entreprises canadiennes;
- peuvent supporter les hauts et les bas du marché boursier.

N'achetez pas ce fonds si vous avez besoin d'une source de revenu régulier.



APERÇU DU FONDS XYZ Fonds d'actions canadiennes – Garantie de la catégorie B suite

Quels sont les frais d'acquisition?

Vous pourriez avoir à payer des frais d'acquisition. Le tableau qui suit donne un aperçu de vos options. Demandez à votre conseiller de vous expliquer le pour et le contre de chaque option et d'établir une comparaison avec des fonds semblables.

Option de frais d'acquisition	Ce que vous payez		Ce que vous devriez également savoir
Frais d'acquisition initiaux	(En pourcentage %)	(En dollars $)	• Vous négociez le taux avec votre conseiller. • Les frais d'acquisition sont déduits du montant acheté, ce qui signifie qu'une somme moins importante travaille pour vous. • Demandez à votre conseiller [illegible] informer des frais d'acquisition à payer [illegible] montant acheté.
	Entre 0 % et 4 % au moment de l'achat	Jusqu'à 40 $ sur chaque tranche de 1 000 $ achetée	
Frais d'acquisition différés	Si vous vendez après…	Jusqu'à 60 $ sur chaque tranche de 1 000 $ vendue	• Il s'agit d'un tarif fixe. • Les frais d'acquisition sont déduits du montant vendu, ce qui signifie que vous récupérez une somme moins importante à la vente.
	moins de 1 an 6,0 %		
	moins de 2 ans 5,0 %		
	moins de 3 ans 4,0 %		
	moins de 4 ans 3,0 %		
	moins de 5 ans 2,0 %		
	moins de 6 ans 1,0 %		
	6 ans ou plus 0,0 %		

Comment mon conseiller est-il rémunéré?

- Votre conseiller touche une commission lorsque vous achetez, sauf s'il choisit d'y renoncer.
- Il touche également sur une base continue une commission tant que vous détenez le fonds. Cette commission peut augmenter avec le temps.
- Votre conseiller peut vous informer des taux de commission associés à ce fonds et établir une comparaison avec des fonds semblables.

Et si je change d'idée?

- Vous pouvez annuler votre achat en envoyant à votre conseiller un avis écrit dans les deux jours ouvrables suivant la date d'achat.
- Vous récupérerez le montant investi, ou moins si la valeur du fonds a baissé.
- Vous récupérerez également les frais d'acquisition payés.

Renseignements

Pour de plus amples renseignements sur le fonds, adressez-vous à votre conseiller ou contactez :

Fonds communs XYZ Inc.
123, rue Répartition de l'actif
Toronto (Ontario) M1A 2B3

Téléphone : 416-555-5555
Sans frais : 1-800-555-5556

Courriel : placement@fondsxyz.com
Site Web : www.fondsxyz.com

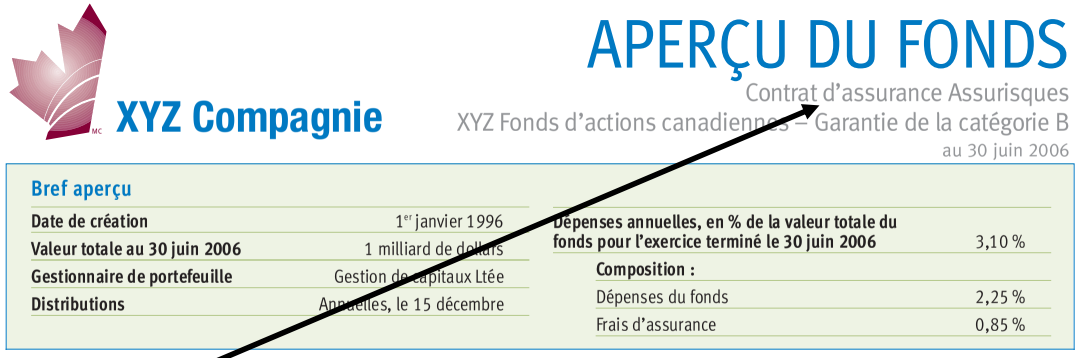
Pour de plus amples renseignements au sujet de votre contrat d'assurance, contactez votre conseiller ou consultez la fiche de renseignements du contrat d'assurance.

XYZ Compagnie

® Marques déposées de XYZ Compagnie.

- ✓ The French translation of the document was very well received overall. In fact the French moderator, who has considerable experience conducting research in the financial sector in Quebec, commented that it was one of the best translations she has ever seen.
- Most comments from investors and advisers concerning language reflected only minor issues or personal preferences.
- However, there was one error on page 2 in the sales charge table where the word "après " ("if you sell *after*…") was used instead of "*avant*" ("if you sell *before*…)
- Detailed comments on French language issues follow. Comments on language were similar for both the segregated and mutual fund documents. The segregated prototype is used for illustration purposes.

French Language Issues – page 1



XYZ Compagnie

APERÇU DU FONDS

Contrat d'assurance Assurisques
XYZ Fonds d'actions canadiennes – Garantie de la catégorie B
au 30 juin 2006

Bref aperçu

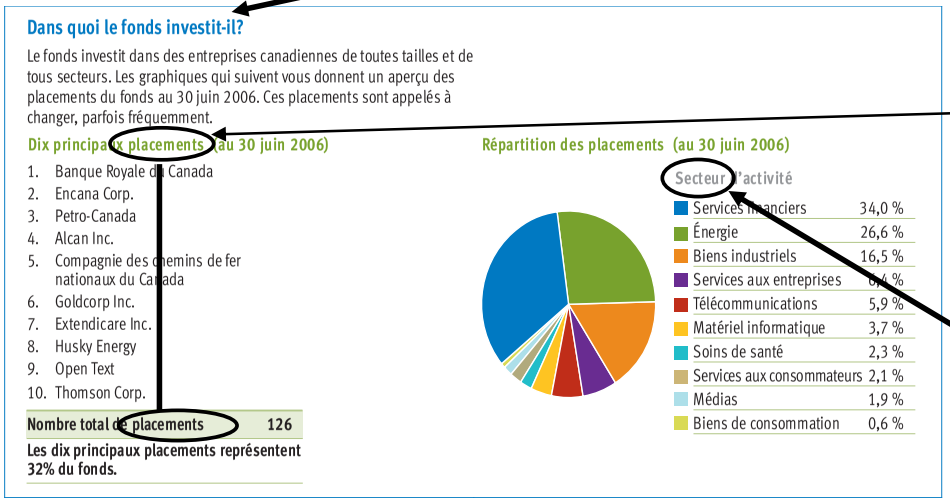
Date de création	1er janvier 1996
Valeur totale au 30 juin 2006	1 milliard de dollars
Gestionnaire de portefeuille	Gestion de capitaux Ltée
Distributions	Annuelles, le 15 décembre

Dépenses annuelles, en % de la valeur totale du fonds pour l'exercice terminé le 30 juin 2006	3,10 %
Composition :	
Dépenses du fonds	2,25 %
Frais d'assurance	0,85 %

- Some were confused about the document identification as a "*Contrat d'assurance*" (insurance contract) and the "*fiche de renseignements du contrat d'assurance"* (insurance contract facts sheet) referred to elsewhere (2nd bullet in the Guarantees box and also on page 2 in the shaded information box). The top of the sheet says this is a "*contrat d'assurance"* and this document looks like a "*fiche de renseignements"*" (facts sheet).

181

French Language Issues – page 1



Dans quoi le fonds investit-il?

Le fonds investit dans des entreprises canadiennes de toutes tailles et de tous secteurs. Les graphiques qui suivent vous donnent un aperçu des placements du fonds au 30 juin 2006. Ces placements sont appelés à changer, parfois fréquemment.

Dix principaux placements (au 30 juin 2006)

1. Banque Royale du Canada
2. Encana Corp.
3. Petro-Canada
4. Alcan Inc.
5. Compagnie des chemins de fer nationaux du Canada
6. Goldcorp Inc.
7. Extendicare Inc.
8. Husky Energy
9. Open Text
10. Thomson Corp.

Nombre total de placements 126

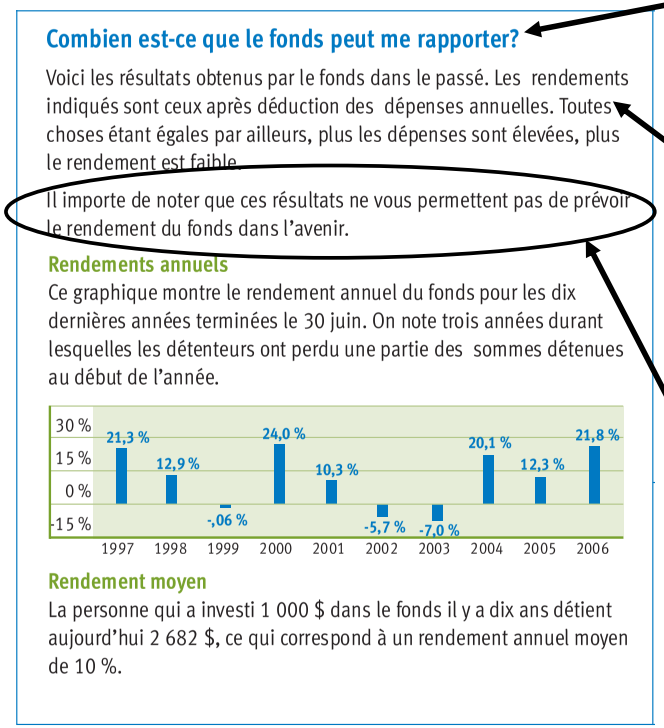
Les dix principaux placements représentent 32% du fonds.

Répartition des placements (au 30 juin 2006)

Secteur d'activité	
Services financiers	34,0 %
Énergie	26,6 %
Biens industriels	16,5 %
Services aux entreprises	6,4 %
Télécommunications	5,9 %
Matériel informatique	3,7 %
Soins de santé	2,3 %
Services aux consommateurs	2,1 %
Médias	1,9 %
Biens de consommation	0,6 %

- One investor found the language in this title a little awkward. The suggestion was to rephrase the question to read, "*quels sont les investissements du fonds?*" (what does the fund invest in?)
- "*Placements*" (investments) was clear to most but one adviser was not familiar with this term and suggested using the word "*holdings*" instead. He used the English terminology.
- One respondent pointed out that "*secteur d'activité*" (industry) could/should be in the plural because the list comprises many sectors of activity. If so, the word would become "*secteurs*", with an 's' on the end (industries/sectors).

French Language Issues – page 1



Combien est-ce que le fonds peut me rapporter?

Voici les résultats obtenus par le fonds dans le passé. Les rendements indiqués sont ceux après déduction des dépenses annuelles. Toutes choses étant égales par ailleurs, plus les dépenses sont élevées, plus le rendement est faible.

Il importe de noter que ces résultats ne vous permettent pas de prévoir le rendement du fonds dans l'avenir.

Rendements annuels

Ce graphique montre le rendement annuel du fonds pour les dix dernières années terminées le 30 juin. On note trois années durant lesquelles les détenteurs ont perdu une partie des sommes détenues au début de l'année.

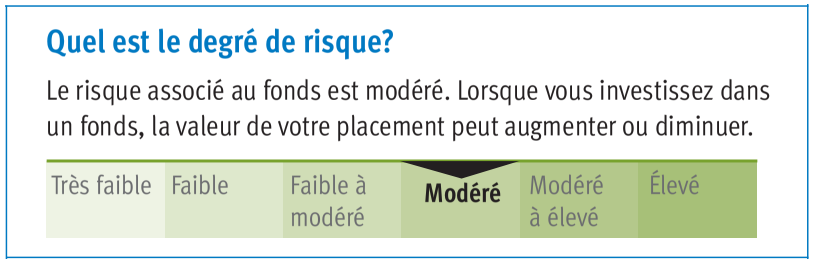
Rendement moyen

La personne qui a investi 1 000 $ dans le fonds il y a dix ans détient aujourd'hui 2 682 $, ce qui correspond à un rendement annuel moyen de 10 %.

- One adviser felt this title promised that the fund would generate revenues. The word "*rapporter*" (make) implies a gain. The term "*Rendement* " (returns), which is used twice in sub-titles in this section, would be more neutral.
- The sentence, "toute choses étant égales… (all things being equal….) is confusing. It frequently has to be re-read.
- A small minority of advisers disagreed with the statement, arguing that a fund management fee can be high and the fund still generate great yields.
- According to one (more sophisticated) investor and an adviser, this sentence is typical in such texts but is usually expressed as follows: "*Les rendements passés ne sont pas garants des rendements futures*" (past returns are not a guarantee for future returns). One adviser thought it would be more appropriate to replace the word "*resultats*" (results) with "*rendements*" (returns).

183

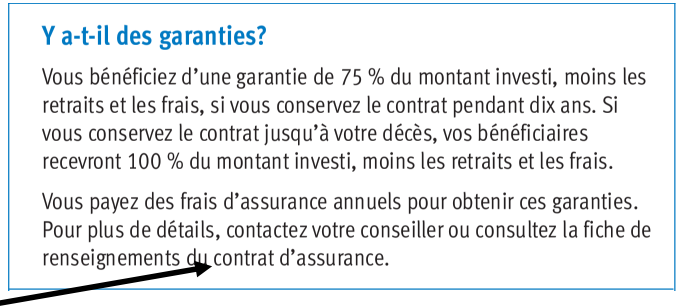
French Language Issues – page 1



- The language was clear in this section of the document although a small minority of investors wanted an explanation of what 'moderate' risk means.
- Another wanted a comparison with other funds.

184

French Language Issues – page 1



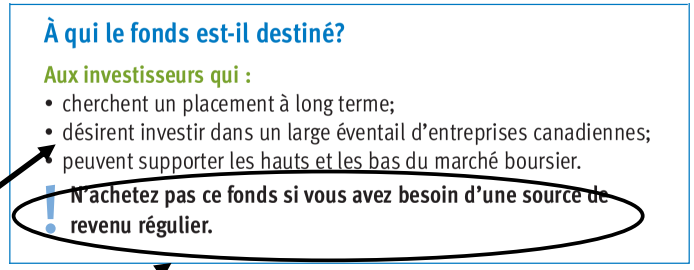
Y a-t-il des garanties?

Vous bénéficiez d'une garantie de 75 % du montant investi, moins les retraits et les frais, si vous conservez le contrat pendant dix ans. Si vous conservez le contrat jusqu'à votre décès, vos bénéficiaires recevront 100 % du montant investi, moins les retraits et les frais.

Vous payez des frais d'assurance annuels pour obtenir ces garanties. Pour plus de détails, contactez votre conseiller ou consultez la fiche de renseignements du contrat d'assurance.

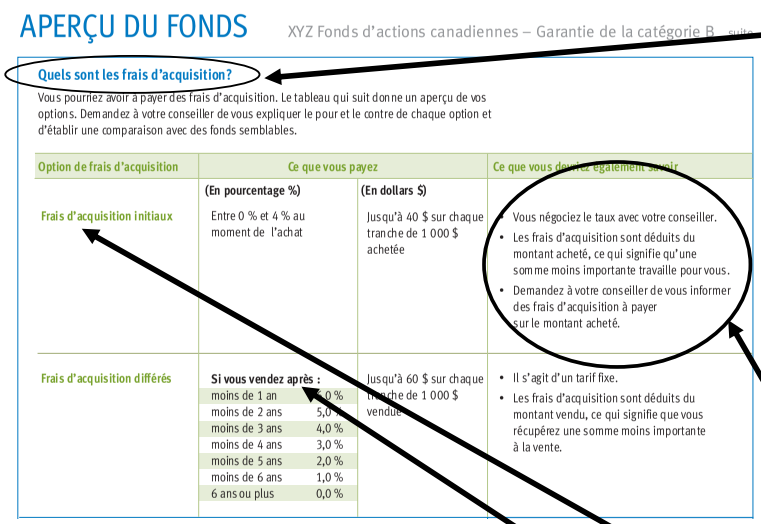
- As noted previously, some are confused by the reference to a "Contrat d'assurance" (insurance contract). If this isn't the '*fiche de renseignements du contrat d'assurance'* (insurance contract facts sheet), what is it? At the top of the page it says this is a '*contrat d'assurance'*. And this document looks like a '*fiche de renseignements'* (facts sheet).

French Language Issues – page 1



- The language in this section was clear to most.
- However, a very few advisers felt the verb "*désirent" (want),* would be more appropriate than "*cherchent*" (looking for) because investors may not be looking per se, but instead may be approached.
- The last sentence seemed a contradiction to some investors because this is supposed to be a fund for moderate risk investors.

French Language Issues – page 2



APERÇU DU FONDS

XYZ Fonds d'actions canadiennes – Garantie de la catégorie B suite

Quels sont les frais d'acquisition?

Vous pourriez avoir à payer des frais d'acquisition. Le tableau qui suit donne un aperçu de vos options. Demandez à votre conseiller de vous expliquer le pour et le contre de chaque option et d'établir une comparaison avec des fonds semblables.

Option de frais d'acquisition	Ce que vous payez		Ce que vous devriez également savoir
	(En pourcentage %)	(En dollars $)	
Frais d'acquisition initiaux	Entre 0 % et 4 % au moment de l'achat	Jusqu'à 40 $ sur chaque tranche de 1 000 $ achetée	• Vous négociez le taux avec votre conseiller. • Les frais d'acquisition sont déduits du montant acheté, ce qui signifie qu'une somme moins importante travaille pour vous. • Demandez à votre conseiller de vous informer des frais d'acquisition à payer sur le montant acheté.
Frais d'acquisition différés	Si vous vendez après : moins de 1 an 5,0 % moins de 2 ans 5,0 % moins de 3 ans 4,0 % moins de 4 ans 3,0 % moins de 5 ans 2,0 % moins de 6 ans 1,0 % 6 ans ou plus 0,0 %	Jusqu'à 60 $ sur chaque tranche de 1 000 $ vendue	• Il s'agit d'un tarif fixe. • Les frais d'acquisition sont déduits du montant vendu, ce qui signifie que vous récupérez une somme moins importante à la vente.

- One respondent, whose first language was not French, felt this was not idiomatic language. The term "*frais d'acquisition*" was a little above normal daily parlance. In fact this title is not in the same simple, first person format as the rest of the titles in the document. The title would be more consistent with the rest of the document if it read, "*Combien ça vas me coûter?" (how much will this cost me?).*
- One adviser suggested throughout the document, it might be simpler to use the term *"frais d'achat*" (purchase fee) instead of "frais d'acquisition." (acquisition fee).
- Some felt the first and third bullets in this section of the table were contradictory. As one investor remarked, *"Either it's open to negotiation, or the Adviser informs you of the cost."*
- One investors felt it would be clearer to add the phrase, "*suite à mon achat" (*upon purchase*).*
- As noted previously, there was an error in this sentence. It should say *"si vous vendez <u>avant</u>",* not "<u>après</u> ".

French Language Issues – page 2

OSC
Ontario Securities Commission

Comment mon conseiller est-il rémunéré?

- Votre conseiller touche une commission lorsque vous achetez, sauf s'il choisit d'y renoncer.
- Il touche également sur une base continue une commission tant que vous détenez le fonds. Cette commission peut augmenter avec le temps.
- Votre conseiller peut vous informer des taux de commission associés à ce fonds et établir une comparaison avec des fonds semblables.

- The language in this section was clear to everyone.

188

French Language Issues – page 2

OSC
Ontario Securities Commission

Et si je change d'idée?

- Vous pouvez annuler votre achat en envoyant à votre conseiller un avis écrit dans les deux jours ouvrables suivant la date d'achat.
- Vous récupérerez le montant investi, ou moins si la valeur du fonds a baissé.
- Vous récupérerez également les frais d'acquisition payés.

189

- The language in this section was clear.

French Language Issues – page 2



Renseignements

Pour de plus amples renseignements sur le fonds, adressez-vous à votre conseiller ou contactez :

Fonds communs XYZ Inc.
123, rue Répartition de l'actif
Toronto (Ontario) M1A 2B3

Téléphone : 416-555-5555
Sans frais : 1-800-555-5556

Courriel : placement@fondsxyz.com
Site Web : www.fondsxyz.com

Pour de plus amples renseignements au sujet de votre contrat d'assurance, contactez votre conseiller ou consultez la fiche de renseignements du contrat d'assurance.

XYZ Compagnie

® Marques déposées de XYZ Compagnie.

- The text in the contact box on both documents was clear to all, although, as noted previously, on the segregated funds sheet, some were confused about the *"fiche de renseignements du contrat d'assurance*" (insurance contract facts sheet). Was this the facts sheet or was it another document and where could they find it?

3.4 Impact of Colour

- Black and white and colour versions of the documents were rotated between interviews. Those who worked with the black and white version were shown the colour version at the end of the interview and vice versa.
- Participants were almost universal in their preference for the colour version. They argued that colour makes the Fund Facts sheet seem more professional, more trustworthy, more credible, and easier to read. The charts, headings and the Quick facts box stand out more. Colour also encourages them to read.

  "There's a big difference between black and white and colour. [Black and white would be like] photocopies just lying around. They have no value; they are not professional looking. Why should I read it?"

  "Black and white is generic like a mailer. Why read it if it's not in colour?"

  "Colour helps me focus better. It highlights the areas I want to focus on and it's more of a pleasure to read."

  "It's [colour] more trustworthy."

Research | Strategy Group

4.0 Overall Impressions

4.0 Overall Impressions - Investors

- After reviewing the Fund Facts document, overall both mutual fund and segregated fund investors were very positive about the document stressing –
  - The ease of reading
  - The completeness of the information
  - The relevance of the information to their purchase decision
  - Its integrity and honesty
  - Its brevity
- Because of its clarity, ease of reading and brevity, investors also reported that they would read the Fund Facts document if investing in the fund. In Montreal, a very few said the document would make them more cautious.
- At the same time, many admitted they do not read the prospectus, but tend to rely on what their adviser tells them. Those who only scan the prospectus now would be likely to depend on the Fund Facts information. Some more sophisticated investors would use both, but were glad to have the Fund Facts synopsis to help them.

Overall Impressions cont'd

"It's not the only thing I'd use to make a decision, but it makes me think and understand better…It's an awakening.."

"I know more about segregated funds now from this sheet."

"Yes, I would read it if investing. I don't completely understand investments, but I try to understand as much as I can. I need layman's terms."

"I never look at these documents. They're so shallow. This is the first one I've ever seen with any depth of integrity."

"Boy, what a tool…what a God send…God bless Canada, a facts sheet instead of a prospectus."

"It puts their feet to the fire in this document. Then I have enough information to make a decision…but the risk doesn't tell enough. I'd go elsewhere [for that]."

"This is good. Now I get too much….It's time consuming and hard to read. This is terrific."

"I'm busy but I have enough time for this…this tool…this integrity."

"They're warning me, not trying to trick me."

"I'd read every word."

Overall Impressions - Advisers

- With only one exception, having reviewed all of the document, advisers were positive about its adoption. Many praised the honest disclosure. They described it as informative, short, and easy to read. They thought clients would read it and that it would provide useful, relevant information to them. Several also thought the Fund Facts sheet would make their jobs easier.

  "It has most of the information people would look for and not in 50 to 60 pages. It's specific to the fund and they [clients] would read it."

  "Clients are more likely to read this than the prospectus."

  "I'm glad I had a chance to speak to this. Nobody asks and it's all hidden. I'd be more interested in selling more mutual funds if I had this."

  "It's fantastic. It blows me away. It's exactly what I'm talking about."

  "Thoughtful and complete."

  "I thought it very good. Currently I do a one page facts sheet for clients, Morning Star. This is already done."

  "It's about time they did this….It should go out to everyone every time they buy and they should not wait for the FA to do it."

  "I have no issues with more information for clients."

- Reservations focused primarily on the treatment of commissions and, for a very few, especially in Montreal, the desire for softer or more balanced warnings and comparative data. Many advisers, however, saw the document as something they would talk to and supplement. They did not want it to be longer.

Research | Strategy Group

5.0 Role in the Sales Process

5.0 Role in Sales Process - Investors

- ✓ Investors want to receive the Fund Facts sheet prior to the sale or have their financial adviser go over it with them. It would not be useful to receive it after the sale.
- Several also reported that the adviser who gives them this information would seem more trustworthy to them.

  "The Financial Adviser should use this. It helps us to decide whether to invest. It's quick, easy and covers the main things."

  "I want to work with an insurance rep who gives me this. They take time…and value my business."

  "If a standard for the insurance industry I'd expect every adviser to present in this manner. I would not expect them to do their own thing. If they don't give me the sheet, they're not too trustworthy."
- Some said they would then take it home and make a decision. Others said they would have enough information to make the decision at the time.

  "[The FA] should go over it and then I'd take it home and go over it with my husband and then decide if to buy."

  "I want him [the FA] to send it to me in advance and then we could discuss it."

Role in Sales Process cont'd

- Some investors with established relationships with their financial advisers often make investment decisions over the phone. They would still like to see the fund facts sheet prior to a final decision.
- If not meeting their adviser in person, investors preferred to receive the document as an email attachment or be able to go to the Internet and download it. No one wanted fax delivery because they would lose the colour and no one wanted mail because it is too slow.
- Investors were also shown three to five sheets at one time and asked how or if they would use the Fund Facts sheets if considering more than one investment at a time.
- Investors spread the sheets on the table and easily compared the different funds guided by layout, headings, graphs, and colour.

  "I'd know consistently where to look for what I want and what to ignore. I would read [all 4 or 5]. It's not overwhelming. Once you're used to it it's easy to pick out the information right away."

  "If I get several., it would not be onerous. I would look through them to compare…a non-issue."

  "They would all use the same information so I'm comfortable."

Roll in Sales Process - Advisers

- ✓ With one exception, advisers in Montreal and Toronto reported that they would use the Fund Facts sheet as part of the pre-sale process. For phone sales, many would send it as an email attachment or send clients an Internet link prior or during discussion. Some advisers would go over it 'sitting at the dining table.'
- Many thought it would make their jobs easier. It would not educate advisers about funds – except as a reminder of specific fund charges, MER or DSC – but it could be helpful as a talking point to review with clients.
- Advisers also liked the Fund Facts sheets if presenting more than one fund at a time. They thought it would be easy for clients to review and compare because of the consistent format.
- One adviser would prefer to continue using Morningstar as more detailed data. He also dislikes the focus on one mutual fund, preferring to talk to clients from a portfolio perspective.
- When told that regulation of the Fund Facts document was being considered instead of the prospectus, advisers were pleased as long as the prospectus remains available to those who want it. Several noted that few of their clients read the prospectus.

Role in Sales Process – Advisers cont'd

"If building a portfolio, I could go through five quickly…I'd do the first one more on how the set up works, then the different companies….Here's what I've come up with. It's fine to use. It helps me."

"I'd determine the fund and then use this for discussion and tell them where additional information is to be found…pre-sale."

"If on the phone, they could go to the computer and go over it…Then, I'll call you tomorrow."

"To drive disclosure the back page is useful."

"I'd take them [clients] through it and highlight the key information."

"They are more likely to read this than a prospectus."

200

Research | Strategy Group

Appendix

Mutual Funds - English

OSC
Ontario Securities Commission

XYZ Company

FUND FACTS

XYZ Canadian Equity Fund June 30, 2006

Quick facts

Date created:	January 1, 1996	**Portfolio manager:**	Capital Asset Management Ltd.
Total value on June 30, 2006:	$1 billion	**Distributions:**	Annually, on December 15
Annual expenses, as a % of the fund's total value for the year ended June 30, 2006:	2.25%		

What does the fund invest in?

The fund invests in Canadian companies. They can be of any size and from any industry. The charts below give you a snapshot of the fund's investments on June 30, 2006. The fund's investments will change, sometimes frequently.

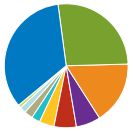
Top 10 investments (June 30, 2006)

1. Royal Bank of Canada
2. Encana Corp.
3. Petro-Canada
4. Alcan Inc.
5. Canadian National Railway Company
6. Goldcorp Inc.
7. Extendicare Inc.
8. Husky Energy
9. Open Text
10. Thomson Corp.

Total investments	**126**

The top 10 investments make up 32% of the fund.

Investment mix (June 30, 2006)



Industry	
Financial services	34.0%
Energy	26.6%
Industrial goods	16.5%
Business services	6.4%
Telecommunication	5.9%
Hardware	3.7%
Healthcare services	2.3%
Consumer services	2.1%
Media	1.9%
Consumer goods	0.6%

How much can I make?

Here's how the fund has performed in the past. Returns are after the annual expenses have been deducted. All things being equal, the higher the expenses, the lower your return.

It's important to note that this doesn't tell you how the fund will perform in the future.

Year-by-year returns

This chart shows how the fund has performed in each of the past 10 years ending on June 30. There were three years when people who owned this fund lost some of the money they had at the start of the year.



Average return

A person who invested $1,000 in the fund 10 years ago now has $2,682. This works out to an average of 10% a year.

How risky is it?

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

Very low	Low	Low to moderate	**Moderate**	Moderate to high	High

Are there any guarantees?

Mutual funds don't have any guarantees. You may not get back the amount of money you invest

Who is this fund for?

Investors who:

- are looking for a long-term investment
- want to invest in a broad range of Canadian companies
- can handle the ups and downs of the stock market.

! Don't buy this fund if you need a steady source of income from your investment.

FUND FACTS

XYZ Canadian Equity Fund cont'd

How much does it cost to buy?

You may have to pay a sales charge. The table below outlines your options. Ask your adviser to explain the pros and cons of each option, and how they compare with similar funds.

Sales charge option	What you pay		What else you should know
	(In per cent %)	**(In dollars $)**	
Initial sales charge	0-4% when you buy	Up to $40 on every $1,000 you buy	• You and your adviser negotiate the rate. • The sales charge is deducted from the amount you buy, so less of your money goes to work for you. • Ask your adviser to tell you the sales charge on the amount you're buying.
Deferred sales charge	**If you sell within:** 1 year of buying 6.0% 2 years of buying 5.0% 3 years of buying 4.0% 4 years of buying 3.0% 5 years of buying 2.0% 6 years of buying 1.0% After 6 years none	Up to $60 on every $1,000 you sell	• This is a set schedule. • The sales charge is deducted from the amount you sell, so you get less of your money back.

How does my adviser get paid?

- Your adviser gets a commission when you buy, unless they choose to waive it.
- Your adviser also gets an ongoing commission for as long as you hold the fund. This commission may increase over time.
- Your adviser can tell you the commission rates for this fund, and how they compare with similar funds.

What if I change my mind?

- You can cancel your purchase by notifying your adviser in writing within two business days after you buy.
- 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 you paid.

For more information

For more information about this fund or for a copy of the simplified prospectus, speak to your adviser or contact:

XYZ Mutual Funds Inc.
123 Asset Allocation St.
Toronto, ON M1A 2B3

Phone: (416) 555-5555
Toll-free: 1-800-555-5556

Email: investing@xyzfunds.com
www.xyzfunds.com

XYZ Company

® Registered trademark of XYZ Company

Segregated Funds – English

OSC Ontario Securities Commission

XYZ Company

FUND FACTS

Choice Insurance Contract

XYZ Canadian Equity Fund Class B Guarantee

June 30, 2006

Quick facts

Date created:	January 1, 1996
Total value on June 30, 2006:	$1 billion
Portfolio manager:	Capital Asset Management Ltd.
Distributions:	Annually, on December 15

Annual expenses, as a % of the fund's total value for the year ended June 30, 2006:	3.10%
Made up of:	
Fund expenses	2.25%
Insurance costs	0.85%

What does the fund invest in?

The fund invests in Canadian companies. They can be of any size and from any industry.

The charts below give you a snapshot of the fund's investments on June 30, 2006. The fund's investments will change, sometimes frequently.

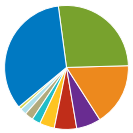
Top 10 investments (June 30, 2006)

1. Royal Bank of Canada
2. Encana Corp.
3. Petro-Canada
4. Alcan Inc.
5. Canadian National Railway Company
6. Goldcorp Inc.
7. Extendicare Inc.
8. Husky Energy
9. Open Text
10. Thomson Corp.

Total investments	**126**

The top 10 investments make up 32% of the fund.

Investment mix (June 30, 2006)



Industry	
Financial services	34.0%
Energy	26.6%
Industrial goods	16.5%
Business services	6.4%
Telecommunication	5.9%
Hardware	3.7%
Healthcare services	2.3%
Consumer services	2.1%
Media	1.9%
Consumer goods	0.6%

How much can I make?

Here's how the fund has performed in the past. Returns are after the annual expenses have been deducted. All things being equal, the higher the expenses, the lower your return.

It's important to note that this doesn't tell you how the fund will perform in the future.

Year-by-year returns

This chart shows how the fund has performed in each of the past 10 years ending on June 30. There were three years when people who held this fund lost some of the money they had at the start of the year.



Average return

A person who invested $1,000 in the fund 10 years ago now has $2,682. This works out to an average of 10% a year.

How risky is it?

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

Very low	Low	Low to moderate	**Moderate**	Moderate to high	High

Are there any guarantees?

You are guaranteed to receive 75% of the amount you invest, less any withdrawals and fees, if you hold the contract for 10 years. If you hold the contract until you die, your beneficiaries will receive 100% of the amount you invest, less any withdrawals and fees.

You pay annual insurance costs to get these guarantees. For more details, ask your adviser or see the insurance contract fact sheet.

Who is this fund for?

Investors who:

- are looking for a long-term investment
- want to invest in a broad range of Canadian companies
- can handle the ups and downs of the stock market.

Don't buy this fund if you need a steady source of income from your investment.

FUND FACTS

XYZ Canadian Equity Fund Class B Guarantee cont'd

How much does it cost to buy?

You may have to pay a sales charge. The table below outlines your options. Ask your adviser to explain the pros and cons of each option, and how they compare with similar funds.

Sales charge option	What you pay		What else you should know
	(In per cent %)	**(In dollars $)**	
Initial sales charge	0-4% when you buy	Up to $40 on every $1,000 you buy	• You and your adviser negotiate the rate. • The sales charge is deducted from the amount you buy, so less of your money goes to work for you. • Ask your adviser to tell you the sales charge on the amount you're buying.
Deferred sales charge	**If you sell within:** 1 year of buying 6.0% 2 years of buying 5.0% 3 years of buying 4.0% 4 years of buying 3.0% 5 years of buying 2.0% 6 years of buying 1.0% After 6 years none	Up to $60 on every $1,000 you sell	• This is a set schedule. • The sales charge is deducted from the amount you sell, so you get less of your money back.

How does my adviser get paid?

- Your adviser gets a commission when you buy, unless they choose to waive it.
- Your adviser also gets an ongoing commission for as long as you hold the fund. This commission may increase over time.
- Your adviser can tell you the commission rates for this fund, and how they compare with similar funds.

What if I change my mind?

- You can cancel your purchase by notifying your adviser in writing within two business days after you buy.
- 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 you paid.

For more information

For more information about this fund, speak to your adviser or contact:

XYZ Mutual Funds Inc.
123 Asset Allocation St.
Toronto, ON M1A 2B3

Phone: (416) 555-5555
Toll-free: 1-800-555-5556

Email: investing@xyzfunds.com
www.xyzfunds.com

For more information about your insurance contract, speak to your adviser or see the insurance contract fact sheet.

XYZ Company

® Registered trademark of XYZ Company

Mutual Funds – French

OSC
Ontario Securities Commission

XYZ Compagnie

APERÇU DU FONDS

XYZ Fonds d'actions canadiennes au 30 juin 2006

Bref aperçu

Date de création	1er janvier 1996	**Gestionnaire de portefeuille**	Gestion de capitaux Ltée
Valeur totale au 30 juin 2006	1 milliard de dollars	**Distributions**	Annuelles, le 15 décembre
Dépenses annuelles, en % de la valeur totale du fonds pour l'exercice terminé le 30 juin 2006	2,25 %		

Dans quoi le fonds investit-il?

Le fonds investit dans des entreprises canadiennes de toutes tailles et de tous secteurs. Les graphiques qui suivent vous donnent un aperçu des placements du fonds au 30 juin 2006. Ces placements sont appelés à changer, parfois fréquemment.

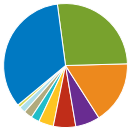
Dix principaux placements (au 30 juin 2006)

1. Banque Royale du Canada
2. Encana Corp.
3. Petro-Canada
4. Alcan Inc.
5. Compagnie des chemins de fer nationaux du Canada
6. Goldcorp Inc.
7. Extendicare Inc.
8. Husky Energy
9. Open Text
10. Thomson Corp.

Nombre total de placements	**126**

Les dix principaux placements représentent 32% du fonds.

Répartition des placements (au 30 juin 2006)



Secteur d'activité	
Services financiers	34,0 %
Énergie	26,6 %
Biens industriels	16,5 %
Services aux entreprises	6,4 %
Télécommunications	5,9 %
Matériel informatique	3,7 %
Soins de santé	2,3 %
Services aux consommateurs	2,1 %
Médias	1,9 %
Biens de consommation	0,6 %

Combien est-ce que le fonds peut me rapporter?

Voici les résultats obtenus par le fonds dans le passé. Les rendements indiqués sont ceux après déduction des dépenses annuelles. Toutes choses étant égales par ailleurs, plus les dépenses sont élevées, plus le rendement est faible.

Il importe de noter que ces résultats ne vous permettent pas de prévoir le rendement du fonds dans l'avenir.

Rendements annuels

Ce graphique montre le rendement annuel du fonds pour les dix dernières années terminées le 30 juin. On note trois années durant lesquelles les détenteurs ont perdu une partie des sommes détenues au début de l'année.



Rendement moyen

La personne qui a investi 1 000 $ dans le fonds il y a dix ans détient aujourd'hui 2 682 $, ce qui correspond à un rendement annuel moyen de 10 %.

Quel est le degré de risque?

Le risque associé au fonds est modéré. Lorsque vous investissez dans un fonds, la valeur de votre placement peut augmenter ou diminuer.

Très faible	Faible	Faible à modéré	**Modéré**	Modéré à élevé	Élevé

Y a-t-il des garanties?

Les fonds communs de placement n'offrent aucune garantie. Vous ne récupérerez pas nécessairement le montant investi.

À qui le fonds est-il destiné?

Aux investisseurs qui :

- cherchent un placement à long terme;
- désirent investir dans un large éventail d'entreprises canadiennes;
- peuvent supporter les hauts et les bas du marché boursier.

N'achetez pas ce fonds si vous avez besoin d'une source de revenu régulier.

APERÇU DU FONDS

XYZ Fonds d'actions canadiennes suite

Quels sont les frais d'acquisition?

Vous pourriez avoir à payer des frais d'acquisition. Le tableau qui suit donne un aperçu de vos options. Demandez à votre conseiller de vous expliquer le pour et le contre de chaque option et d'établir une comparaison avec des fonds semblables.

Option de frais d'acquisition	Ce que vous payez		Ce que vous devriez également savoir
	(En pourcentage %)	(En dollars $)	
Frais d'acquisition initiaux	Entre 0 % et 4 % au moment de l'achat	Jusqu'à 40 $ sur chaque tranche de 1 000 $ achetée	• Vous négociez le taux avec votre conseiller. • Les frais d'acquisition sont déduits du montant acheté, ce qui signifie qu'une somme moins importante travaille pour vous. • Demandez à votre conseiller de vous informer des frais d'acquisition à payer sur le montant acheté.
Frais d'acquisition différés	**Si vous vendez après :** moins de 1 an 6,0 % moins de 2 ans 5,0 % moins de 3 ans 4,0 % moins de 4 ans 3,0 % moins de 5 ans 2,0 % moins de 6 ans 1,0 % 6 ans ou plus 0,0 %	Jusqu'à 60 $ sur chaque tranche de 1 000 $ vendue	• Il s'agit d'un tarif fixe. • Les frais d'acquisition sont déduits du montant vendu, ce qui signifie que vous récupérez une somme moins importante à la vente.

Comment mon conseiller est-il rémunéré?

- Votre conseiller touche une commission lorsque vous achetez, sauf s'il choisit d'y renoncer.
- Il touche également sur une base continue une commission tant que vous détenez le fonds. Cette commission peut augmenter avec le temps.
- Votre conseiller peut vous informer des taux de commission associés à ce fonds et établir une comparaison avec des fonds semblables.

Et si je change d'idée?

- Vous pouvez annuler votre achat en envoyant à votre conseiller un avis écrit dans les deux jours ouvrables suivant la date d'achat.
- Vous récupérerez le montant investi, ou moins si la valeur du fonds a baissé.
- Vous récupérerez également les frais d'acquisition payés.

Renseignements

Pour de plus amples renseignements sur le fonds ou pour obtenir un exemplaire du prospectus simplifié, adressez-vous à votre conseiller ou contactez :

Fonds communs XYZ Inc.
123, rue Répartition de l'actif
Toronto (Ontario) M1A 2B3

Téléphone : 416-555-5555
Sans frais : 1-800-555-5556

Courriel : placement@fondsxyz.com
Site Web : www.fondsxyz.com

XYZ Compagnie

® Marques déposées de XYZ Compagnie.

Segregated Funds - French

OSC
Ontario Securities Commission

205

XYZ Compagnie

APERÇU DU FONDS

Contrat d'assurance Assurisques
XYZ Fonds d'actions canadiennes – Garantie de la catégorie B
au 30 juin 2006

Bref aperçu

Date de création	1er janvier 1996
Valeur totale au 30 juin 2006	1 milliard de dollars
Gestionnaire de portefeuille	Gestion de capitaux Ltée
Distributions	Annuelles, le 15 décembre

Dépenses annuelles, en % de la valeur totale du fonds pour l'exercice terminé le 30 juin 2006	3,10 %
Composition :	
Dépenses du fonds	2,25 %
Frais d'assurance	0,85 %

Dans quoi le fonds investit-il?

Le fonds investit dans des entreprises canadiennes de toutes tailles et de tous secteurs. Les graphiques qui suivent vous donnent un aperçu des placements du fonds au 30 juin 2006. Ces placements sont appelés à changer, parfois fréquemment.

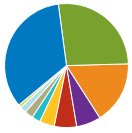
Dix principaux placements (au 30 juin 2006)

1. Banque Royale du Canada
2. Encana Corp.
3. Petro-Canada
4. Alcan Inc.
5. Compagnie des chemins de fer nationaux du Canada
6. Goldcorp Inc.
7. Extendicare Inc.
8. Husky Energy
9. Open Text
10. Thomson Corp.

Nombre total de placements	**126**

Les dix principaux placements représentent 32% du fonds.

Répartition des placements (au 30 juin 2006)



Secteur d'activité

Services financiers	34,0 %
Énergie	26,6 %
Biens industriels	16,5 %
Services aux entreprises	6,4 %
Télécommunications	5,9 %
Matériel informatique	3,7 %
Soins de santé	2,3 %
Services aux consommateurs	2,1 %
Médias	1,9 %
Biens de consommation	0,6 %

Combien est-ce que le fonds peut me rapporter?

Voici les résultats obtenus par le fonds dans le passé. Les rendements indiqués sont ceux après déduction des dépenses annuelles. Toutes choses étant égales par ailleurs, plus les dépenses sont élevées, plus le rendement est faible.

Il importe de noter que ces résultats ne vous permettent pas de prévoir le rendement du fonds dans l'avenir.

Rendements annuels

Ce graphique montre le rendement annuel du fonds pour les dix dernières années terminées le 30 juin. On note trois années durant lesquelles les détenteurs ont perdu une partie des sommes détenues au début de l'année.



Rendement moyen

La personne qui a investi 1 000 $ dans le fonds il y a dix ans détient aujourd'hui 2 682 $, ce qui correspond à un rendement annuel moyen de 10 %.

Quel est le degré de risque?

Le risque associé au fonds est modéré. Lorsque vous investissez dans un fonds, la valeur de votre placement peut augmenter ou diminuer.

Très faible	Faible	Faible à modéré	**Modéré**	Modéré à élevé	Élevé

Y a-t-il des garanties?

Vous bénéficiez d'une garantie de 75 % du montant investi, moins les retraits et les frais, si vous conservez le contrat pendant dix ans. Si vous conservez le contrat jusqu'à votre décès, vos bénéficiaires recevront 100 % du montant investi, moins les retraits et les frais.

Vous payez des frais d'assurance annuels pour obtenir ces garanties. Pour plus de détails, contactez votre conseiller ou consultez la fiche de renseignements du contrat d'assurance.

À qui le fonds est-il destiné?

Aux investisseurs qui :

- cherchent un placement à long terme;
- désirent investir dans un large éventail d'entreprises canadiennes;
- peuvent supporter les hauts et les bas du marché boursier.

N'achetez pas ce fonds si vous avez besoin d'une source de revenu régulier.

APERÇU DU FONDS

XYZ Fonds d'actions canadiennes – Garantie de la catégorie B suite

Quels sont les frais d'acquisition?

Vous pourriez avoir à payer des frais d'acquisition. Le tableau qui suit donne un aperçu de vos options. Demandez à votre conseiller de vous expliquer le pour et le contre de chaque option et d'établir une comparaison avec des fonds semblables.

Option de frais d'acquisition	Ce que vous payez		Ce que vous devriez également savoir
	(En pourcentage %)	**(En dollars $)**	
Frais d'acquisition initiaux	Entre 0 % et 4 % au moment de l'achat	Jusqu'à 40 $ sur chaque tranche de 1 000 $ achetée	• Vous négociez le taux avec votre conseiller. • Les frais d'acquisition sont déduits du montant acheté, ce qui signifie qu'une somme moins importante travaille pour vous. • Demandez à votre conseiller de vous informer des frais d'acquisition à payer sur le montant acheté.
Frais d'acquisition différés	**Si vous vendez après :** moins de 1 an 6,0 % moins de 2 ans 5,0 % moins de 3 ans 4,0 % moins de 4 ans 3,0 % moins de 5 ans 2,0 % moins de 6 ans 1,0 % 6 ans ou plus 0,0 %	Jusqu'à 60 $ sur chaque tranche de 1 000 $ vendue	• Il s'agit d'un tarif fixe. • Les frais d'acquisition sont déduits du montant vendu, ce qui signifie que vous récupérez une somme moins importante à la vente.

Comment mon conseiller est-il rémunéré?

- Votre conseiller touche une commission lorsque vous achetez, sauf s'il choisit d'y renoncer.
- Il touche également sur une base continue une commission tant que vous détenez le fonds. Cette commission peut augmenter avec le temps.
- Votre conseiller peut vous informer des taux de commission associés à ce fonds et établir une comparaison avec des fonds semblables.

Et si je change d'idée?

- Vous pouvez annuler votre achat en envoyant à votre conseiller un avis écrit dans les deux jours ouvrables suivant la date d'achat.
- Vous récupérerez le montant investi, ou moins si la valeur du fonds a baissé.
- Vous récupérerez également les frais d'acquisition payés.

Renseignements

Pour de plus amples renseignements sur le fonds, adressez-vous à votre conseiller ou contactez :

Fonds communs XYZ Inc.
123, rue Répartition de l'actif
Toronto (Ontario) M1A 2B3

Téléphone : 416-555-5555
Sans frais : 1-800-555-5556

Courriel : placement@fondsxyz.com
Site Web : www.fondsxyz.com

Pour de plus amples renseignements au sujet de votre contrat d'assurance, contactez votre conseiller ou consultez la fiche de renseignements du contrat d'assurance.

XYZ Compagnie

® Marques déposées de XYZ Compagnie.

Interview Guide - Investors

OSC Ontario Securities Commission

Research | Strategy *Group*

OSC Document Research
Investors Interview Guide

1. Introduction to Research

- Role of interviewer
- Facilities – audiotaping/ one-way mirror
- Purpose of Research - Canadian securities regulators and Canadian insurance regulators want to make sure that Canadian investors receive the information they need to make a decision when choosing investments and that that information is presented in an easy-to-understand way that encourages investors to read it.

- Remember the research is on behalf of all Canadian investors and I will not ask you any private information,

- *Emphasize testing the document, not the participant in any way.*

2. Current investment experience

- Just to understand your background, in general what types of investments do you have?
  PROBE: GICs, Mutual Funds in an RSP, MFs outside an RSP, Equities outside an RSP, anything else

- When did you last make an investment? Can you describe that process?
  PROBE: channel, type of investment
- Information received, reviewed PROBE: for fund information – content and format
- IF GIVEN TO READ: Did you read the fund information? Why or why not?
- Other sources of information used
- Did you have enough information to make a decision? To understand your advisor's recommendation? What was to you the key fund information?
- Storage of fund information; other use of fund information
- Satisfaction with process; reasons

3. Initial impressions of fund facts

EXPLAIN: A FACT SHEET FOR INVESTORS WHEN THEY FIRST INVEST IN AFUND THAT YOU DON'T OWN AT THAT TIME.

SHOW FUND FACTS BRIEFLY

- Initial impressions
- What noticed, likes, dislikes
- Titles, Font size, use of bolding, layout, graphs, tables
- Ability to find key information
- Easy to read or not easy to read

4. Detailed Reactions to new statement – Verbal Protocol

PAGE 1

Masthead

- Title – Understanding of what the document is?
- Date – Noticed?
- Source?

Quick Facts

- Understanding of terms – Annual expenses, Portfolio Manager, Distributions
- Is this the information you want as 'quick facts'?

What does the fund invest in?

- What have they shown you? How much of the fund is this? How many investments are there?
- Is this helpful? Sufficient?

Investment mix

- Date noticed?
- Categories understood?
- Desired information or not?
- Do you understand the pie chart?
- Does the pie chart help you understand the information in the table?

OSC Ontario Securities Commission

Page 1 cont'd

How much can I make?

- Understanding of paragraphs, especially 'Returns are after the annual expenses have been deducted?'
- Noticed 'It's important to note…'?

Year-by-year returns

- Please walk me through the bar chart in your own words. PROBE: understanding of minus sign.

Average return

Explain in your own words what the average return means here.

How risky is it?

- What does risk mean in terms of an investment?
- How risky is this fund?

MUTUAL FUNDS
Are there any guarantees?
Explain.
- Did you know that mutual funds do not have any guarantees?

CLASS B GUARANTEE
Are there any guarantees?
- Are these paragraphs clear to you? Any words you do not understand?
- What is the guarantee in your own words?
- What kind of *fund* is this? PROBE: 'contract' vs 'fund' Had this type of fund before? Aware of term 'Segregated funds'?
- Are you aware that there are conditions associated with the guarantee?
- Do you understand whether or not you are paying for any guarantees this fund offers? What information tells you this answer?
- Are the paragraphs in the right order?

BOTH
Who is this fund for?
- Please explain 'can handle the ups and downs of the stock market'.
- Noticed – 'Don't buy this fund if …' Why?
- Does the risk information help you answer this question?

Page 3

Page 2

How much does it cost to buy?
- What does the 'it' in the title refer to?

TABLE
- Can you explain this table to me? NOTE: readership of all columns; reaction to bolding
- Understanding of 'initial sales charge', deferred sales charge'?
- Ranges? PROBE: 'You and your adviser negotiate the rate'?
- If you bought $2,000 worth, how much initial sales charge would you pay?
- Deferred sales charge schedule?
- Do you ask your adviser to tell you the sales charge?
- Understand 'The sale charge is deducted from the amount you sell, so…'?

How does my adviser get paid?
- Read and explain each paragraph; ability to understand implications?
- Were you aware of this?
- Do these paragraphs tell you what you need to know?

- Several of the sections in this document address costs and expenses. Does the document give you all the information you need about this topic? IF NO, What else do Canadian investors need to know?

What if I change my mind?
Ability to understand, especially that may get less?
Aware of this before?

MUTUAL FUND
For more information
- What is a prospectus?
- Is this the contact information you want?

CLASS B GUARANTEE
For more information
- Is this the contact information you want?
- Understanding of difference between fund and insurance contract?

Page 4

Interview Guide – Investors

OSC
Ontario Securities Commission

4. Review of Document

Take a moment and look back over the Fund Facts document.

- How well does it meet your needs as an investor considering investing in a new fund?
- What, if anything, do you particularly like about it?
- What, if anything, do you particularly dislike about it?
- Is there any information here you do not need? What sections do you see as critical?
- Any information missing that you would like to have?
- Is the information in the right order? On the right page?
- Length?

- How would you like to receive this information? PROBE: from adviser [when], Internet, email, post.

5. Conclusion

- How likely are you to read this information? Why?
- When? Is there anything that can be done to encourage you to read it, or to read it more carefully?
  PROBE FULLY. COLOUR, FONT, LAYOUT, SPONSOR, TITLE, ETC.
- How would you use this information?
  PROBE: to make your investment decision, to confirm the adviser's recommendation? As a reference?
- Would you want or need any other printed information if you received this document?
- Do you understand how you could get more information if you wanted it?
- Is there any information you use now that you might not use if you received this document?
- Would you feel comfortable deciding whether or not to invest in this fund based on the information in this document? If not, what else would you want or need to know?
- What use would you expect your Adviser to make of this document?
- How would you feel about an Adviser who provided this fund facts document to you?

SHOW 4 – 5 Fund Facts sheets

- What difference would it make to you if you were investing in several new funds at the same time? - You would receive a Fund Facts Sheet for each new fund.
- Would you treat the fund facts differently? When or would you read them? Anything that could be done to make this situation more manageable? PROBE: Color coding, titles, etc.

- Suggestions for improvement

Page 5

208

Interview Guide - Advisers

OSC Ontario Securities Commission

Research | Strategy *Group*

OSC Document Research
Advisors Interview Guide

1. Introduction to Research

- Role of interviewer
- Facilities – audiotaping/ one-way mirror
- Anonymity
- Purpose of Research - Canadian Securities regulators and Canadian Insurance regulators want to make sure that Canadian investors receive the information they need to make a decision when choosing investments and that the information is presented in a way that is useful to Advisors in the sales process.

Emphasize testing the document, not the participant in any way.

2. Current Advisor Practice

- Just to understand your work environment, what types of clients do you deal with primarily? PROBE: demographics, level of knowledge, goals
- And what types of investments do you work with most often?
- PROBE: GICs, Mutual Funds inside an RSP, MFs outside an RSP, Equities inside an RSP, Equities outside an RSP, Bonds, Principal Protected Notes, Universal life insurance,other

- Can you describe the process you go through when working with an established client for an investment in a new fund, that is, one they have not invested in before? What fund information do you provide? PROBE: details of content [investments, history, expenses, commission, right to cancel], format, channel, when?
- Source of this information
- Do you do anything different if it is a new or fairly new client? EXPLAIN.
- Do you do anything differently depending on what kind of fund it is?

- Do you give/send them any printed fund information to take away with them?
- IF YES: Do you think they read the fund information? Why or why not?
- Do you give them electronic access to any fund information? Why or why not?
- IF YES: Do you think they access that information? Why or why not?
- How many new funds would you typically introduce to a client at one time?
- What role do you think the fund information plays in their investment decision?

Page 1

- With respect to the fund information you currently use, how satisfied are you with it? EXPLAIN.
- What, if anything, would you like to see changed?

3. Initial impressions of fund facts

EXPLAIN: A FACT SHEET FOR INVESTORS WHEN THEY FIRST INVEST IN A FUND THEY HAVE NEVER OWNED BEFORE; FICTITIOUS INVESTMENT COMPANY; ASSUME WILL USE OWN LOGO.

ROTATE FACTS SHEET; WORK WITH ONE ALL THE WAY THROUGH; COVER OFF DIFFERENCES AT THE END. [Only for dually licensed advisors]

SHOW FUND FACTS BRIEFLY

- Initial impressions
- What noticed, likes, dislikes
- Titles, font size, use of bolding, layout, graphs, tables
- Ability to find key information
- Easy to read or not easy to read
- How do you think clients will react to this? Why?

4. Detailed Reactions to new statement – Verbal Protocol

PAGE 1

Masthead

- Title – Understanding of what the document is?
- Date – Noticed?
- Source?

Quick Facts

- Is this the information you want as 'quick facts'?
- The terms used may not be the same as those you currently see or use yourself. Do you understand how terms such as annual expenses, distributions, portfolio manager, are used in this document?

What does the fund invest in?

- How do you feel about the way this is set up? Note - How much of the fund is this? How many investments are there?
- How does this compare with similar information you have seen?

Page 2

Interview Guide - Advisers

OSC Ontario Securities Commission

- Is this helpful to clients? Sufficient? Helpful to you?

Page 1 cont'd

Investment mix

- Date noticed?
- Desired information or not for clients? Helpful to you?
- Will the pie chart help your client understand the information in the table?

How much can I make?

- Reactions to paragraphs, especially 'Returns are after the annual expenses have been deducted?'
- Noticed 'It's important to note…'?

Year-by-year returns

- Just to familiarize yourself with this particular example, please walk me through the bar chart in your own words.
- What do you think a client will make of this?
- Is it useful information?
- Do you use something similar? How does this compare with what you use?

Average return

- Are you comfortable with this presentation and example?
- Why or why not?

How risky is it?

- What is your impression of the way risk has been explained here?
- Is this helpful to you as an Advisor?
- How do you explain risk now?
- Impression on client?

Page 3

MUTUAL FUNDS

Are there any guarantees?

- Reactions to explanation.
- How do you present this information to clients?
- Useful here?
- Do your clients currently understand there are no guarantees?

CLASS B GUARANTEE

Are there any guarantees?

- Are these paragraphs clear? Any words you think clients will find difficult? PROBE: 'contract' vs fund
- Do you find this difficult to explain to clients? Does this help? Do you use the term 'segregated fund' with clients?
- Are the paragraphs in the right order?
- Do your clients understand now that they have to pay for the guarantee?
- Will this document help clients understand the guarantee more easily?

BOTH

Who is this fund for?

- Is this description useful for clients, especially 'can handle the ups and downs of the stock market'. For you?
- Noticed – 'Don't buy this fund if …' Reactions to this?

Page 2

How much does it cost to buy?

- Comfort with reference to Advisor?

TABLE

- Can you review this table with me? NOTE: readership of all columns; reaction to bolding
- Client understanding of 'initial sales charge', deferred sales charge', 'Deferred sales charge schedule"?
- Ranges? PROBE: 'You and your adviser negotiate the rate'?
- Do your clients ask you about sales charges? How do you handle this?
- Overall is this clear or not? Helpful to clients? To you?

Page 4

Interview Guide - Advisers

How does my adviser get paid?

- Please take me through each paragraph. Reactions?
- Do these paragraphs tell clients what they need to know?
- Is it explained in a way that is comfortable for you?

- Several of the sections in this document address costs and expenses. How do you feel about the way this information is presented? What should Canadian investors be told? How would you handle this?

What if I change my mind?

- Reactions.
- Do you tell your clients this or assume they know it?

MUTUAL FUND
For more information

- What is a simplified prospectus?
- Is this the contact information you want? Do you think your clients would ever contact the fund for more information directly?

CLASS B GUARANTEE
For more information

- Is this the contact information you want?
- Understanding of difference between fund and insurance contract?
  - Review areas of difference between two documents.

4. Review of Document

- Take a moment and look back over the Fund Facts document.
- How well does it meet clients' needs when considering investing in a new fund?
- What sections do you see as critical?
- What, if anything, do you particularly like about it?
- What, if anything, do you particularly dislike about it?

- Is there any information here you or your clients do not need? Any information missing that you or clients would like to have?
- Is the information in the right order? On the right page?
- Length of document?

Page 5

- How, if at all, would you use this information in your sales process? PROBE FULLY. [when, how why]
- PROBE: to help client's make their investment decision, to confirm your recommendation? As a reference? As education or a reminder for you?
- Do you think the fund facts document will be helpful to you? PROBE: save time, provide additional back-up, other?

- Provide for client by hand, Internet, email, post?
- What difference would it make if you were working with a client on more than 1 new fund, i.e., 2, 3, 5? Would you handle the fund facts document differently?

4. Conclusion

- Is there anything that can be done to make it more useful or more appealing to advisors? PROBE FULLY. CONTENT, COLOUR, FONT, SPONSOR, TITLE, ETC.

- Other suggestions for improvement.

Page 6