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Appendix 5
Research Strategy Group
Fund Facts document research report

Fund Facts Document Research

— REPORT —

Prepared for:

OSC
Ontario Securities Commission

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October 25, 2006
RSG# 3587 MA

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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.

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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

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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

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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.

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Detailed Findings

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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

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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.

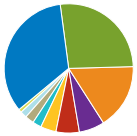
Top 10 investments (June 30, 2006)

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.

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Initial Reactions - Investors

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- ✓ 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

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"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."

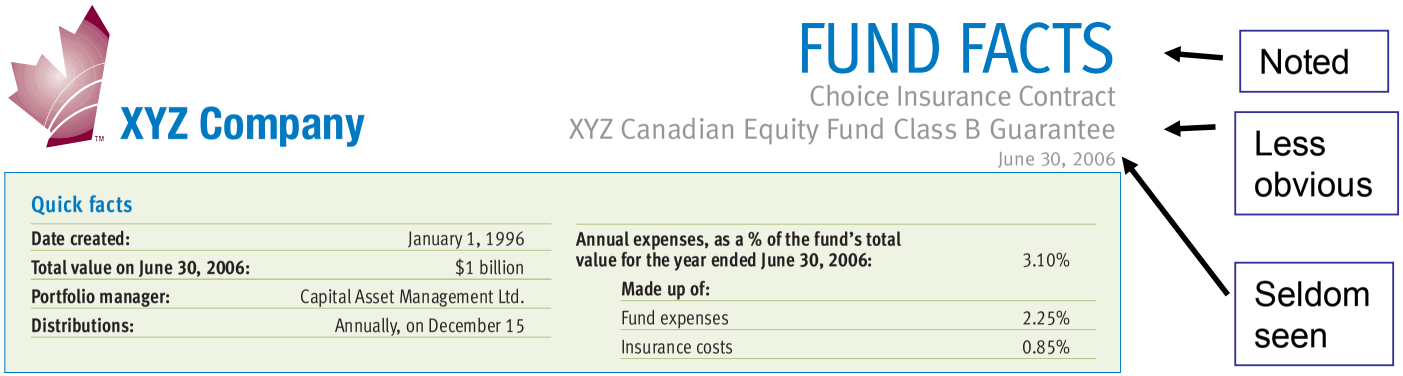
  "It's well laid out. The expenses are clear at the top…easy to read."

  "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.

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Detailed Reactions – Investors
Quick facts

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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.

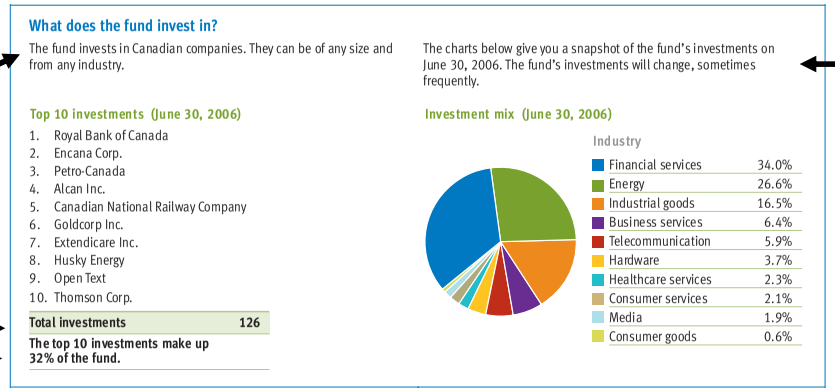
Detailed Reactions – Investors
Investment mix

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.

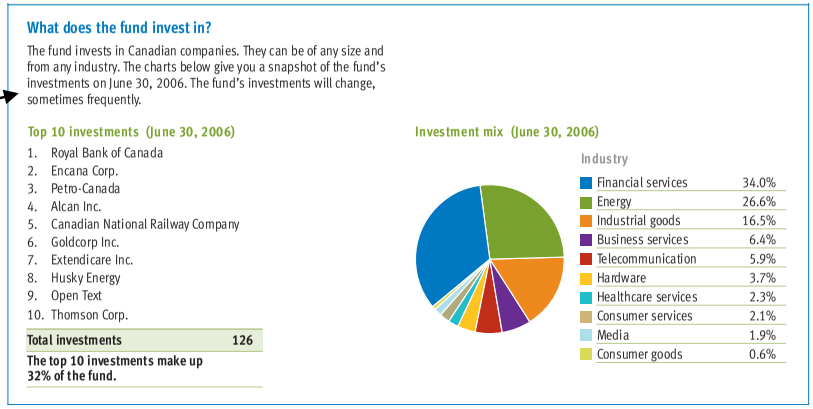
Some labels unclear – hardware, consumer services, consumer goods

- ✓ 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.

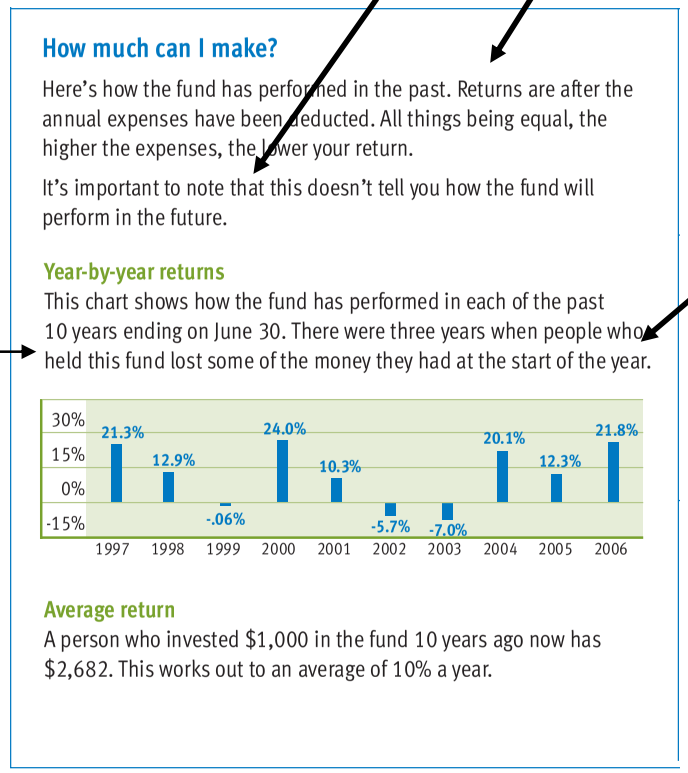
Detailed Reactions – Investors Performance

OSC
Ontario Securities Commission

Seg. Fund

Important

Understood



Mutual fund – 'when people who owned this fund'

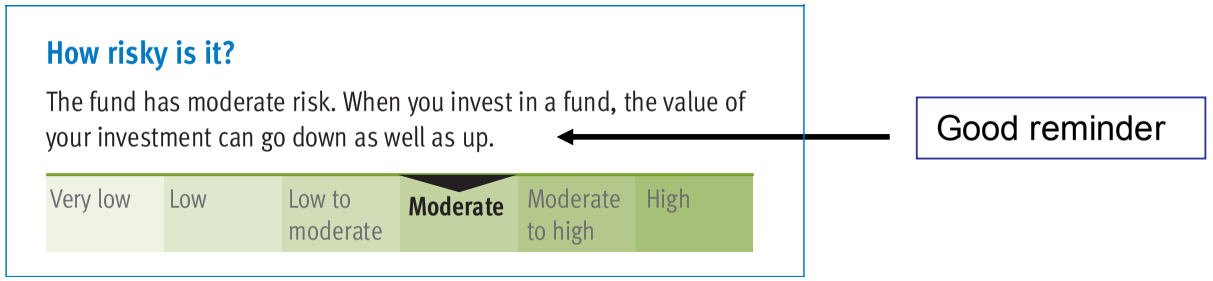
- ✓ Investors agreed that this section is very important to them and that it clearly explains that future performance is not guaranteed. There can be losses as well as gains.
- With few exceptions, investors believed this strong reminder of the potential for loss should be in the document. A small minority 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.

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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.

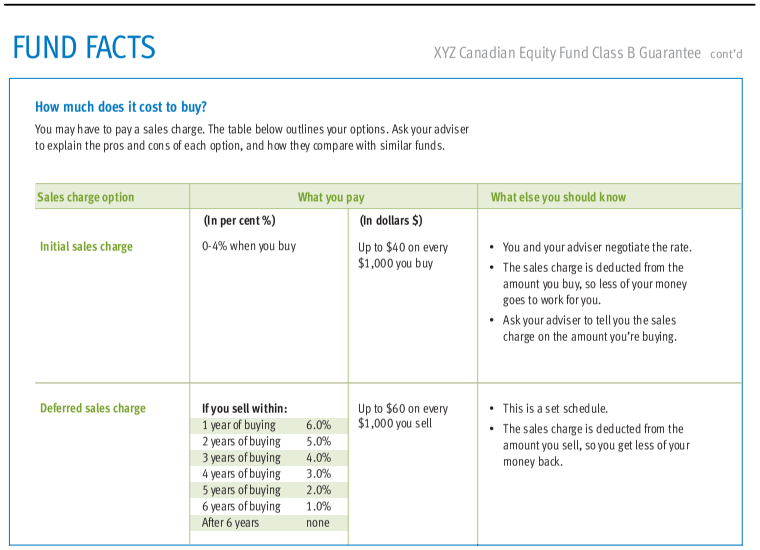
Detailed Reactions – Advisers
Who is this fund for?

- ✓ 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.

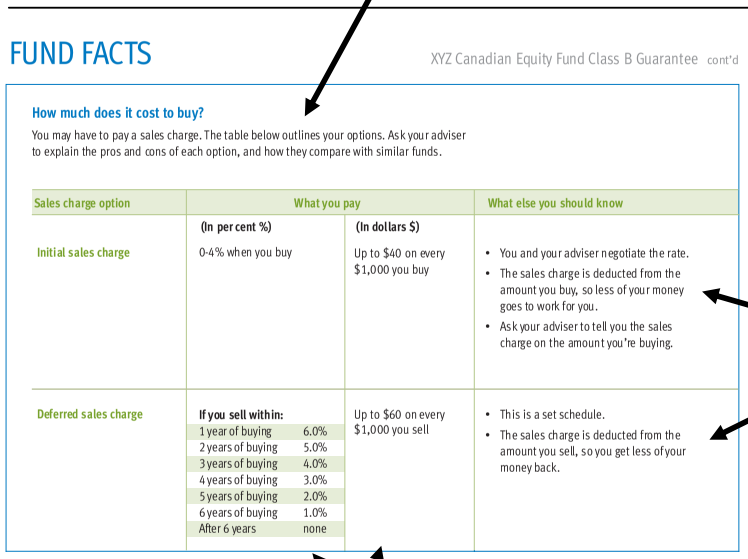
"This is usually sugarcoated. This is more factual, more upfront – a good thing."

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

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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.

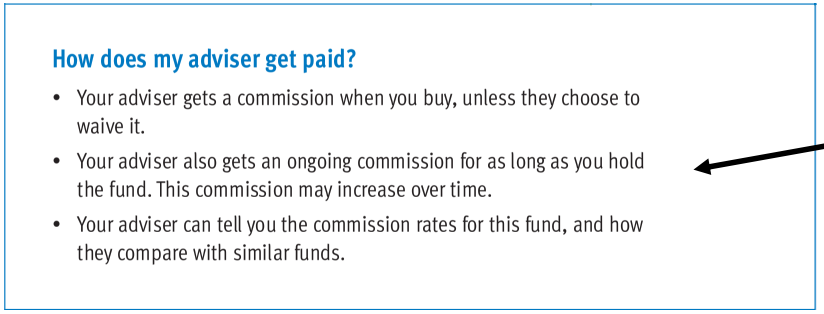
Detailed Reactions – Advisers
Sales Charges

- ✓ 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.

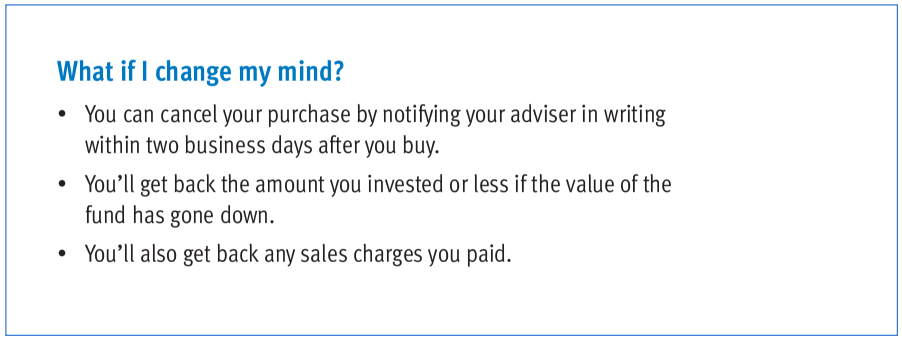
Detailed Reactions – Advisers Commissions

- ✓ 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

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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

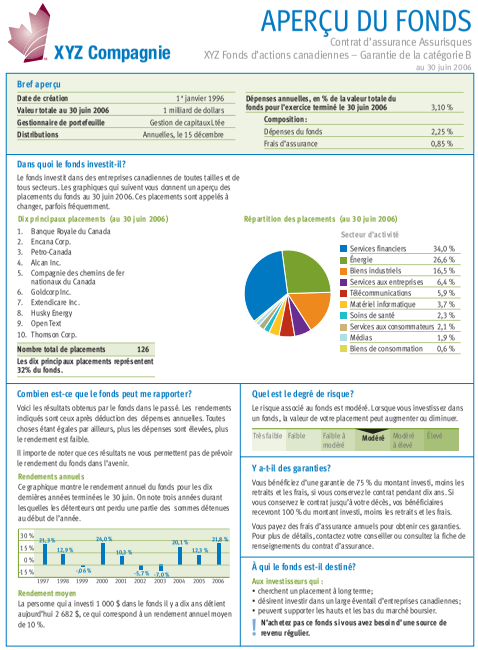
Email: investing@xyzfunds.com
www.xyzfunds.com

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- ✓ 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.

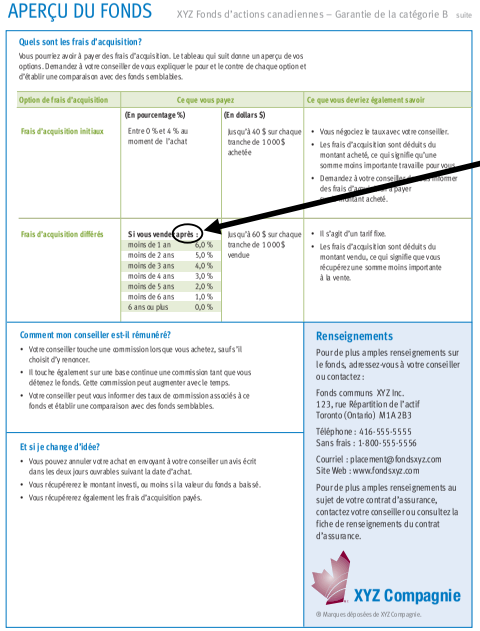
Vous payez des frais d'assurance annuels pour obtenir ces garanties. Pour plus de détails, contactez votre conseiller ou consultez la fiche de renseignements du contrat d'assurance.

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] vous 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

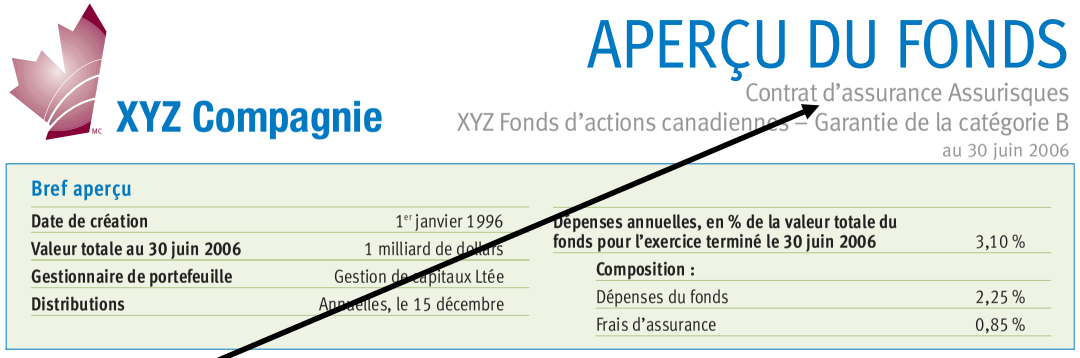
Pour de plus amples renseignements au sujet de votre contrat d'assurance, contactez votre conseiller ou consultez la fiche de renseignements du contrat d'assurance.

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

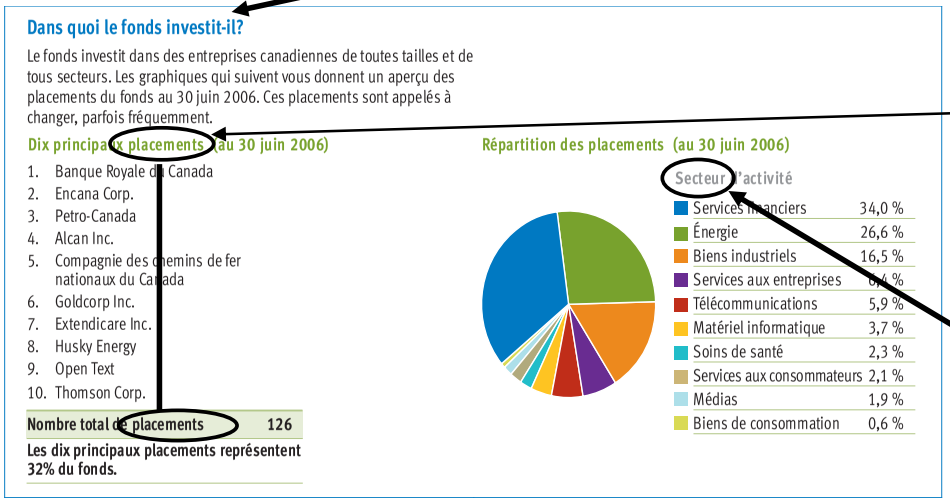
Date de création	1er janvier 1996
Valeur totale au 30 juin 2006	1 milliard de dollars
Gestionnaire de portefeuille	Gestion de capitaux Ltée
Distributions	Annuelles, le 15 décembre

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).

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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

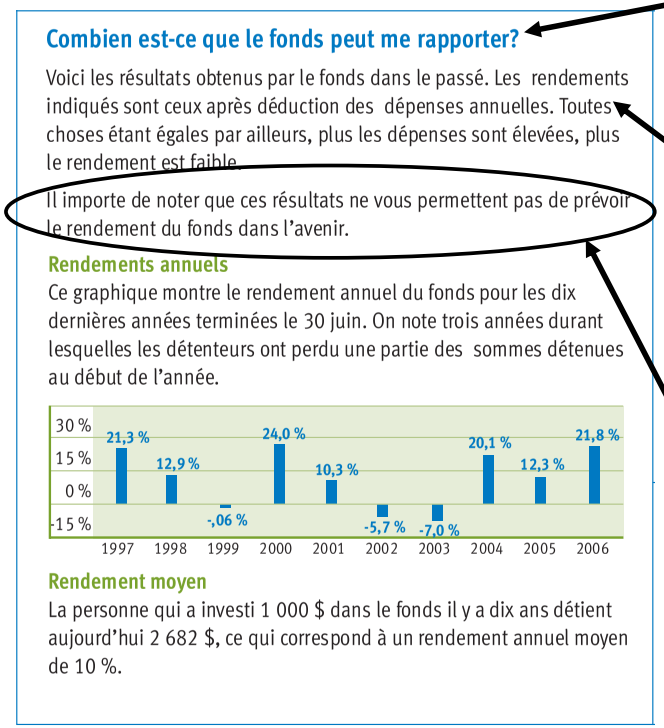
Les dix principaux placements représentent 32% du fonds.

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.

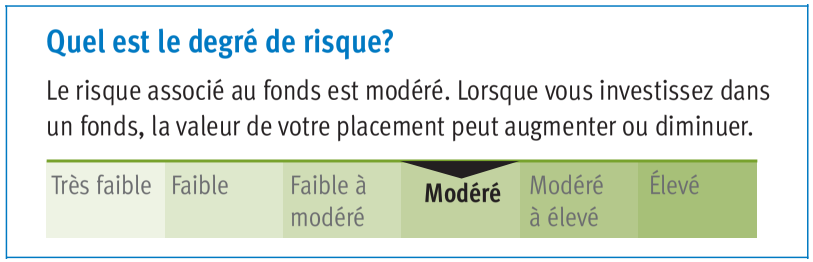
Rendement moyen

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).

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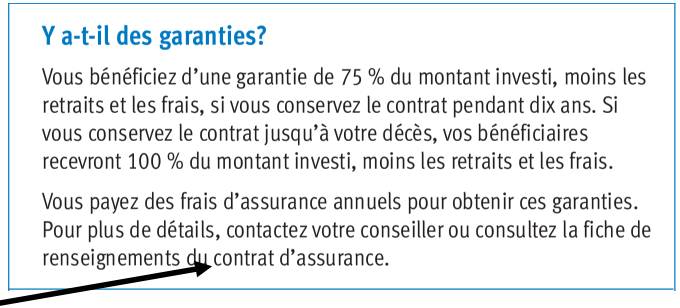
French Language Issues – page 1



- 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.

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French Language Issues – page 1



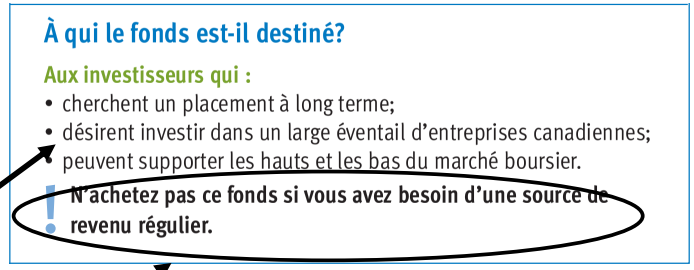
Y a-t-il des garanties?

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.

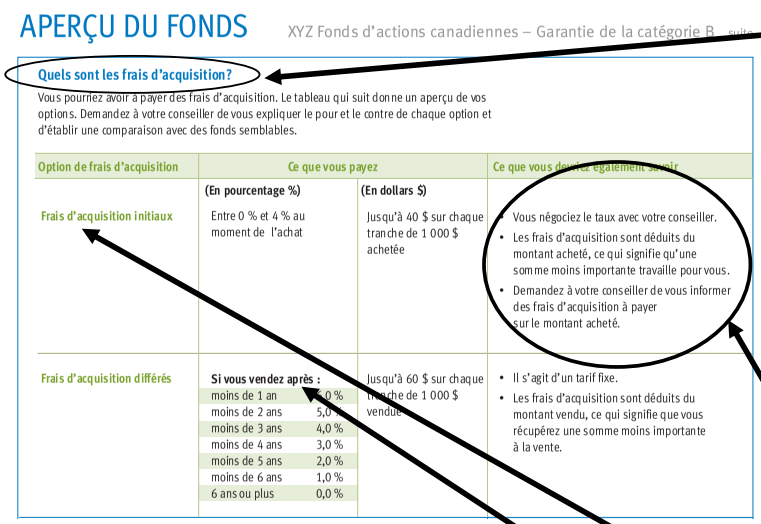
- As noted previously, some are confused by the reference to a "Contrat d'assurance" (insurance contract). If this isn't the '*fiche de renseignements du contrat d'assurance'* (insurance contract facts sheet), what is it? At the top of the page it says this is a '*contrat d'assurance'*. And this document 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.

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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.

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- 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."

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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.

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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."

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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.

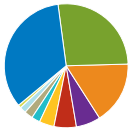
Top 10 investments (June 30, 2006)

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

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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.

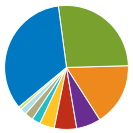
Top 10 investments (June 30, 2006)

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

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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.

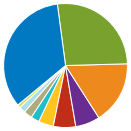
Dix principaux placements (au 30 juin 2006)

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

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Segregated Funds - French

OSC
Ontario Securities Commission

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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.

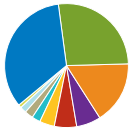
Dix principaux placements (au 30 juin 2006)

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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 %
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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.
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- 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 :

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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.

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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

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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?
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- 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.

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