

THE INVESTMENT FUNDS INSTITUTE OF CANADA



LOOKING FORWARD

2006 ANNUAL REPORT

# ANNUAL REPORT

The Investment Funds Institute of Canada (IFIC) is the national association of the Canadian investment fund industry. Membership comprises 55 mutual fund management companies, 73 retail distributors and 52 affiliates from the legal, accounting and other professions. Established in 1962, IFIC has grown in its

size and scope of responsibilities, paralleling the rapid expansion of the mutual fund industry over the years. On the following pages you will note our “tickertape” of progress. We are Looking Forward to continuing with our mission to enhance the integrity and growth of our industry.

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# Joanne De Laurentiis

PRESIDENT & CEO

## PERSPECTIVES

Within a week of joining IFIC in January of this year, I had the opportunity to work with the Board of Directors to develop a new Strategic Plan with a clear statement of goals and objectives. The plan, divided into five key planks, is challenging and focuses on enhancing the growth and integrity of the investment fund industry.

**Representation:** While IFIC primarily represents mutual fund (NI 81-102) products, we will seek to actively influence the creation and adoption of best practices that result in harmonized approaches across all pooled investment products. This includes life insurance segregated funds, pooled funds, hedge funds and ETFs. IFIC will work with the Canadian Securities Administrators (CSA) and related industry associations and self-regulatory organizations (SROs) to achieve this goal.

**Advocacy:** One of IFIC's fundamental roles is to be the voice of the industry - to regulators, governments and the public. To that end, IFIC will take a proactive advocacy stance with regulators to craft a dynamic, forward-looking agenda that will put our industry ahead of the curve and engage our Members productively in actively shaping their regulatory world.

**Member Services:** IFIC conferences and seminars will continue to provide Members with the insights needed to strengthen market positions. We provide the most complete and up-to-date information on industry issues and forums for our Members to participate in developing forward-thinking positions.

Our newly launched Annual Tax Symposium is just one of many such opportunities. With Member participation, IFIC is also enhancing its statistical reporting to provide additional reliable industry data to our stakeholders and working to improve the media and public understanding of our industry.

**Education:** IFIC and its subsidiary, the Canadian Institute of Financial Planning, continue to position those who work in the investment fund industry for success. Working directly with regulators and other organizations, such as the Financial Planners Standards Council to build the Certified Financial Planner™ (CFP) designation and other standards, we are focused on enhancing industry professionalism.

**Public Awareness:** The strengths of mutual funds have never been clearer or more relevant to investors as a way to build and protect wealth. On page 12, you will see an updated list of all the unique benefits that only mutual funds combine in a single product. We have also conducted our first Annual Investor Survey, which will help us to better understand investors' needs and concerns. In addition, we are proud to be the sponsor of the IFIC Investment Education Award, which will premier at the Canadian Investment Awards and Gala on November 30, 2006.

IFIC's Board set an ambitious agenda for us, one that is reflective of a dynamic and strong industry. Its execution is possible because of a focused Board, dedicated Member participation and talented staff. It is a pleasure to work with all of you.

***...1962: The Canadian Mutual Funds Association (which later becomes The Investment Funds Institute of Canada) is established...***





## Brenda Vince

CHAIR

### PERSPECTIVES

A year ago, when I spoke at IFIC's Annual Conference as the new Chair, I challenged both the industry and IFIC to become more interested in investor concerns and engage in real dialogue with our regulators and other interested organizations. I said we needed to have the most senior voices of the industry more actively participating in the workings of IFIC and that anything we did as an association and as an industry had to be aligned to serve the interests and maintain the trust of the investing public.

This year I believe we have made tremendous headway in meeting those challenges. While there is still some way to go, in my view – and I hope in yours – we have indeed taken significant steps.

As the result of an enhanced strategic planning process, IFIC's Board of Directors, Members and IFIC staff have become more focused in their energies. The main core of what IFIC is all about has been divided into five main areas: Representation, Advocacy, Member Services, Education and Public Awareness. Key projects – such as fund governance, the Registration Reform Project – including point-of-sale disclosure – enhanced statistical reporting and conducting an Annual Investor Survey are all aligned with the plan.

Looking forward internally, we will be shaking things up a bit more at the Board and committee levels this coming year, but in a way that will more precisely pinpoint the issues that need our attention and ensure a high level of participation from the Board and

Members. We believe that our new models for Board Steering Committees, Standing Member Working Groups and Member Task Forces will make IFIC a more effective, results-oriented organization, focused on the business issues that affect our Members.

We have also been encouraged over the past year by the level and quality of dialogue among IFIC staff, our Members and regulators, including the CSA, the Ontario Securities Commission (OSC), the Mutual Fund Dealers Association of Canada (MFDA) and other interested associations.

As you will see in the Annual Report, the investor has taken centre stage, which is as it should be. The results of IFIC's first Annual Investor Survey are being released at the Annual Conference, which will give us new insights into how investors think about issues, including the value of mutual funds, the kind of point-of-sale information they receive, how they stay informed and their views on fees and suitability. We intend to continue with the survey in the years ahead.

Looking forward, we will, as an industry, face significant change and evolution. I know we are all up to the challenges ahead and will continue to innovate and create wealth for our investors.

On behalf of IFIC's Board of Directors, I would like to thank Joanne De Laurentiis, IFIC's new President & CEO, and her staff, for their leadership and hard work. We all look forward to a strong future together.

***...1964: Mutual fund assets top \$1 billion...***



## Pierre Hamel

CHAIR

### THE QUEBEC INVESTMENT FUNDS COUNCIL

The Quebec Investment Funds Council (QIFC) gathers its momentum from the 62 people who make up the Board of Governors and four permanent committees, which meet regularly through working groups to support the strategic goals of IFIC in Quebec. Their dedication to representing and advocating for the industry are evident in their discussions of breaking-news issues, their stances on industry positions and their quick relay of information to Members and our concerns to regulators.

During the past year, QIFC worked with the Autorité des marchés financiers, Quebec's regulator, to implement a functional complaint registry. We assisted the Public Curator of Quebec in publishing instructions to help Members interpret the Quebec Curator Act and the process of unclaimed assets. We have also supported the Investment Dealers Association of Canada (IDA) by presenting a white paper to its working group on modernizing securities legislation across Canada. In addition, we supported IFIC through advocacy in Quebec of many initiatives, including NI 81-106 (Investment Fund Continuous Disclosure) and NI 81-107 (Independent Review Committee for Investment Funds).

In all the work we do, we always keep the interests of investors as our *raison d'être*.

That is why QIFC created a working group to determine whether there were any common threads among those companies that were involved in the

recent industry scandals over the past year. The group presented its recommendations to the Quebec Commission des finances publiques, outlining a number of innovative solutions to improve mutual fund investor protection. If you would like a copy of the white paper, please e-mail [ific@bellnet.ca](mailto:ific@bellnet.ca).

Looking forward, there are many challenges in the offing, particularly with regard to regulation. The Registration Reform Project (RRP), an initiative of the CSA, aims to modernize many aspects of regulation. This may very well become the project of the decade. It is still difficult today to know what this project will eventually encompass, but we can expect that the relationship between the financial advisor and the investor will change significantly. QIFC will study the RRP, concept by concept, and continue to be the voice of the industry in Quebec. As always, QIFC's working group will make recommendations to improve industry practices, while aiming to simplify the regulatory framework.

Exponential increases to regulations affecting mutual funds are matched only by increases in the number of look-alike products. To avoid investor confusion, we need harmonized rules among similar products to provide equivalent disclosure and protection for all investors.

We thank all those who have led QIFC to strive for success since its creation more than nine years ago and invite others to join us.

***...1971: IFIC establishes The Canadian Institute of Financial Planning...***





## LOOKING FORWARD - ADVOCACY & REPRESENTATION

*“IFIC will take a proactive advocacy stance to craft a dynamic forward-looking agenda.”*

### Registration Reform Project

The CSA Registration Reform Project (RRP) began in 2004 as an amalgamation of the previous Fair Dealing Model and certain proposed reforms to provincial registration regimes that affect both fund managers and dealers. In particular, the RRP seeks to streamline the registration requirements that will be applied by the 13 different securities jurisdictions. Most significantly, the latest approach puts an emphasis on regulation based on a “business trigger,” rather than the previous “trade-based trigger.” This substantive change in the way activities are brought within the purview of securities regulators paves the way for the development of a regulatory regime that effectively focuses on the advice investors receive.

Registration reform is proceeding in two ways: certain national requirements imposed on dealers and advisors are being brought in through changes to SRO rules, while other changes will be addressed directly by the CSA. The OSC, on behalf of the CSA, has invited IFIC to provide substantive input on all aspects of the project. Looking forward, this means IFIC, in addition to providing input to the CSA, will be keeping abreast of developments at the IDA and MFDA levels and providing appropriate input there as well. IFIC was also asked to appoint an industry representative to the CSA's RRP Steering Committee, which is made up of representatives from the British Columbia, Alberta, Quebec and Ontario securities commissions and representatives from the MFDA and the IDA. This committee's role is to drive various aspects of registration reform, including receiving reports from, and providing oversight to, a number of CSA and SRO working groups.

The project includes the following five components:

**Registration Component:** A nationally harmonized plan for registrations is expected to be released by December 2006. Under this component, the number of registration categories will be standardized and streamlined - from the current 34 distinct firm registration categories to about six. Mutual fund dealers may retain their current, separate category or may be included within the list of “specialty” dealers, depending on agreement at the CSA level. In addition, the proficiency requirements for all registration categories are being revisited. The business trigger for registration is a significant change in philosophy and will significantly expand the CSA's scope of regulated activities, although it will be up to the industry to help define that scope.

### Fund Manager Registration Component:

Registration will soon be required of managers of all investment funds (other than investment clubs) and all senior officers within those firms (even if the manager outsources all functions). The registration requirement assesses the integrity, proficiency and solvency of the managers. Conflicts of interest cited under the legislation will be dealt with under NI 81-107 while compliance will be governed by a proposed new Compliance Rule, currently designated NI 81-108. That rule will also apply to all investment funds and will require adoption of a formal compliance plan, the designation of a chief compliance officer, formal compliance reviews and periodic reporting. The rule will include a fair valuation component based on IFIC's valuation guidance.

**Fair Dealing Model Component:** This component deals with the client/advisor relationship, specifically account opening and performance reporting. The goal is to have easy-to-understand and meaningful disclosure of the performance, performance benchmarks, service costs and risks of a fund. The IDA and MFDA are currently developing a new account application form. Some issues they're looking at include the appropriate standards for the form of disclosure, the calculation method for portfolio performance and the use and designation of appropriate benchmarks. It's not clear whether the IDA's proposed Performance Data Bylaw is intended to cover client name as well as nominee accounts.

**Risk Disclosure Component:** The issues surrounding risk include whether an advisor's obligation for changes in risk position continues through the life of the portfolio, even in the absence of any transactions, and whether the obligation concerning risk should apply to the entire portfolio or just the individual transaction.

**Point-of-Sale Disclosure Component:** The intent here is to implement a consistent approach for mutual funds and life insurance segregated funds and, as such, this is an initiative of the Joint Forum of Financial Market Regulators. Regulators currently envision disclosure to be provided in layers, including a foundation document, which contains the core, "permanent" information about the funds and the

manager, and a fund summary document. The fund summary document, as currently planned, would be a one- to three-page plain language document in a standardized format delivered by the dealer. This is not an easy nut to crack since the document needs to be concise and easy to understand, while describing such diverse items as historical fund performance, available sales charge options and fees. The manner of delivery of this document is also an issue given the many different ways investors purchase mutual funds. The third layer of disclosure will consist of ongoing reporting to investors, governed by NI 81-106. In addition, new cooling-off rights are proposed in place of the current rights of withdrawal and rescission. Responses obtained through IFIC's Annual Investor Survey will assist in determining investor expectations for point-of-sale disclosure content.

Looking forward, IFIC will manage its responses to each of these components through Member task forces that have been created by IFIC's Board of Directors. These task forces are considering the spectrum of subjects under the following topics:

- client issues, dealing with performance reporting and point-of-sale disclosure
- advisor issues, dealing with the transparency of the advisor/client relationship, the business trigger, incorporated salespersons and registration categories, and
- fund manager issues, dealing with fund manager registration and the new Compliance Rule.

***...1991: IFIC creates a separate retail distributor division...***

## Independent Review Committee for Investment Funds (NI 81-107)

NI 81-107, Independent Review Committee (IRC) for Investment Funds, published in its final form this summer, outlines a minimum consistent standard of governance for publicly offered investment funds. Under the new rule, each investment fund that is a reporting issuer must have an IRC to oversee all conflict-of-interest matters faced by the fund manager in the operation of an investment fund.

An IRC (at least three individuals who are independent of the fund manager) will provide a new level of investor protection by ensuring that the interests of the investment fund - and ultimately the investor - are placed at the forefront when a fund manager is faced with a conflict of interest. In addition, it will improve the fund manager's decision-making process by providing an upfront check on how the conflict is resolved.

As well, the rule is expected to contribute to more efficient Canadian capital markets and provide fund managers with greater flexibility to make timely investment decisions by permitting fund managers to engage in certain types of transactions that are now prohibited without prior regulatory approval provided the IRC approves.

Since NI 81-107 was first released, IFIC has submitted a number of comments and met with regulators frequently on behalf of the fund industry. Earlier this year, a committee of IFIC's Board of Directors developed a list of recommendations, which were then taken to regulators for discussion.

During these meetings, IFIC made recommendations dealing with how to fill a vacancy on the IRC, and including the fund manager's views as part of the mandatory IRC self-assessment process. IFIC strongly suggested that independent advisors be used selectively to assist the IRC in decision-making, not

to replace decision-making on the part of the IRC. IFIC also sought greater clarity around the definition of "independent" as it relates to IRC members.

Looking forward, IFIC is working through issues arising from the rule and providing guidance through the NI 81-107 Fund Governance Standing Committee. A task force of the committee is currently developing a framework that will help Members develop IRC charters that meet their specifications.

## Fund Standards

*"IFIC will actively seek to influence the creation and adoption of best practices and when possible, harmonize approaches across all retail pooled investment products."*

The Canadian Investment Funds Standards Committee (CIFSC) was formed in January 1998 by Canada's major mutual fund database and research firms to standardize the classifications of Canadian mutual funds and provide investors with a consistent set of mutual fund categories.

IFIC strongly supports CIFSC and its single standard of mutual fund classifications, based on an objective, transparent, consistent and enduring methodology, providing unique value and benefits to investors.

Through a liaison committee, IFIC worked with CIFSC to update a new categorization plan in July 2006.

Earlier in the year, Morningstar Canada, one of the founding members of CIFSC, left the organization to develop its own set of categories. Looking forward, IFIC is hopeful that Morningstar will return to CIFSC in the near future. Meanwhile, CIFSC is adding other key players to its complement of members, including industry, investor and regulatory representatives.

**...1993: Mutual fund assets top \$100 billion...**



## LOOKING FORWARD - MEMBER SERVICES

*“IFIC conferences and seminars will provide Members with information, networking and business opportunities.”*

Conversation is the inspiration for innovation and IFIC consistently provides those opportunities through workshops, seminars, forums and Annual Conferences.

Organizing relevant and timely educational events geared at enhancing industry participants' professional development is a key goal at IFIC. Both IFIC's flagship Annual Conference and the QIFC Annual Conference present unique opportunities for innovation. At these venues, the expertise of speakers and the interests of delegates mix to provide a potent learning experience focusing on new regulations, the changing industry landscape and best practices. IFIC events promote the sharing of ideas and seminar break-out session topics can often be used as a jumping-off point for new and interesting conversations with other delegates.

At IFIC's 19th Annual Conference in September 2005, 680 delegates were delighted with the comedic satire of Rick Mercer, motivated by the effervescent personality of Michael “Pinball” Clemons and appreciated the insightful comments by the Hon. John Manley. They were also taken with the practical advice and solutions for complex service issues provided by Dennis Snow, and valued the reminder from demographics expert Dr. David Foot that change can't be avoided, but must be prepared for and managed. Between the break-out seminars, delegates visited industry service providers who were there to showcase their products and services.

A record gathering of 318 attendees registered for the third annual conference of the Quebec Investment Funds Council, held in April. The featured keynote speaker, Jean St-Gelais, President and General Manager of the Autorité des marchés financiers (AMF), discussed their achievements and challenges, while a panel of industry experts provided their views on effective governance. Delegates also heard an informative presentation by Earl Bederman, President

of Investor Economics, on developments in the overall wealth market in Canada and Quebec, as well as a gender-focused consumer review by Monique Leroux, Chief Financial Officer, Desjardins Group. Product due diligence and suitability, the role of the new AMF Integrated Market Enforcement Team and a presentation focusing on advisors' exit strategies rounded out the day's activities.

For the fifth consecutive year, IFIC and the Association of Canadian Compliance Professionals hosted the Compliance Officers Forum held in May. The forum attracted 250 attendees and spotlighted practical information and tools specifically geared to those involved in compliance at retail distributor firms.

In June more than 220 delegates attended a forum on International Financial Reporting Standards. Industry experts Patricia Perruzza and Timothy Deacon from PricewaterhouseCoopers LLP presented the critical issues investment funds will face when adopting the new standards, including key implementation and conversion considerations.

Lionhead Golf & Country Club's 520 acres of beautifully landscaped grounds was the place to be on July 18 to catch up with friends and colleagues. The 15th Annual Golf Classic raised \$34,000 for the United Way, the clear winner.

Throughout the year, Member Services is responsible for maintaining the highly popular Job Board, facilitating the Mutual Fund Industry Compensation Survey (now in its 15th year), as well as looking after the IFIC Membership database, which enables IFIC to easily keep Members up to date on industry issues.

Looking forward, IFIC's Member Services Department will continue to enrich Member knowledge and networking opportunities.

To keep abreast of future opportunities, visit IFIC's Event website regularly at [https://www.ificmembers.ca/IFIC\\_Events/index.asp](https://www.ificmembers.ca/IFIC_Events/index.asp)





## LOOKING FORWARD - STATISTICS

*"IFIC will enhance and strengthen its statistical reporting."*

IFIC is *the* source for authoritative and timely industry statistics. To further enhance this benefit to Members, the Board of Directors authorized the creation of the Statistics Working Group in the spring of 2006 to look at possible ways of expanding the statistical reporting. Currently, the statistics are sent out twice a month. The first time is at the beginning of the month, giving the previous month's preliminary mutual fund sales and asset figures. The second time is in the middle of the month when the final asset and sales figures are reported, as well as specific statistics by asset class, the percentage of market share that asset class holds, purchases, redemptions, reinvested distributions and net new sales. IFIC has also adopted CIFSC's new fund categories with its objective and transparent methodology.

The majority of the statistics represent stand-alone mutual funds held directly by clients and underlying

funds held in fund-of-funds portfolios. Over the years, Members have expanded their product lines to meet the ever-changing needs of investors and requested that asset and sales information be reflective of the current industry. At the same time, Members have asked for more in-depth analysis of the figures to help them determine what kinds of funds investors are purchasing.

Working with IFIC's Public Relations Committee, the Statistics Working Group has looked at ways to add value and best tell the stories of investor trends and behaviours to Members, the media and the general investing public.

As a result, IFIC expects to expand how it presents the statistical results in terms of added products and enhanced analysis in the fall of 2006.

Looking forward, IFIC will continue to tell the success story that is Canada's mutual fund industry.

***...1995: Codes of conduct guidelines for manager and retail distributor Members published...***



## LOOKING FORWARD - EDUCATION

*"IFIC and CIFP continue to position those who work in the investment fund industry for success."*

IFIC and its subsidiary, the Canadian Institute of Financial Planning (CIFP), promote high efficiency standards and enhance knowledge to mutual fund salespersons, life insurance agents and financial planning professionals. Our courses provide industry participants with up-to-the-minute knowledge crucial for meeting the needs of investors and conducting themselves with the highest level of integrity.

In the past year, we are proud to have been able to offer a number of new initiatives.

### **CIFP's CFP™ Examination Preparatory Training Program**

CIFP is now offering a five-day examination preparatory training session in major cities across Canada. These sessions are offered twice a year and an innovative study guide has been developed specifically for this program. These training sessions prepare CIFP students as well as those from other educational institutions to write the six-hour CFP™ certification exam administered by the FPSC.

### **CIFP on the Web Bridge Program™**

CIFP on the Web Bridge Program™ is designed for students who are eligible to write the six-hour CFP™ certification exam. It has been specifically developed for those students who may have completed their studies some time ago but did not successfully complete the CFP™ exam. Students who wish to gain entry to this program must have graduated from another academic institution and be eligible to write the CFP™ exam. The program contains the following four courses: Retirement Planning, Income Tax Planning, Strategic Investment

Planning and Risk Management, and Estate Planning, which are then followed by the Program Review and Evaluation.

### **The Canadian Investment Funds Course (CIFC on the Web™)**

The MFDA, which regulates mutual fund dealers and related proficiency requirements, requested that all providers enhance The Canadian Investment Funds Course (CIFC) to cover the ever-expanding regulatory requirements for advising clients on investment products, and to give mutual fund sales representatives a broader understanding of securities markets and instruments.

We worked closely with the MFDA over the past year and launched this new course on June 5, 2006. The result is an enhanced program with a three-hour exam that consists of 125 multiple choice questions. This course is unique in the industry and students are given information and exercises that are relevant to their work as mutual fund salespersons. By the end of the course students will be well versed in what they require to become mutual fund salespersons.

### **Leveraging Investments**

This course provides advisors with an in-depth understanding of leveraging and its application to ensure appropriate methods are used in the context of investments and personal finance.

### **Strategic Partners: Phoenix University**

CIFP and Phoenix University have an agreement whereby students who have taken all of the CIFP's CFP™ courses can transfer up to 18 credits of their CIFP courses towards their bachelor's degree program at the University of Phoenix, Vancouver campus, or through the university's online program.

### **Strategic Partner: Athabasca University**

The CIFP and Athabasca University, a Canadian distance-education and online university, have an agreement whereby students who have successfully passed all of the CIFP's CFP™ courses are eligible to transfer 12 credits towards a Bachelor of Management degree or a four-year Bachelor of Commerce degree. Students will also receive three additional credits for completing the CIFC and Life License Qualification Program courses.

### **The Chartered Alternative Investment Planner Program (Chaip™) Course**

IFIC and Canadian Hedgewatch have launched a certification program for the hedge funds industry - The Chartered Alternative Investment Planner Program (CHAIP™). Developed by experts such as McMillan Binch Mendelsohn LLP, Miklos Nagy and the leading educational experts at IFIC, this program provides the solution for organizations and their staff who want to provide expert advice to clients in this area of investments.

### **Course offerings from IFIC and CIFP**

- The Certified Financial Planner™ Web-based Program (CIFP on the Web)
- Life License Qualification Program (LLQP on the Web™)
- The Canadian Investment Funds Course (CIFC on the Web™)

- The Canadian Investment Funds Operations Course
- 90-Day Training Program for new Mutual Fund Salespersons
- Labour-Sponsored Investment Funds Course (LSIF)
- Branch Managers' Examination Course
- Officers', Partners' and Directors' Course
- Continuing Education Courses

### **French-Language Course Offerings from IFIC**

The Canadian Investment Funds Course  
The Canadian Investment Funds Operations Course  
Branch Managers' Examination Course

Looking forward, IFIC and CIFP will continue to work with regulators to build the CFP™ and standards, create relevant courses and help ensure an enhanced professionalism of industry advisors.

The CFP™ does not award CFP™ and CERTIFIED FINANCIAL PLANNER designation. The right to use the marks CFP™ and CERTIFIED FINANCIAL PLANNER™ is granted under licence by FPSC to those persons who have met its educational standards, passed the FPSC Certified Financial Planner™ Examination, satisfied a work experience requirement and agreed to abide by the FPSC Code of Ethics.

***...2004: IFIC produces a comprehensive toolbox of measures for IFIC Members to detect and deter short-term abusive trading...***



## LOOKING FORWARD - PUBLIC AWARENESS

*“A key IFIC aim is to strengthen investor confidence in mutual funds as an ideal way to build and protect wealth.”*

IFIC's Board of Directors recognized the need to develop credible, independent, research-based information to track the needs, expectations, behaviours and opinions of Canadian retail investors.

An IFIC working group made up of research professionals from Member firms was created to craft a comprehensive Annual Investor Survey of Canadian investors to provide this essential data. This included everything from helping to select the research firm (POLLARA), viewing focus groups, designing the questionnaire and poring over the results. Regulators, including the OSC and the MFDA, were consulted at an early stage to gain their input and help IFIC in selecting the kinds of investor issues weighing most heavily on the minds of regulators.

The information gleaned from the survey will assist in identifying investor issues and guide our efforts to build general awareness of the benefits of mutual funds.

The results of the survey - which will deal with everything from investor impressions of mutual funds, “must-have” point-of-sale information, staying

informed, fees, suitability and dispute resolution - are being released at the IFIC Annual Conference on September 29, 2006. They will also be available on our website at [www.ific.ca](http://www.ific.ca).

In conjunction with the survey, IFIC conducted a gap analysis of the kinds of investor information that are available to consumers today. The analysis, conducted over the summer, indicated that IFIC's investor information website exceeds the content of almost all other Canadian industry participant sites. However, the report made a number of recommendations on additional tools and materials that would be useful to consumers and make the website more user friendly. Watch for these enhancements in the near future.

Investor education is also an important plank of many of our Members' marketing strategies, adhering to the belief that educated investors make informed investment decisions.

To showcase our Members' commitment to educational initiatives, IFIC has joined with the Canadian Investment Awards (CIA) to sponsor an award for a mutual fund manager, dealer or integrated firm that achieves excellence in creating an investor education initiative.

The first IFIC Investor Education Award is scheduled to be presented on November 30, 2006, at the Canadian Investment Awards and Gala, the premier event for recognizing leading investment products and firms in Canada.

The educational initiative can be a full campaign or an individual part of a campaign. The award will be judged by a five-person panel, including noted consumer advocate Glorianne Stromberg and Gary Rabbior, President, Canadian Foundation for Economic Education. There will be one award winner and two runners up.

Investors will be asked to participate directly in the award process via a survey that will be available on the CIA website. It will ask investors to list their top three questions about investing as a method of helping the industry better determine the needs of investors. For more information about the award, please visit the CIA website at [www.investmentawards.com](http://www.investmentawards.com).

Looking back, IFIC has taken a number of steps to promote a positive understanding of the mutual fund industry and the role investment funds play in building individual personal wealth.

Looking forward, IFIC aims to promote higher consumer awareness and confidence in investing and will continue to enhance the image of the mutual fund industry in the eyes of investors, regulators and the general public.

IFIC's Public Relations Committee has also enhanced and updated the key benefits investors can derive from mutual funds. Please feel free to use this important tool in your own marketing materials.

#### The unique qualities of mutual funds

The mutual fund industry offers Canadians a superior means of accumulating wealth through access to a broad range of personalized investment solutions based on sound investing principles.

Mutual funds combine:

- **Professional portfolio management** and the skills and resources applied by institutional money managers
- **More efficient and convenient administration** than investors would achieve independently
- **Risk management** through diversification
- **Innovative solutions** that meet a wide range of investment objectives and evolving investor needs
- **Foreign and domestic investment opportunities** that may not otherwise be directly accessible to investors
- **Liquidity** that enables investors to respond to changes in their personal circumstances or market conditions
- **Accessibility** for all types of investors, including those who prefer to invest small amounts at regular intervals
- **Accountability to investors** through industry regulation and transparency

***...2005: IFIC develops best practices to assist mutual fund managers in the valuation of mutual fund portfolio securities and other pricing guidelines...***

## 2005/2006 IFIC BOARD OF DIRECTORS



### Seated left to right:

Bill Henderson - AIM Trimark Investments  
Oliver Murray - Brandes Investment Partners & Co.  
Joanne De Laurentiis - President & CEO, The Investment Funds Institute of Canada  
Brenda Vince - RBC Asset Management Inc. (Chair)  
Joseph Canavan - Assante Corp.  
George Aguiar - GP Capital Corporation

### Standing left to right:

Michael Mezei - ATB Securities Inc.  
John Adams - PFSL Investments Canada Ltd.  
Ginny Macdonald - CIBC Asset Management  
Judy Goldring - AGF Management Ltd.  
Scott Sinclair - AEGON Dealer Services Canada Inc.  
Charles Guay - National Bank Securities Inc.

### Absent:

Glenn Butt - FundTrade Financial Corp.  
A. Guy Belanger - MD Management Ltd. (resigned effective April 2006)  
Karen Fisher - Scotia Securities Inc.  
Robert Frances - Peak Financial Group  
Pierre Hamel - Optimum Investments Inc.  
Timothy Pinnington - TD Mutual Funds  
Donald F. Reed - Franklin Templeton Investments Corp.  
Robert Strickland - Fidelity Investments Canada Ltd.  
Murray Taylor - Investors Group Inc.  
Brian Walsh - Phillips, Hager & North Investment Management Ltd.  
Sandy Wilson - CMA Holdings Inc.

## 2005/2006 QIFC BOARD OF GOVERNORS



### Seated left to right:

Jovette Trépanier - Everest Financial Investment Centre Inc.

Pierre Hamel - Optimum Investments Inc. and Chair, QIFC

Thomas A. Hockin - Former President & CEO, The Investment Funds Institute of Canada

### Standing left to right:

Robert Frances - Peak Financial Group

Alain Brunet - Standard Life Mutual Funds

Stéphane Langlois - LBC Financial Services Inc.

Éric Lapierre - Investors Group, Vice-Chair, QIFC

Marc Dubuc - Fédération des caisses Desjardins du Québec and Chair, Communications Committee

### Absent from the picture:

Tracy Chénier - CIBC Asset Management

Martin Lavigne - National Bank Securities Inc.

Denis Savard - Mica Capital Inc.

Daniel Marceau - Investia Financial Services Inc.



## INDUSTRY LEADERS: IFIC COMMITTEES

### Conference Committee

Theo Heldman - AIM Trimark Investments (Chair)  
Anne Wildfong - Altamira Investment Services Inc.  
Adam Segal - Borden Ladner Gervais LLP  
Nick Petrucci - Citigroup Global Transaction Services  
Ian Moorhouse - Independent Accountants' Investment Group  
Carolyn Horan - Informco Inc.  
Pat Dunwoody - International Financial Data Services Limited  
Anthony Koves - Investment Planning Counsel  
Melissa Kelman - Jones Heward Investment Counsel Inc.  
Jackie Bizjak - Manulife Financial  
Valerie Finucci - RBC Dexia Investor Services  
Lesley Pascoe - TD Mutual Fund Services

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Ron Biswas - AEGON Fund Management Inc.  
Neil MacDonald - AGF Management Ltd.  
Julie Yoshikuni - AIM Trimark Investments  
Daniel Solomon - BMO Mutual Funds (Effective Mar 06)  
Paul Brick - Fidelity Investments Canada Ltd.  
John Kaszel - Guardian Group of Funds  
Jason Thompson - Mackenzie Financial  
Kevin Headland - Manulife Investments  
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Scott Sullivan - TD Asset Management  
Scott Steele - BMO Mutual Funds (Retired Feb 06)

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Christopher Marrese - Clarica Investco Inc.  
Murray Morton - Dundee Private Investors Inc.  
Garth Foster - Fasken Martineau Dumoulin LLP  
Cheryl Hamilton - Hub Capital Inc.  
John Novachis - Investment Planning Counsel  
Kevin Regan - Investors Group Inc.  
Michael Holder - Jovian Capital Corporation (Effective Apr 06)  
Robert Malcolm - Legacy Associates Inc.  
Jane Birnie - Manulife Securities  
Rosa Schulz - MD Management Limited  
John Kennedy - National Bank Securities Inc.  
Susan Monk - Peak Investments Services Inc.  
Hande Bilhan - PFSL Investments Canada Ltd.  
Mark Pratt - Royal Mutual Funds Inc. (Effective Feb 06)  
Alan Harbinson - Scotia Securities Inc.  
Tony Tiberi - iForum Financial Services Inc. (Retired Dec 05)  
Bryan Moffitt - Royal Mutual Funds Inc. (Retired Feb 06)  
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Frédéric Belleau - Standard Life Mutual Funds  
Sophie De Koninck - Standard Life Mutual Funds

## IFIC OVER THE YEARS....

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| <p>1962: The Canadian Mutual Funds Association (CMFA) publishes a Code of Ethics and Regulation for its members.</p> <p>1967: The Canadian Investment Funds Course is the CMFA's first foray into education.</p> <p>1968: Mutual fund assets total \$2.8 billion and shareholder accounts top 700,000 in 41 funds.</p> <p>1973: CMFA formally incorporates with a mandate to engage in and support activities conducive to high ethical standards and efficiency of administration.</p> <p>1976: CMFA changes name to The Investment Funds Institute of Canada (IFIC).</p> <p>1983: Mutual fund assets reach \$5.8 billion and the number of funds surpasses 100.</p> <p>1986: The number of shareholder accounts exceeds one million for the first time.</p> <p>1988: <i>Clarkson Gordon Report</i> recommends, among other things, that IFIC have as its primary role a focus on the client and the open-end conventional mutual fund.</p> <p>1991: IFIC's <i>Code of Conduct - Sales Incentives</i> published.</p> | <p>1994: Mutual fund shareholder accounts exceed 13 million in 813 funds.</p> <p>1996: <i>Recommendations for a Code of Sales Practices for the Mutual Fund Industry</i> published. It is adopted two years later by securities regulators and incorporated by securities regulators into an enforceable rule (National Instrument 81-105).</p> <p>1998: <i>IFIC Model Code of Ethics for Personal Investing</i> published.</p> <p>1998: IFIC and IDA instrumental in creating the MFDA.</p> <p>1998: Mutual fund total assets exceed \$300 billion, two years ahead of earlier analysts' predictions.</p> <p>1999: A new strategic plan for the Institute is approved by the IFIC Board. Strategic recommendations are made in the key areas of representation, industry education, public mandate, national effectiveness, competitiveness/value to Members, and advocacy.</p> <p>2000: IFIC successfully petitioned the U.S. Securities and Exchange Commission to enact registration relief for mutual fund companies to allow Canadians in the U.S. to manage their Canadian retirement accounts.</p> |
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## IFIC OVER THE YEARS....

- 2000: IFIC publishes a Privacy Code, which addresses the way IFIC members should collect, use, disclose and protect client's personal information.
- 2002: IFIC develops a guide to assist Members in complying with their obligations regarding Canada's *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and regulations.
- 2004: IFIC produces a comprehensive toolbox of measures for IFIC Members to detect and deter short-term abusive trading, which has since become part of the OSC's latest recommendations on the subject.
- 2004: IFIC strongly supports the development of the National Registration Database.
- 2005: IFIC develops best practices to assist mutual fund managers in the valuation of mutual fund portfolio securities and other pricing guidelines.
- 2005: IFIC finalizes recommendations for standardized measurement and classification of fund volatility risk.
- 2005: Mutual fund assets exceed the half-trillion dollar mark.
- 2005: Foreign content limits on tax-deferred savings plans are removed and RSP contributions are raised. This represents a significant success for IFIC after many years of lobbying for the removal of the limits.
- 2005: IFIC releases *Portfolio Pricing Guidelines*, which serve as a detailed "how-to" guide for fund managers in creating their own internal pricing policies.

THE INVESTMENT FUNDS INSTITUTE OF CANADA

