

Annex G

Proposed Amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure*

1. *National Instrument 81-101 Mutual Fund Prospectus Disclosure is amended by this Instrument.*
2. *Section 1.3 is amended by adding “or” at the end of paragraph (a) and by repealing paragraph (b).*
3. *Section 5.1 is amended by adding the following subsection:*
 - (4) Despite subsection (1), a simplified prospectus for an alternative fund must not be consolidated with a simplified prospectus of another mutual fund other than an alternative fund.
4. *Form 81-101F1 Contents of Simplified Prospectus is amended*
 - (a) *by adding the following under the general instructions:*
 - (14.1) *Subsection 5.1(4) of NI 81-101 states that a simplified prospectus of an alternative fund must not be consolidated with a simplified prospectus of another mutual fund that is not an alternative fund,*
 - (b) *by adding the following after Item 1.1(2) of Part A:*
 - (2.1) If the mutual fund to which the simplified prospectus pertains is an alternative fund, indicate this on the front cover.,
 - (c) *by adding the following after instruction (3) under Item 6 of Part B:*
 - (4) *If the mutual fund is an alternative fund, describe the asset classes that the mutual fund invests in or the investment strategies that the mutual fund follows that cause it to fall within the definition of “alternative fund” in NI 81-102. If those investment strategies involve the use of leverage, disclose the sources of leverage (e.g., borrowing, short selling, use of derivatives) as well as the maximum amount of leverage the alternative fund may use as a ratio calculated in accordance with section 2.9.1 of National Instrument 81-102 by dividing the sum of the following by the net asset value of the alternative fund:*
 - (a) *the aggregate value of the alternative fund’s indebtedness under any borrowing agreements entered into by the fund;*
 - (b) *the aggregate market value of securities to be sold short by the alternative fund;*

- (c) *the aggregate notional amount of the alternative fund's exposure under its specified derivatives positions.,*

(d) by adding the following after Item 7(10) of Part B:

- (11) For an alternative fund that borrows cash under subsection 2.6 (2) of NI 81-102
 - (a) state that the alternative fund may borrow cash and the maximum amount the fund may borrow, and
 - (b) briefly describe how borrowing will be used in conjunction with other strategies of the alternative fund to achieve its investment objectives and the terms of the borrowing arrangements.,

(e) by adding the following after Item 9(2) of Part B:

- (2.1) For an alternative fund, include disclosure to the effect that the alternative fund has the ability to invest in asset classes or use investment strategies that are not permitted for conventional mutual funds and explain how these investment strategies may affect investors' chance of losing money on their investment in the fund.,

(f) by deleting "and" at the end of paragraph (b) of Item 9(7) of Part B,

(g) by replacing "." at the end of paragraph (c) of Item 9(7) of Part B with "; and",

(h) by adding the following after paragraph (c) of Item 9(7) of Part B:

- (d) borrowing arrangements..

5. Form 81-101F2 Contents of Annual Information Form is amended

(a) by adding the following after Item 1.1(2):

- (2.1) If the mutual fund to which the annual information form pertains is an alternative fund, indicate this on the front cover.,

(b) by adding the following after Item 10.9.1

10.9.2 Lender

- (1) State the name of each person or company that has lent money to the alternative fund.
- (2) State whether any person or company that has lent money to the alternative fund is an affiliate or associate of the manager of the alternative fund..

6. Form 81-101F3 Contents of Fund Facts Document is amended

(a) by adding the following after paragraph (f) of Item 1 of Part I:

- (g) if the fund facts document pertains to an alternative fund, textbox disclosure using wording substantially similar to the following:

This mutual fund is an alternative fund. It has the ability to invest in asset classes or use investment strategies that are not permitted for conventional mutual funds.

The specific strategies that differentiate this fund from conventional mutual funds include: [list the asset classes the alternative fund invests in and/or the investment strategies used by the alternative fund that cause it to fall within the definition of “alternative fund” in NI 81-102].

[Explain how the listed investment strategies may affect investors’ chance of losing money on their investment in the alternative fund.],

Note: The CSA is currently working on the development of an ETF Facts for exchange traded mutual funds. We anticipate including a similar disclosure requirement in Form 41-101F4.
--

(b) by replacing the Instruction under Item 1 of Part I with the following:

INSTRUCTIONS:

(1) *The date for a fund facts document that is filed with a preliminary simplified prospectus or simplified prospectus must be the date of the certificate contained in the related annual information form. The date for a fund facts document that is filed with a pro forma simplified prospectus must be the date of the anticipated simplified prospectus. The date for an amended fund facts document must be the date of the certificate contained in the related amended annual information form.*

(2) *If the fund facts document pertains to an alternative fund that uses leverage, the required textbox disclosure must disclose the sources of leverage. It must also disclose the maximum amount of leverage the alternative fund may use, along with the minimum and maximum amount of leverage experienced by the alternative fund as disclosed in the most recently filed interim financial reports and audited financial statements. For a newly established alternative that has not yet filed any financial statements, state the expected range of leverage.*

(3) *Leverage must be disclosed as a ratio calculated by dividing the sum of the following by the net asset value of the alternative fund:*

(a) the aggregate value of the alternative fund’s indebtedness under any

borrowing agreements entered into by the fund;

(b) the aggregate market value of securities to be sold short by the alternative fund;

(c) the aggregate notional amount of the alternative fund's exposure under its specified derivatives transactions..

Note: The CSA is currently working on the development of an ETF Facts for exchange traded mutual funds. We anticipate including a similar instructions in Form 41-101F4.
--

7. This Instrument comes into force on ●.