

**National Instrument 81-106**  
*Investment Fund Continuous Disclosure*

*Contents*

**PART 1 – DEFINITIONS AND APPLICATIONS**

- 1.1 Definitions
- 1.2 Application
- 1.3 Interpretation
- 1.4 Language of Documents

**PART 2 – FINANCIAL STATEMENTS**

- 2.1 Comparative Annual Financial Statements and Auditor's Report
- 2.2 Filing Deadline for Annual Financial Statements
- 2.3 Interim Financial Statements
- 2.4 Filing Deadline for Interim Financial Statements
- 2.5 Approval of Financial Statements
- 2.6 Acceptable Accounting Principles
- 2.7 Acceptable Auditing Standards
- 2.8 Acceptable Auditors
- 2.9 Change in Year End
- 2.10 Change in Legal Structure
- 2.11 Filing Exemption for Mutual Funds that are Non-Reporting Issuers
- 2.12 Disclosure of Auditor Review of Interim Financial Statements

**PART 3 – FINANCIAL DISCLOSURE REQUIREMENTS**

- 3.1 Statement of Net Assets
- 3.2 Statement of Operations
- 3.3 Statement of Changes in Net Assets
- 3.4 Statement of Cashflows
- 3.5 Statement of Investment Portfolio
- 3.6 Notes to Financial Statements
- 3.7 Inapplicable Line Items
- 3.8 Disclosure of securities lending transactions
- 3.9 Disclosure of repurchase transactions
- 3.10 Disclosure of reverse repurchase transactions
- 3.11 Scholarship plans

**PART 4 – MANAGEMENT REPORTS OF FUND PERFORMANCE**

- 4.1 Application
- 4.2 Filing of management reports of fund performance
- 4.3 Filing of annual management report of fund performance for an investment fund that is a scholarship plan
- 4.4 Contents of management reports of fund performance
- 4.5 Approval of management reports of fund performance

**PART 5 – DELIVERY OF FINANCIAL STATEMENTS AND MANAGEMENT REPORTS OF FUND PERFORMANCE**

- 5.1 Delivery of certain continuous disclosure documents
- 5.2 Sending according to standing instructions
- 5.3 Sending According To Annual Instructions
- 5.4 General
- 5.5 Websites

**PART 6 – QUARTERLY PORTFOLIO DISCLOSURE**

- 6.1 Application
- 6.2 Preparation and dissemination

**PART 7 – BINDING AND PRESENTATION**

- 7.1 Binding of financial statements and management reports of fund performance
- 7.2 Multiple class investment funds

**PART 8 – INDEPENDENT VALUATIONS FOR LABOUR SPONSORED OR VENTURE CAPITAL FUNDS**

- 8.1 Application
- 8.2 Exemption from requirement to disclose individual current values for venture investments
- 8.3 Disclosure concerning independent valuator
- 8.4 Content of independent valuation
- 8.5 Independent valuator's consent

**PART 9 – ANNUAL INFORMATION FORM**

- 9.1 Application
- 9.2 Requirement to file annual information form
- 9.3 Filing deadline for annual information form
- 9.4 Preparation and content of annual information form

**PART 10 – PROXY VOTING DISCLOSURE FOR PORTFOLIO SECURITIES HELD**

- 10.1 Application
- 10.2 Requirement to establish policies and procedures
- 10.3 Proxy voting record
- 10.4 Preparation and availability of proxy voting record

**PART 11 – MATERIAL CHANGE REPORTS**

- 11.1 Application
- 11.2 Publication of material change

**PART 12 – PROXY SOLICITATION AND INFORMATION CIRCULARS**

- 12.1 Applications
- 12.2 Sending of proxies and information circulars
- 12.3 Exemption

12.4 Compliance with National Instrument 51-102

**PART 13 – CHANGE OF AUDITOR DISCLOSURE**

13.1 Application

13.2 Change of auditor

**PART 14 – CALCULATION OF NET ASSET VALUE**

14.1 Application

14.2 Calculation, frequency and currency

14.3 Portfolio transactions.

14.4 Capital transactions

**PART 15 – CALCULATION OF MANAGEMENT EXPENSE RATIO**

15.1 Calculation of management expense ratio

15.2 Fund of funds calculation

**PART 16 – ADDITIONAL FILING REQUIREMENTS**

16.1 Application

16.2 Additional filing requirements

16.3 Voting results

16.4 Filing of material contracts

**PART 17 – EXEMPTIONS**

17.1 Exemption

**PART 18 – EFFECTIVE DATE AND TRANSITION**

18.1 Effective date

18.2 [Repealed]

18.3 [Repealed]

18.4 [Repealed]

18.5 [Repealed]

18.6 Existing exemptions

**FORM 81-106F1**

**National Instrument 81-106**  
*Investment Fund Continuous Disclosure*

**PART 1 – DEFINITIONS AND APPLICATIONS**

**1.1 Definitions** – In this Instrument

**“annual management report of fund performance”** means a document prepared in accordance with Part B of Form 81-106F1;

**“current value”** means, for an asset held by, or a liability of, an investment fund, the value calculated in accordance with Canadian GAAP;

**“education savings plan”** means an agreement between one or more persons and another person or organization, in which the other person or organization agrees to pay or cause to be paid, to or for one or more beneficiaries designated in connection with the agreement, scholarship awards;

**“EVCC”** means an employee venture capital corporation that does not have a restricted constitution, and is registered under Part 2 of the Employee Investment Act, R.S.B.C. 1996 c. 112, and whose business objective is making multiple investments;

**“independent review committee”** means the independent review committee of the investment fund established under National Instrument 81-107 *Independent Review Committee for Investment Funds*;

**“independent valuation”** means a valuation of the assets and liabilities, or of the venture investments, of a labour sponsored or venture capital fund that contains the opinion of an independent valuator as to the current value of the assets and liabilities, or of the venture investments, and that is prepared in accordance with Part 8;

**“independent valuator”** means a valuator that is independent of the labour sponsored or venture capital fund and that has appropriate qualifications;

**“interim management report of fund performance”** means a document prepared in accordance with Part C of Form 81-106F1;

**“interim period”** means, in relation to an investment fund,

- (a) a period of at least three months that ends six months before the end of a financial year of the investment fund, or
- (b) in the case of a transition year of the investment fund, a period commencing on the first day of the transition year and ending six months after the end of its old financial year;

**“investment fund”** means a mutual fund or a non-redeemable investment fund, and, for greater certainty in British Columbia, includes an EVCC and a VCC;

**“labour sponsored or venture capital fund”** means an investment fund that is

- (a) a labour sponsored investment fund corporation or a labour sponsored venture capital corporation under provincial legislation,

- (b) a registered or prescribed labour sponsored venture capital corporation as defined in the ITA,
- (c) an EVCC, or
- (d) a VCC;

**“management expense ratio”** means the ratio, expressed as a percentage, of the expenses of an investment fund to its average net asset value, calculated in accordance with Part 15;

**“management fees”** means the total fees paid or payable by an investment fund to its manager or one or more portfolio advisers or sub-advisers, including incentive or performance fees, but excluding operating expenses of the investment fund;

**“management report of fund performance”** means an annual management report of fund performance or an interim management report of fund performance;

**“material change”** means, in relation to an investment fund,

- (a) a change in the business, operations or affairs of the investment fund that would be considered important by a reasonable investor in determining whether to purchase or continue to hold securities of the investment fund, or
- (b) a decision to implement a change referred to in paragraph (a) made
  - (i) by the board of directors of the investment fund or the board of directors of the manager of the investment fund or other persons acting in a similar capacity,
  - (ii) by senior management of the investment fund who believe that confirmation of the decision by the board of directors or such other persons acting in a similar capacity is probable, or
  - (iii) by senior management of the manager of the investment fund who believe that confirmation of the decision by the board of directors of the manager or such other persons acting in a similar capacity is probable;

**“material contract”** means, for an investment fund, a document that the investment fund would be required to list in an annual information form under Item 16 of Form 81-101F2 if the investment fund filed a simplified prospectus under National Instrument 81-101 Mutual Fund Prospectus Disclosure;

**“mutual fund in the jurisdiction”** means an incorporated or unincorporated mutual fund that is a reporting issuer in, or that is organized under the laws of, the local jurisdiction, but does not include a private mutual fund;

**“National Instrument 51-102”** means National Instrument 51-102 Continuous Disclosure Obligations;

**“National Instrument 81-107”** means National Instrument 81-107 *Independent Review Committee for Investment Funds*;

**“net asset value”** means the value of the total assets of the investment fund less the value of the total liabilities of the investment fund, as at a specific date, determined in accordance with Part 14;

**“non-redeemable investment fund”** means an issuer,

- (a) whose primary purpose is to invest money provided by its securityholders,
- (b) that does not invest,
  - (i) for the purpose of exercising or seeking to exercise control of an issuer, other than an issuer that is a mutual fund or a non-redeemable investment fund, or
  - (ii) for the purpose of being actively involved in the management of any issuer in which it invests, other than an issuer that is a mutual fund or a non-redeemable investment fund, and
- (c) that is not a mutual fund;

**“quarterly portfolio disclosure”** means the disclosure prepared in accordance with Part 6;

**“scholarship award”** means any amount, other than a refund of contributions, that is paid or payable directly or indirectly to further the education of a beneficiary designated under an education savings plan;

**“scholarship plan”** means an arrangement under which contributions to education savings plans are pooled to provide scholarship awards to designated beneficiaries;

**“transition year”** means the financial year of an investment fund in which a change of year end occurs;

**“VCC”** means a venture capital corporation registered under Part 1 of the Small Business Venture Capital Act, R.S.B.C. 1996 c. 429, whose business objective is making multiple investments; and

**“venture investment”** means an investment in a private company or an investment made in accordance with the requirements of provincial labour sponsored or venture capital fund legislation or the ITA.

## 1.2 Application

- (1) Except as otherwise provided in this Instrument, this Instrument applies to
  - (a) an investment fund that is a reporting issuer; and
  - (b) subject to subsection (2), a mutual fund in the jurisdiction.
- (2) Despite paragraph (1) (b), in Alberta, British Columbia, Manitoba and Newfoundland and Labrador, this Instrument does not apply to a mutual fund that is not a reporting issuer.

- (3) In Saskatchewan, this Instrument does not apply to a Type B corporation within the meaning of The Labour-sponsored Venture Capital Corporations Act (Saskatchewan).
- (4) In Québec, this Instrument does not apply to a reporting issuer organized under
  - (a) an Act to establish the Fonds de solidarité des travailleurs du Québec (F.T.Q.) R.S.Q., chapter F-3.2.1;
  - (b) an Act to establish Fondation, le Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi (R.S.Q., chapter F-3.1.2); or
  - (c) an Act constituting Capital régional et coopératif Desjardins, Loi constituant Capital régional et coopératif Desjardins (R.S.Q., chapter C-6.1).

### **1.3 Interpretation**

- (1) Each section, part, class or series of a class of securities of an investment fund that is referable to a separate portfolio of assets is considered to be a separate investment fund for the purposes of this Instrument.
- (2) Terms defined in National Instrument 81-102 Mutual Funds, National Instrument 81-104 Commodity Pools and National Instrument 81-105 Mutual Fund Sales Practices and used in this Instrument have the respective meanings ascribed to them in those Instruments except that references in those definitions to “mutual fund” must be read as references to “investment fund”.

### **1.4 Language of Documents**

- (1) A document that is required to be filed under this Instrument must be prepared in French or English.
- (2) If an investment fund files a document in French or in English, and a translation of the document into the other language is sent to a securityholder, the investment fund must file the translated document not later than when it is sent to the securityholder.
- (3) In Québec, the linguistic obligations and rights prescribed by Québec law must be complied with.

## **PART 2 – FINANCIAL STATEMENTS**

### **2.1 Comparative Annual Financial Statements and Auditor’s Report**

- (1) An investment fund must file annual financial statements for the investment fund’s most recently completed financial year that include
  - (a) a statement of net assets as at the end of that financial year and a statement of net assets as at the end of the immediately preceding financial year;

- (b) a statement of operations for that financial year and a statement of operations for the immediately preceding financial year;
  - (c) statement of changes in net assets for that financial year and a statement of changes in net assets for the immediately preceding financial year;
  - (d) a statement of cashflows for that financial year and a statement of cashflows for the immediately preceding financial year, unless it is not required by Canadian GAAP;
  - (e) a statement of investment portfolio as at the end of that financial year; and
  - (f) notes to the annual financial statements.
- (2) Annual financial statements filed under subsection (1) must be accompanied by an auditor's report.

**2.2 Filing Deadline for Annual Financial Statements** – The annual financial statements and auditor's report required to be filed under section 2.1 must be filed on or before the 90th day after the investment fund's most recently completed financial year.

**2.3 Interim Financial Statements** – An investment fund must file interim financial statements for the investment fund's most recently completed interim period that include

- (a) a statement of net assets as at the end of that interim period and a statement of net assets as at the end of the immediately preceding financial year;
- (b) a statement of operations for that interim period and a statement of operations for the corresponding period in the immediately preceding financial year;
- (c) a statement of changes in net assets for that interim period and a statement of changes in net assets for the corresponding period in the immediately preceding financial year;
- (d) a statement of cashflows for and as at the end of that interim period and a statement of cashflows for the corresponding period in the immediately preceding financial year, unless it is not required by Canadian GAAP;
- (e) a statement of investment portfolio as at the end of that interim period; and
- (f) notes to the interim financial statements.

**2.4 Filing Deadline for Interim Financial Statements** – The interim financial statements required to be filed under section 2.3 must be filed on or before the 60th day after the end of the most recent interim period of the investment fund.

**2.5 Approval of Financial Statements**

- (1) The board of directors of an investment fund that is a corporation must approve the financial statements of the investment fund before those financial statements are filed or made available to securityholders or potential purchasers of securities of the investment fund.
- (2) The trustee or trustees of an investment fund that is a trust, or another person or company authorized to do so by the constating documents of the investment fund, must approve the financial statements of the investment fund, before those financial statements are filed or made available to securityholders or potential purchasers of securities of the investment fund.

**2.6 Acceptable Accounting Principles** – The financial statements of an investment fund must be prepared in accordance with Canadian GAAP as applicable to public enterprises.

**2.7 Acceptable Auditing Standards**

- (1) Financial statements that are required to be audited must be audited in accordance with Canadian GAAS.
- (2) Audited financial statements must be accompanied by an auditor’s report prepared in accordance with Canadian GAAS and the following requirements:
  1. The auditor’s report must not contain a reservation.
  2. The auditor’s report must identify all financial periods presented for which the auditor has issued an auditor’s report.
  3. If the investment fund has changed its auditor and a comparative period presented in the financial statements was audited by a different auditor, the auditor’s report must refer to the former auditor’s report on the comparative period.
  4. The auditor’s report must identify the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements.

**2.8 Acceptable Auditors** – An auditor’s report must be prepared and signed by a person or company that is authorized to sign an auditor’s report by the laws of a jurisdiction of Canada, and that meets the professional standards of that jurisdiction.

**2.9 Change in Year End**

- (1) This section applies to an investment fund that is a reporting issuer.
- (2) Section 4.8 of National Instrument 51-102 applies to an investment fund that changes its financial year end, except that
  - (a) a reference to “interim period” must be read as “interim period” as defined in this Instrument;

- (b) a requirement under National Instrument 51-102 to include specified financial statements must be read as a requirement to include the financial statements required under this Part; and
  - (c) a reference to “filing deadline” in subsection 4.8(2) of National Instrument 51-102 must be read as a reference to the filing deadlines provided for under section 2.2 and 2.4 of this Instrument.
- (3) Despite section 2.4, an investment fund is not required to file interim financial statements for any period in a transition year if the transition year is less than nine months in length.
- (4) Despite subsections 4.8(7) and (8) of National Instrument 51-102,
- (a) for interim financial statements for an interim period in the transition year, the investment fund must include as comparative information
    - (i) a statement of net assets as at the end of its old financial year; and
    - (ii) a statement of operations, a statement of changes in net assets, and, if applicable, a statement of cashflows, for the interim period of the old financial year;
  - (b) for interim financial statements for an interim period in a new financial year, the investment fund must include as comparative information
    - (i) a statement of net assets as at the end of the transition year; and
    - (ii) a statement of operations, a statement of changes in net assets, and, if applicable, a statement of cashflows, for the period that is one year earlier than the interim period in the new financial year.

**2.10 Change in Legal Structure** – If an investment fund that is a reporting issuer is party to an amalgamation, arrangement, merger, winding-up, reorganization or other transaction that will result in

- (a) the investment fund terminating or ceasing to be a reporting issuer,
- (b) another entity becoming an investment fund,
- (c) a change in the investment fund’s financial year end, or
- (d) a change in the name of the investment fund,

the investment fund must, as soon as practicable, and in any event not later than the deadline for the first filing required by this Instrument following the transaction, file a notice stating:

- (e) the names of the parties to the transaction;
- (f) a description of the transaction;
- (g) the effective date of the transaction;

- (h) if applicable, the names of each party that terminated or ceased to be a reporting issuer following the transaction and of each continuing entity;
- (i) if applicable, the date of the investment fund's first financial year end following the transaction; and
- (j) if applicable, the periods, including the comparative periods, if any, of the interim and annual financial statements required to be filed for the investment fund's first financial year following the transaction.

**2.11 Filing Exemption for Mutual Funds that are Non-Reporting Issuers – A mutual fund that is not a reporting issuer is exempt from the filing requirements of section 2.1 for a financial year or section 2.3 for an interim period if**

- (a) the mutual fund prepares the applicable financial statements in accordance with this Instrument;
- (b) the mutual fund delivers the financial statements to its securityholders in accordance with Part 5 within the same time periods as if the financial statements were required to be filed;
- (c) the mutual fund has advised the regulator or securities regulatory authority that it is relying on this exemption not to file its financial statements; and
- (d) the mutual fund has included in a note to the financial statements that it is relying on this exemption not to file its financial statements.

**2.12 Disclosure of Auditor Review of Interim Financial Statements**

- (1) This section applies to an investment fund that is a reporting issuer.
- (2) If an auditor has not performed a review of the interim financial statements required to be filed, the interim financial statements must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.
- (3) If an investment fund engaged an auditor to perform a review of the interim financial statements required to be filed and the auditor was unable to complete the review, the interim financial statements must be accompanied by a notice indicating that the auditor was unable to complete a review of the interim financial statements and the reasons why.
- (4) If an auditor has performed a review of the interim financial statements required to be filed and the auditor has expressed a reservation in the auditor's interim review report, the interim financial statements must be accompanied by a written review report from the auditor.

### **PART 3 – FINANCIAL DISCLOSURE REQUIREMENTS**

**3.1 Statement of Net Assets** – The statement of net assets of an investment fund must disclose the following as separate line items, each shown at current value:

1. cash, term deposits and, if not included in the statement of investment portfolio, short term debt instruments.
2. investments.
3. accounts receivable relating to securities issued.
4. accounts receivable relating to portfolio assets sold.
5. accounts receivable relating to margin paid or deposited on futures or forward contracts.
6. amounts receivable or payable in respect of derivatives transactions, including premiums or discounts received or paid.
7. deposits with brokers for portfolio securities sold short.
8. accrued expenses.
9. accrued incentive arrangements or performance compensation.
10. portfolio securities sold short.
11. liabilities for securities redeemed.
12. liabilities for portfolio assets purchased.
13. income tax payable.
14. total net assets and securityholders' equity and, if applicable, for each class or series.
15. net assets per security, or if applicable, per security of each class or series.

**3.2 Statement of Operations** – The statement of operations of an investment fund must disclose the following information as separate line items:

1. dividend revenue.
2. interest revenue.
3. income from derivatives.
4. revenue from securities lending.
5. management fees, excluding incentive or performance fees.
6. incentive or performance fees.
7. audit fees.
8. directors' or trustees' fees.
- 8.1 independent review committee fees.
9. custodial fees.

10. legal fees.
- 10.1 commissions and other portfolio transaction costs.
11. securityholder reporting costs.
12. capital tax.
13. amounts that would otherwise have been payable by the investment fund that were waived or paid by the manager or a portfolio adviser of the investment fund.
14. provision for income tax.
15. net investment income or loss for the period.
16. realized gains or losses.
17. unrealized gains or losses.
18. increase or decrease in net assets from operations and, if applicable, for each class or series.
19. increase or decrease in net assets from operations per security or, if applicable, per security of each class or series.

**3.3 Statement of Changes in Net Assets** – The statement of changes in net assets of an investment fund must disclose, for each class or series, the following as separate line items:

1. net assets at the beginning of the period to which the statement applies.
2. increase or decrease in net assets from operations.
3. proceeds from the issuance of securities of the investment fund.
4. aggregate amounts paid on redemption of securities of the investment fund.
5. securities issued on reinvestment of distributions.
6. distributions, showing separately the amount distributed out of net investment income and out of realized gains on portfolio assets sold, and return of capital.
7. net assets at the end of the period reported upon.

**3.4 Statement of Cashflows** – The statement of cashflows of an investment fund must disclose the following as separate line items:

1. net investment income or loss.
2. proceeds of disposition of portfolio assets.
3. purchase of portfolio assets.
4. proceeds from the issuance of securities of the investment fund.

5. aggregate amounts paid on redemption of securities of the investment fund.
6. compensation paid in respect of the sale of securities of the investment fund.

### **3.5 Statement of Investment Portfolio**

- (1) The statement of investment portfolio of an investment fund must disclose the following for each portfolio asset held or sold short:
  1. the name of the issuer of the portfolio asset.
  2. a description of the portfolio asset, including:
    - (a) for an equity security, the name of the class of the security;
    - (b) for a debt instrument not included in paragraph (c), all characteristics commonly used commercially to identify the instrument, including the name of the instrument, the interest rate of the instrument, the maturity date of the instrument, whether the instrument is convertible or exchangeable and, if used to identify the instrument, the priority of the instrument;
    - (c) for a debt instrument referred to in the definition of “money market fund” in National Instrument 81-102 Mutual Funds, the name, interest rate and maturity date of the instrument; and
    - (d) for a portfolio asset not referred to in paragraph (a), (b) or (c), the name of the portfolio asset and the material terms and conditions of the portfolio asset commonly used commercially in describing the portfolio asset.
  3. the number or aggregate face value of the portfolio asset.
  4. the cost of the portfolio asset.
  5. the current value of the portfolio asset.
- (2) For the purposes of subsection (1), disclosure for a long portfolio must be segregated from the disclosure for a short portfolio.
- (3) For the purposes of subsection (1) and subject to subsection (2), disclosure must be aggregated for portfolio assets having the same description and issuer.
- (4) Despite subsection (1) and (3) and subject to subsection (2), the information referred to in subsection (1) may be provided in the aggregate for those short term debt instruments that

- (a) are issued by a bank listed in Schedule I, II or III to the Bank Act (Canada) or a loan corporation or trust corporation registered under the laws of a jurisdiction, or
  - (b) have achieved an investment rating within the highest or next highest categories of ratings of each approved credit rating organization.
- (5) If an investment fund discloses short term debt instruments as permitted by subsection (4), the investment fund must disclose separately the aggregate short term debt instruments denominated in any currency if the aggregate exceeds 5% of the total short term debt.
- (6) If an investment fund holds positions in derivatives, the investment fund must disclose in the statement of investment portfolio or the notes to that statement,
  - (a) for long and short positions in options,
    - (i) the quantity of the underlying interest, the number of options, the underlying interest, the strike price, the expiration month and year, the cost and the current value, and
    - (ii) if the underlying interest is a future, information about the future in accordance with subparagraph (i);
  - (b) for positions in futures and forwards, the number of futures and forwards, the underlying interest, the price at which the contract was entered into, the delivery month and year and the current value;
  - (c) for positions in swaps, the number of swap contracts, the underlying interest, the principal or notional amount, the payment dates, and the current value; and
  - (d) if a rating of a counterparty has fallen below the approved credit rating level.
- (7) If applicable, the statement of investment portfolio included in the financial statements of the investment fund, or the notes to the statement of investment portfolio, must identify the underlying interest that is being hedged by each position taken by the investment fund in a derivative.
- (8) An investment fund may omit the information required by subsection (1) about mortgages from a statement of investment portfolio if the statement of investment portfolio discloses
  - (a) the total number of mortgages held;
  - (b) the aggregate current value of mortgages held;
  - (c) a breakdown of mortgages, by reference to number and current value among mortgages insured under the National Housing Act (Canada), insured conventional mortgages and uninsured conventional mortgages;

- (d) a breakdown of mortgages, by reference to number and current value, among mortgages that are pre-payable and those that are not pre-payable; and
  - (e) a breakdown of mortgages, by reference to number, current value, amortized cost and outstanding principal value, among groups of mortgages having contractual interest rates varying by no more than one quarter of one percent.
- (9) An investment fund must maintain records of all portfolio transactions undertaken by the investment fund.

### **3.6 Notes to Financial Statements**

- (1) The notes to the financial statements of an investment fund must disclose the following:
- 1. the basis for determining current value and cost of portfolio assets and, if a method of determining cost other than by reference to the average cost of the portfolio assets is used, the method used.
  - 2. if the investment fund has outstanding more than one class or series of securities ranking equally against its net assets, but differing in other respects,
    - (a) the number of authorized securities of each class or series;
    - (b) the number of securities of each class or series that have been issued and are outstanding;
    - (c) the differences between the classes or series, including differences in sales charges, and management fees;
    - (d) the method used to allocate income and expenses, and realized and unrealized capital gains and losses, to each class;
    - (e) the fee arrangements for any class-level expenses paid to affiliates; and
    - (f) transactions involving the issue or redemption of securities of the investment fund undertaken in the period for each class of securities to which the financial statements pertain.
  - 3. to the extent the amount is ascertainable, the soft dollar portion of the total commissions and other portfolio transaction costs paid or payable to dealers by the investment fund, where the soft dollar portion is the amount paid or payable for goods and services other than order execution.
  - 4. the total cost of distribution of the investment fund's securities recorded in the statement of changes in net assets.
  - 5. the net asset value per security as at the date of the financial statements compared to the net assets per security as shown on the

statement of net assets, and an explanation of each of the differences between these amounts.

- (2) If not disclosed elsewhere in the financial statements, an investment fund that borrows money must, in a note to the financial statements, disclose the minimum and maximum amount borrowed during the period to which the financial statements or management report of fund performance pertain.

**3.7 Inapplicable Line Items** – Despite the requirements of this Part, an investment fund may omit a line item from the financial statements for any matter that does not apply to the investment fund or for which the investment fund has nothing to disclose.

**3.8 Disclosure of Securities Lending Transactions**

- (1) An investment fund must disclose, in the statement of investment portfolio included in the financial statements of the investment fund, or in the notes to the financial statements,
  - (a) the aggregate dollar value of portfolio securities that were lent in the securities lending transactions of the investment fund that are outstanding as at the date of the financial statements; and
  - (b) the type and aggregate amount of collateral received by the investment fund under securities lending transactions of the investment fund that are outstanding as at the date of the financial statements.
- (2) The statement of net assets of an investment fund that has received cash collateral from a securities lending transaction that is outstanding as of the date of the financial statements must disclose separately
  - (a) the cash collateral received by the investment fund; and
  - (b) the obligation to repay the cash collateral.
- (3) The statement of operations of an investment fund must disclose income from a securities lending transaction as revenue.

**3.9 Disclosure of Repurchase Transactions**

- (1) An investment fund, in the statement of investment portfolio included in the financial statements of the investment fund, or in the notes to that statement, must, for a repurchase transaction of the investment fund that is outstanding as at the date of the statement, disclose
  - (a) the date of the transaction;
  - (b) the expiration date of the transaction;
  - (c) the nature and current value of the portfolio securities sold by the investment fund;
  - (d) the amount of cash received and the repurchase price to be paid by the investment fund; and

- (e) the current value of the sold portfolio securities as at the date of the statement.
- (2) The statement of net assets of an investment fund that has entered into a repurchase transaction that is outstanding as of the date of the statement of net assets must disclose separately the obligation of the investment fund to repay the collateral.
- (3) The statement of operations of an investment fund must disclose income from the use of the cash received on a repurchase transaction as revenue.
- (4) The information required by this section may be presented on an aggregate basis.

### **3.10 Disclosure of Reverse Repurchase Transactions**

- (1) An investment fund, in the statement of investment portfolio or in the notes to that statement, must, for a reverse repurchase transaction of the investment fund that is outstanding as at the date of the statement, disclose
  - (a) the date of the transaction;
  - (b) the expiration date of the transaction;
  - (c) the total dollar amount paid by the investment fund;
  - (d) the nature and current value or principal amount of the portfolio securities received by the investment fund; and
  - (e) the current value of the purchased portfolio securities as at the date of the statement.
- (2) The statement of net assets of an investment fund that has entered into a reverse repurchase transaction that is outstanding as of the date of the financial statements must disclose separately the reverse repurchase agreement relating to the transaction at current value.
- (3) The statement of operations of an investment fund must disclose income from a reverse repurchase transaction as revenue.
- (4) The information required by this section may be presented on an aggregate basis.

### **3.11 Scholarship Plans**

- (1) In addition to the requirements of this Part, an investment fund that is a scholarship plan must disclose, as of the end of its most recently completed financial year, a separate statement or schedule to the financial statements that provides
  - (a) a summary of education savings plans and units outstanding by year of eligibility, including
    - (i) disclosure of the number of units by year of eligibility for the opening units, units purchased, units forfeited and the ending units,
    - (ii) disclosure of the principal amounts and the accumulated income per year of eligibility, and their total balances, and

- (iii) a reconciliation of the total balances of the principal amounts and the accumulated income in the statement or schedule to the statement of net assets of the scholarship plan;
  - (b) the total number of units outstanding; and
  - (c) a statement of scholarship awards paid to beneficiaries, and a reconciliation of the amount of scholarship awards paid with the statement of operations.
- (2) Despite the requirements of sections 3.1 and 3.2, an investment fund that is a scholarship plan may omit the “net assets per security” and “increase or decrease in net assets from operations per security” line items from its financial statements.

#### **PART 4 – MANAGEMENT REPORTS OF FUND PERFORMANCE**

- 4.1 Application** – This Part applies to an investment fund that is a reporting issuer.
- 4.2 Filing of Management Reports of Fund Performance** – An investment fund, other than an investment fund that is a scholarship plan, must file an annual management report of fund performance for each financial year and an interim management report of fund performance for each interim period at the same time that it files its annual financial statements or its interim financial statements for that financial period.
- 4.3 Filing of Annual Management Report of Fund Performance for an Investment Fund that is a Scholarship Plan** – An investment fund that is a scholarship plan must file an annual management report of fund performance for each financial year at the same time that it files its annual financial statements.
- 4.4 Contents of Management Reports of Fund Performance** – A management report of fund performance required by this Part must
  - (a) be prepared in accordance with Form 81-106F1; and
  - (b) not incorporate by reference information from any other document that is required to be included in a management report of fund performance.
- 4.5 Approval of Management Reports of Fund Performance**
  - (1) The board of directors of an investment fund that is a corporation must approve the management report of fund performance of the investment fund before the report is filed or made available to a holder or potential purchaser of securities of the investment fund.
  - (2) The trustee or trustees of an investment fund that is a trust, or another person or company authorized to do so by the constating documents of the investment fund, must approve the management report of fund performance of the investment fund before the report is filed or made available to a holder or potential purchaser of securities of the investment fund.

## **PART 5 – DELIVERY OF FINANCIAL STATEMENTS AND MANAGEMENT REPORTS OF FUND PERFORMANCE**

### **5.1 Delivery of Certain Continuous Disclosure Documents**

- (1) In this Part, “**securityholder**” means a registered holder or beneficial owner of securities issued by an investment fund.
- (2) Subject to section 5.2 or section 5.3, an investment fund must send to a securityholder, by the filing deadline for the document, the following:
  - (a) annual financial statements;
  - (b) interim financial statements;
  - (c) if required to be prepared by the investment fund, the annual management report of fund performance;
  - (d) if required to be prepared by the investment fund, the interim management report of fund performance.
- (3) An investment fund must apply the procedures set out in National Instrument 54-101 Communication with Beneficial Owners of Securities of a Reporting Issuer when complying with this Part.
- (4) Despite subsection (3), National Instrument 54-101 Communication with Beneficial Owners of Securities of a Reporting Issuer does not apply to an investment fund with respect to a requirement under this Part if the investment fund has the necessary information to communicate directly with a beneficial owner of its securities.

### **5.2 Sending According to Standing Instructions**

- (1) Subsection 5.1(2) does not apply to an investment fund that requests standing instructions from a securityholder in accordance with this section and sends the documents listed in subsection 5.1(2) according to those instructions.
- (2) An investment fund relying on subsection 5.2(1) must send, to each securityholder, a document that
  - (a) explains the choices a securityholder has to receive the documents listed in subsection 5.1(2);
  - (b) solicits instructions from the securityholder about delivery of those documents; and
  - (c) explains that the instructions provided by the securityholder will continue to be followed by the investment fund until they are changed by the securityholder.
- (3) If a person or company becomes a securityholder of an investment fund, the investment fund must solicit instructions in accordance with subsection (2) from the securityholder as soon as reasonably practicable after the investment fund accepts a purchase order from the securityholder.

- (4) An investment fund must rely on instructions given under this section until a securityholder changes them.
- (5) At least once a year, an investment fund must send each securityholder a reminder that
  - (a) the securityholder is entitled to receive the documents listed in subsection 5.1(2);
  - (b) the investment fund is relying on delivery instructions provided by the securityholder;
  - (c) explains how a securityholder can change the instructions it has given; and
  - (d) the securityholder can obtain the documents on the SEDAR website and on the investment fund's website, if applicable, and by contacting the investment fund.

### **5.3 Sending According to Annual Instructions**

- (1) Subsection 5.1(2) does not apply to an investment fund that requests annual instructions from a securityholder in accordance with this section and sends the documents listed in subsection 5.1(2) according to those instructions.
- (2) Subsection (1) does not apply to an investment fund that has previously relied on subsection 5.2(1).
- (3) An investment fund relying on subsection 5.3(1) must send annually to each securityholder a request form the securityholder may use to instruct the investment fund as to which of the documents listed in subsection 5.1(2) the securityholder wishes to receive.
- (4) The request form described in subsection (3) must be accompanied by a notice explaining that
  - (a) the securityholder is providing delivery instructions for the current year only; and
  - (b) the documents are available on the SEDAR website and on the investment fund's website, if applicable, and by contacting the investment fund.

### **5.4 General**

- (1) If a securityholder requests any of the documents listed in subsection 5.1(2), an investment fund must send a copy of the requested documents by the later of
  - (a) the filing deadline for the requested document; and
  - (b) ten calendar days after the investment fund receives the request.
- (2) An investment fund must not charge a fee for sending the documents referred to in this Part and must ensure that securityholders can respond without cost to the solicitations of instructions required by this Part.

- (3) Investment funds under common management may solicit one set of delivery instructions from a securityholder that will apply to all of the investment funds under common management held by that securityholder.
- (4) Despite subsection 7.1(3), for the purposes of delivery to a securityholder, an investment fund may bind its management report of fund performance with the management report of fund performance for one or more other investment funds if the securityholder holds each investment fund.

**5.5 Websites** – An investment fund that is a reporting issuer and that has a website must post to the website any documents listed in subsection 5.1(2) no later than the date that those documents are filed.

## **PART 6 – QUARTERLY PORTFOLIO DISCLOSURE**

**6.1 Application** – This Part applies to an investment fund that is a reporting issuer, other than a scholarship plan or a labour sponsored or venture capital fund.

### **6.2 Preparation and Dissemination**

- (1) An investment fund must prepare quarterly portfolio disclosure that includes
  - (a) a summary of investment portfolio prepared in accordance with Item 5 of Part B of Form 81-106F1 as at the end of
    - (i) each period of at least three months that ends three or nine months before the end of a financial year of the investment fund; or
    - (ii) in the case of a transition year of the investment fund, each period commencing on the first day of the transition year and ending either three, nine or twelve months, if applicable, after the end of its old financial year; and
  - (b) the total net asset value of the investment fund as at the end of the periods specified in (a) (i) or (ii).
- (2) An investment fund that has a website must post to the website the quarterly portfolio disclosure within 60 days of the end of the period for which the quarterly portfolio disclosure was prepared.
- (3) An investment fund must promptly send the most recent quarterly portfolio disclosure, without charge, to any securityholder of the investment fund, upon a request made by the securityholder 60 days after the end of the period to which the quarterly portfolio disclosure pertains.

## **PART 7 – BINDING AND PRESENTATION**

### **7.1 Binding of Financial Statements and Management Reports of Fund Performance**

- (1) An investment fund must not bind its financial statements with the financial statements of another investment fund in a document unless all

information relating to the investment fund is presented together and not intermingled with information relating to the other investment fund.

- (2) Despite subsection (1), if a document contains the financial statements of more than one investment fund, the notes to the financial statements may be combined and presented in a separate part of the document.
- (3) An investment fund must not bind its management report of fund performance with the management report of fund performance for another investment fund.

## **7.2 Multiple Class Investment Funds**

- (1) An investment fund that has more than one class or series of securities outstanding that are referable to a single portfolio must prepare financial statements and management reports of fund performance that contain information concerning all of the classes or series.
- (2) If an investment fund has more than one class or series of securities outstanding, the distinctions between the classes or series must be disclosed in the financial statements and management reports of fund performance.

## **PART 8 – INDEPENDENT VALUATIONS FOR LABOUR SPONSORED OR VENTURE CAPITAL FUNDS**

**8.1 Application** – This Part applies to a labour sponsored or venture capital fund that is a reporting issuer.

**8.2 Exemption from Requirement to Disclose Individual Current Values for Venture Investments** – Despite item 5 of subsection 3.5(1), a labour sponsored or venture capital fund is exempt from the requirement to present separately in a statement of investment portfolio the current value of each venture investment that does not have a market value if

- (a) the labour sponsored or venture capital fund discloses in the statement of investment portfolio
  - (i) the cost amounts for each venture investment,
  - (ii) the total cost of the venture investments,
  - (iii) the total adjustment from cost to current value of the venture investments, and
  - (iv) the total current value of the venture investments;
- (b) the labour sponsored or venture capital fund discloses in the statement of investment portfolio tables showing the distribution of venture investments by stage of development and by industry classification including
  - (i) the number of venture investments in each stage of development and industry class,

- (ii) the total cost and aggregate current value of the venture investments for each stage of development and industry class, and
- (iii) the total cost and aggregate current value of venture investments for each stage of development and industry class as a percentage of total venture investments;
- (c) for a statement of investment portfolio contained in annual financial statements, the labour sponsored or venture capital fund has obtained an independent valuation relating to the value of the venture investments or to the net assets of the fund and has filed the independent valuation concurrently with the filing of the annual financial statements;
- (d) for a statement of investment portfolio contained in interim financial statements, the labour sponsored or venture capital fund obtained and filed the independent valuation referred to in paragraph (c) in connection with the preparation of the most recent annual financial statements of the labour sponsored or venture capital fund; and
- (e) the labour sponsored or venture capital fund has disclosed in the applicable financial statements that an independent valuation has been obtained as of the end of the applicable financial year.

**8.3 Disclosure Concerning Independent Valuator** – A labour sponsored or venture capital fund that obtains an independent valuation must include, in the statement of investment portfolio contained in its annual financial statements, or in the notes to the annual financial statements,

- (a) a description of the independent valuator’s qualifications, and
- (b) a description of any past, present or anticipated relationship between the independent valuator and the labour sponsored or venture capital fund, its manager or portfolio adviser.

**8.4 Content of Independent Valuation** – An independent valuation must provide the aggregate current value of the venture investments or the net assets of the labour sponsored or venture capital fund as at the fund’s financial year end.

**8.5 Independent Valuator’s Consent** – A labour sponsored or venture capital fund obtaining an independent valuation must

- (a) obtain the independent valuator’s consent to its filing; and
- (b) include a statement in the valuation report, signed by the independent valuator, in substantially the following form:  
“We refer to the independent valuation of the [net assets/venture investments] of [name of labour sponsored or venture capital fund] as of [date of financial year end] dated [date]. We consent to the filing of the independent valuation with the securities regulatory authorities.”

## **PART 9 – ANNUAL INFORMATION FORM**

- 9.1 Application** – This Part applies to an investment fund that is a reporting issuer.
- 9.2 Requirement to File Annual Information Form** – An investment fund must file an annual information form if the investment fund has not obtained a receipt for a prospectus during the last 12 months preceding its financial year end.
- 9.3 Filing Deadline for Annual Information Form** – An investment fund required under section 9.2 to file an annual information form must file the annual information form no later than 90 days after the end of its most recently completed financial year.
- 9.4 Preparation and Content of Annual Information Form**
- (1) An annual information form required to be filed under section 9.2 must be prepared as of the end of the most recently completed financial year of the investment fund to which it pertains.
  - (2) An annual information form required to be filed must be prepared in accordance with Form 81-101F2, except that
    - (a) a reference to “mutual fund” must be read as a reference to “investment fund”;
    - (b) General Instructions (3), (10) and (14) of Form 81-101F2 do not apply;
    - (c) subsections (3), (4) and (6) of Item 1.1 of Form 81-101F2 do not apply;
    - (d) subsections (3), (4) and (6) of Item 1.2 of Form 81-101F2 do not apply;
    - (e) Item 5 of Form 81-101F2 must be completed in connection with all of the securities of the investment fund;
    - (f) Item 15 of Form 81-101F2 does not apply to an investment fund that is a corporation, except for the disclosure in connection with the independent review committee; and
    - (g) Items 19, 20, 21 and 22 of Form 81-101F2 do not apply.
  - (3) An investment fund required to file an annual information form must at the same time file copies of all material incorporated by reference in the annual information form that it has not previously filed.

## **PART 10 – PROXY VOTING DISCLOSURE FOR PORTFOLIO SECURITIES HELD**

- 10.1 Application** – This Part applies to an investment fund that is a reporting issuer.
- 10.2 Requirement to Establish Policies and Procedures**
- (1) An investment fund must establish policies and procedures that it will follow to determine whether, and how, to vote on any matter for which the

investment fund receives, in its capacity as securityholder, proxy materials for a meeting of securityholders of an issuer.

- (2) The policies and procedures referred to in subsection (1) must include
  - (a) a standing policy for dealing with routine matters on which the investment fund may vote;
  - (b) the circumstances under which the investment fund will deviate from the standing policy for routine matters;
  - (c) the policies under which, and the procedures by which, the investment fund will determine how to vote or refrain from voting on non-routine matters; and
  - (d) procedures to ensure that portfolio securities held by the investment fund are voted in accordance with the instructions of the investment fund.
- (3) An investment fund that has not prepared an annual information form in accordance with Part 9 or in accordance with National Instrument 81-101 Mutual Fund Prospectus Disclosure must include a summary of the policies and procedures required by this section in its prospectus.

**10.3 Proxy Voting Record** – An investment fund must maintain a proxy voting record that includes, for each time that the investment fund receives, in its capacity as securityholder, materials relating to a meeting of securityholders of a reporting issuer or the equivalent of a reporting issuer in a foreign jurisdiction,

- (a) the name of the issuer;
- (b) the exchange ticker symbol of the portfolio securities, unless not readily available to the investment fund;
- (c) the CUSIP number for the portfolio securities;
- (d) the meeting date;
- (e) a brief identification of the matter or matters to be voted on at the meeting;
- (f) whether the matter or matters voted on were proposed by the issuer, its management or another person or company;
- (g) whether the investment fund voted on the matter or matters;
- (h) if applicable, how the investment fund voted on the matter or matters; and
- (i) whether votes cast by the investment fund were for or against the recommendations of management of the issuer.

**10.4 Preparation and Availability of Proxy Voting Record**

- (1) An investment fund must prepare a proxy voting record on an annual basis for the period ending on June 30 of each year.
- (2) An investment fund that has a website must post the proxy voting record to the website no later than August 31 of each year.

- (3) An investment fund must promptly send the most recent copy of the investment fund's proxy voting policies and procedures and proxy voting record, without charge, to any securityholder upon a request made by the securityholder after August 31.

## **PART 11 – MATERIAL CHANGE REPORTS**

**11.1 Application** – This Part applies to an investment fund that is a reporting issuer.

### **11.2 Publication of Material Change**

- (1) If a material change occurs in the affairs of an investment fund, the investment fund must
  - (a) promptly issue and file a news release that is authorized by an executive officer of the manager of the investment fund and that discloses the nature and substance of the material change;
  - (b) post all disclosure made under paragraph (a) on the website of the investment fund or the investment fund manager;
  - (c) as soon as practicable, but in any event no later than 10 days after the date on which the change occurs, file a report containing the information required by Form 51-102F3, except that a reference in Form 51-102F3 to
    - (i) the term “material change” must be read as “material change” under this Instrument;
    - (ii) “section 7.1 of National Instrument 51-102” in Item 3 of Part 2 must be read as a reference to “section 11.2 of National Instrument 81-106”;
    - (iii) “subsection 7.1(2) of National Instrument 51-102” in Item 6 of Part 2 must be read as a reference to “subsection 11.2(2) of National Instrument 81-106”;
    - (iv) “subsection 7.1(5) of National Instrument 51-102” in Items 6 and 7 of Part 2 must be read as a reference to “subsection 11.2(4) of National Instrument 81-106”; and
    - (v) “executive officer of your company” in Item 8 of Part 2 must be read as a reference to “officer of the investment fund or of the manager of the investment fund”; and
  - (d) file an amendment to its prospectus or simplified prospectus that discloses the material change in accordance with the requirements of securities legislation.
- (2) If
  - (a) in the opinion of the board of directors or trustee of an investment fund or the manager, and if that opinion is arrived at in a reasonable manner, the disclosure required by subsection (1) would be unduly detrimental to the investment fund's interest; or

- (b) the material change
  - (i) consists of a decision to implement a change made by senior management of the investment fund or senior management of the manager of the investment fund who believe that confirmation of the decision by the board of directors or persons acting in a similar capacity is probable; and
  - (ii) senior management of the investment fund or senior management of the manager of the investment fund has no reason to believe that persons with knowledge of the material change have made use of that knowledge in purchasing or selling securities of the investment fund, the investment fund may, instead of complying with subsection (1), immediately file the report required under paragraph (1) (c) marked to indicate that it is confidential, together with written reasons for non-disclosure.
- (3) [Repealed]
- (4) If a report has been filed under subsection (2), the investment fund must advise the regulator or securities regulatory authority in writing within ten days of the initial filing of the report if it believes the report should continue to remain confidential and every 10 days thereafter until the material change is generally disclosed in the manner referred to in subsection (1) or, if the material change consists of a decision of the type referred to in paragraph (2) (b), until that decision has been rejected by the board of directors of the investment fund or the board of directors of the manager of the investment fund.
- (5) Despite filing a report under subsection (2), an investment fund must promptly and generally disclose the material change in the manner referred to in subsection (1) upon the investment fund becoming aware, or having reasonable grounds to believe, that a person or company is purchasing or selling securities of the investment fund with knowledge of the material change that has not been generally disclosed.

## **PART 12 – PROXY SOLICITATION AND INFORMATION CIRCULARS**

**12.1 Applications** – This Part applies to an investment fund that is a reporting issuer.

### **12.2 Sending of Proxies and Information Circulars**

- (1) If management of an investment fund or the manager of an investment fund gives or intends to give notice of a meeting to registered holders of the investment fund, management or the manager must, at the same time as or before giving that notice, send to each registered holder who is entitled to notice of the meeting a form of proxy for use at the meeting.

- (2) A person or company that solicits proxies from registered holders of an investment fund must
  - (a) in the case of a solicitation by or on behalf of management of the investment fund, send with the notice of meeting to each registered holder whose proxy is solicited a completed Form 51-102F5; or
  - (b) in the case of a solicitation by or on behalf of any person or company other than management of the investment fund, at the same time as or before the solicitation, send a completed Form 51-102F5 and a form of proxy to each registered holder whose proxy is solicited.
- (3) [Repealed]

### **12.3 Exemption**

- (1) Subsection 12.2(2) does not apply to a solicitation by a person or company in respect of securities of which the person or company is the beneficial owner.
- (2) Paragraph 12.2(2)(b) does not apply to a solicitation if the total number of securityholders whose proxies are solicited is not more than 15.
- (3) For the purposes of subsection (2), two or more persons or companies who are joint registered owners of one or more securities are considered to be one securityholder.

**12.4 Compliance with National Instrument 51-102** – A person or company that solicits proxies under section 12.2 must comply with sections 9.3 and 9.4 of National Instrument 51-102 as if those sections applied to the person or company.

## **PART 13 – CHANGE OF AUDITOR DISCLOSURE**

**13.1 Application** – This Part applies to an investment fund that is a reporting issuer.

**13.2 Change of Auditor** – Section 4.11 of National Instrument 51-102 applies to an investment fund that changes its auditor, except that references in that section to the “board of directors” are to be read as references to,

- (a) if the investment fund is a corporation, the “board of directors of the investment fund”, or
- (b) if the investment fund is a trust, the “trustee or trustees or another person or company authorized by the constating documents of the investment fund”.

## **PART 14 – CALCULATION OF NET ASSET VALUE**

**14.1 Application** – This Part applies to an investment fund that is a reporting issuer.

**14.2 Calculation, Frequency and Currency**

- (1) The net asset value of an investment fund must be calculated using the fair value of the investment fund's assets and liabilities.
  - (1.1) The net asset value of an investment fund must include the income and expenses of the investment fund accrued up to the date of calculation of the net asset value.
  - (1.2) For the purposes of subsection (1), fair value means
    - (a) the market value based on reported prices and quotations in an active market, or
    - (b) if the market value is not available, or the manager of the investment fund believes that it is unreliable, a value that is fair and reasonable in all the relevant circumstances.
  - (1.3) The manager of an investment fund must
    - (a) establish and maintain appropriate written policies and procedures for determining the fair value of the investment fund's assets and liabilities; and
    - (b) consistently follow those policies and procedures.
  - (1.4) The manager of an investment fund must maintain a record of the determination of fair value and the reasons supporting that determination.
- (2) For the purposes of calculating net asset value for purchases and redemptions of its securities as required by Parts 9 and 10 of National Instrument 81-102 Mutual Funds, a labour sponsored or venture capital fund that has included a deferred charge for sales commissions in the calculation may continue to do so, provided that
  - (a) the calculation reflects the amortization of this deferred charge over the remaining amortization period, and
  - (b) the labour sponsored or venture capital fund ceased adding to this deferred charge by December 31, 2003.
- (3) The net asset value of an investment fund must be calculated,
  - (a) if the investment fund does not use specified derivatives, at least once in each week; or
  - (b) if the investment fund uses specified derivatives, at least once every business day.
- (4) A mutual fund that holds securities of other mutual funds must have dates for the calculation of net asset value that are compatible with those of the other mutual funds.
- (5) Despite paragraph 3(a), an investment fund that, at the date that this Instrument comes into force, calculates net asset value no less frequently than once a month may continue to calculate net asset value at least as frequently as it does at that date.

- (6) The net asset value of an investment fund must be calculated in the currency of Canada or in the currency of the United States of America or both.
- (7) An investment fund that arranges for the publication of its net asset value in the financial press must ensure that its current net asset value is provided on a timely basis to the financial press.

**14.3 Portfolio Transactions** – The net asset value of an investment fund must include each purchase or sale of a portfolio asset no later than in the next calculation of the net asset value after the date the purchase or sale becomes binding.

**14.4 Capital Transactions** – The investment fund must include each issue or redemption of a security of the investment fund in the next calculation of net asset value the investment fund makes after the calculation of net asset value used to establish the issue or redemption price.

## **PART 15 – CALCULATION OF MANAGEMENT EXPENSE RATIO**

### **15.1 Calculation of Management Expense Ratio**

- (1) An investment fund may disclose its management expense ratio only if the management expense ratio is calculated for the financial year or interim period of the investment fund and if it is calculated by
  - (a) dividing
    - (i) the aggregate of
      - (A) total expenses of the investment fund, excluding commissions and other portfolio transaction costs, before income taxes, for the financial year or interim period, as shown on its statement of operations; and
      - (B) any other fee, charge or expense of the investment fund that has the effect of reducing the investment fund's net asset value;
    - by
    - (ii) the average net asset value of the investment fund for the financial year or interim period, obtained by
      - (A) adding together the net asset values of the investment fund as at the close of business of the investment fund on each day during the financial year or interim period on which the net asset value of the investment fund has been calculated, and
      - (B) dividing the amount obtained under clause (A) by the number of days during the financial year or

interim period on which the net asset value of the investment fund has been calculated; and

- (b) multiplying the result obtained under paragraph (a) by 100.
- (2) If any fees and expenses otherwise payable by an investment fund in a financial year or interim period were waived or otherwise absorbed by a member of the organization of the investment fund, the investment fund must disclose, in a note to the disclosure of its management expense ratio, details of
- (a) what the management expense ratio would have been without any waivers or absorptions;
  - (b) the length of time that the waiver or absorption is expected to continue;
  - (c) whether the waiver or absorption can be terminated at any time by the member of the organization of the investment fund; and
  - (d) any other arrangements concerning the waiver or absorption.
- (3) Investment fund expenses rebated by a manager or an investment fund to a securityholder must not be deducted from total expenses of the investment fund in determining the management expense ratio of the investment fund.
- (4) An investment fund that has separate classes or series of securities must calculate a management expense ratio for each class or series, in the manner required by this section, modified as appropriate.
- (5) The management expense ratio of an investment fund for a financial period of less than or greater than twelve months must be annualized.
- (6) If an investment fund provides its management expense ratio to a service provider that will arrange for public dissemination of the management expense ratio,
- (a) the investment fund must provide the management expense ratio calculated in accordance with this Part; and
  - (b) the requirement to provide note disclosure contained in subsection (2) does not apply if the investment fund indicates, as applicable, that fees have been waived, expenses have been absorbed, or that fees or expenses were paid directly by investors during the period for which the management expense ratio was calculated.

## **15.2 Fund of Funds Calculation**

- (1) For the purposes of subparagraph 15.1 (1) (a) (i), the total expenses for a financial year or interim period of an investment fund that invests in securities of other investment funds is equal to the sum of
- (a) the total expenses incurred by the investment fund that are for the period for which the calculation of the management expense ratio is made and that are attributable to its investment in each underlying investment fund, as calculated by

- (i) multiplying the total expenses of each underlying investment fund, excluding commissions and other portfolio transaction costs, before income taxes, for the financial year or interim period, by
    - (ii) the average proportion of securities of the underlying investment fund held by the investment fund during the financial year or interim period, calculated by
      - (A) adding together the proportion of securities of the underlying investment fund held by the investment fund on each day in the period, and
      - (B) dividing the amount obtained under clause (A) by the number of days in the period; and
  - (b) the total expenses of the investment fund, excluding commissions and other portfolio transaction costs, before income taxes, for the period.
- (2) An investment fund that has exposure to one or more other investment funds through the use of derivatives in a financial year or interim period must calculate its management expense ratio for the financial year or interim period in the manner described in subsection (1), treating each investment fund to which it has exposure as an “underlying investment fund” under subsection (1).
  - (3) Subsection (2) does not apply if the derivatives do not expose the investment fund to expenses that would be incurred by a direct investment in the relevant investment funds.
  - (4) Management fees rebated by an underlying fund to an investment fund that invests in the underlying fund must be deducted from total expenses of the underlying fund if the rebate is made for the purpose of avoiding duplication of fees between the two investment funds.

## **PART 16 – ADDITIONAL FILING REQUIREMENTS**

**16.1 Application** – This Part applies to an investment fund that is a reporting issuer.

**16.2 Additional Filing Requirements** – If an investment fund sends to its securityholders any disclosure document other than those required by this Instrument, the investment fund must file a copy of the document on the same date as, or as soon as practicable after, the date on which the document is sent to its securityholders.

**16.3 Voting Results** – An investment fund must, promptly following a meeting of securityholders at which a matter was submitted to a vote, file a report that discloses, for each matter voted upon

- (a) a brief description of the matter voted upon and the outcome of the vote; and

- (b) if the vote was conducted by ballot, the number and percentage of votes cast, which includes votes cast in person and by proxy, for, against, or withheld from, each vote.

**16.4 Filing of Material Contracts** – An investment fund that is not subject to National Instrument 81-101 Mutual Fund Prospectus Disclosure, or securities legislation that imposes a similar requirement, must file a copy of any material contract of the investment fund not previously filed, or any amendment to any material contract of the investment fund not previously filed

- (a) with the final prospectus of the investment fund; or
- (b) upon the execution of the material contract or amendment.

## **PART 17 – EXEMPTIONS**

### **17.1 Exemption**

- (1) The regulator or securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.
- (2) Despite subsection (1), in Ontario only the regulator may grant an exemption from any part of this Instrument.

## **PART 18 – EFFECTIVE DATE AND TRANSITION**

**18.1 Effective Date** – This Instrument comes into force on June 1, 2005.

**18.2 [Repealed]**

**18.3 [Repealed]**

**18.4 [Repealed]**

**18.5 [Repealed]**

### **18.6 Existing Exemptions**

- (1) An investment fund that has obtained an exemption or waiver from, or approval under, securities legislation, National Policy 39, National Instrument 81-101 Mutual Fund Prospectus Disclosure, National Instrument 81-102 Mutual Funds, Multilateral Instrument 81-104 Commodity Pools or National Instrument 81-105 Mutual Fund Sales Practices relating to its continuous disclosure obligations is exempt from any substantially similar provision of this Instrument to the same extent and on the same conditions, if any, as contained in the exemption, waiver or approval, unless the regulator or securities regulatory authority has revoked that exemption, waiver or approval under authority provided to it in securities legislation.
- (2) An investment fund must, at the time that it first intends to rely on subsection (1) in connection with a filing requirement under this Instrument, inform the securities regulatory authority in writing of

- (a) the general nature of the prior exemption, waiver or approval and the date on which it was granted; and
- (b) the provision in respect of which the prior exemption, waiver or approval applied and the substantially similar provision of this Instrument.

[Amended September 8, 2008]