

Annex E

Proposed Amendments to National Instrument 81-106 *Investment Fund Continuous Disclosure*

1. *National Instrument 81-106 Investment Fund Continuous Disclosure is amended by this Instrument.*
2. *Subsection 1.3(3) is amended by deleting “National Instrument 81-104 Commodity Pools or” and by replacing “those Instruments” with “that Instrument”.*
3. *The Instrument is amended by adding the following section:*

3.12 Disclosure of Leverage - (1) An investment fund that uses leverage must disclose in its financial statements the lowest and highest level of leverage experienced by the investment fund in the reporting period covered by the financial statements, together with a brief explanation of the sources of leverage (e.g. borrowing, short selling or use of derivatives) used, how the investment fund calculates leverage as set out in section 2.9.1 of National Instrument 81-102 *Investments Funds* and the significance to the investment fund of the lowest and highest levels of leverage.

(2) The information required by subsection (1) may be included in the body of the financial statements or in the notes to the financial statements..

4. *Form 81-106F1 Contents of Annual and Interim Management Report of Fund Performance is amended*

(a) in Item 2.3 of Part B by adding the following subsection:

(3) An investment fund that uses leverage must disclose,

- (a) a brief explanation on the sources of leverage (e.g., borrowing, short selling, use of derivatives) used during the period;
- (b) the lowest and highest level of leverage experienced during the period; and
- (c) the significance of the lowest and highest levels of leverage to the investment fund., *and*

(b) by replacing the Instruction to Item 2.3 of Part B with the following:

INSTRUCTIONS:

(1) Explain the nature of and reasons for changes in the investment fund's performance. Do not simply disclose the amount of change in a financial statement item from period to period. Avoid the use of boilerplate language. Your discussion should assist the reader to understand the significant factors that have affected the investment fund's performance.

(2) For the purposes of the disclosure required in Item 2.3(3), an investment fund's leverage must be calculated as set out in section 2.9.1 of National Instrument 81-102 Investment Funds..

5. This Instrument comes into force on •.