

2011

ANNUAL REPORT





Over 500 Member volunteers give
2000 hours of professional time to IFIC

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IFIC – THE VOICE
OF THE INDUSTRY

IFIC – Member Driven; Member Led
Leaders' Message
The Investment Funds Industry in Canada

IFIC – MEMBER-DRIVEN; MEMBER-LED

In an increasingly complex public policy environment, the need for a strong, unified, publicly-respected body to represent the common interests of the mutual fund industry and its investors is greater than ever. IFIC is that forum.

We are a trusted source of information to elected and non-elected public officials, regulators and policy makers on issues that matter to our industry. IFIC's expertise and participation is regularly sought by regulators, governments and other policy bodies.

Our issue reports are respected as fact-based, well researched and topical.

On behalf of our Members, we continually monitor Canada's public policy environment and proactively raise the real business impacts and implications of proposed policy changes before they are implemented.

To our Members, we are a reliable timely source of news and information on changes that can affect the bottom line. IFIC is the forum where industry thought leaders come together to address today's challenges and tomorrow's opportunities.

We act as a catalyst for cross association cooperation, proactively seeking common ground and opportunities to create alliances with other industry and sector stakeholders to help advance our goals.

IFIC is Member-driven; and our policy positions are Member-defined. One of the characteristics distinguishing our association is our high degree of Member participation. At any given time, over two dozen IFIC committees, comprised of Member experts, are in the process of considering issues, requests for submissions, and drafting our industry's responses. IFIC is the industry's association.

LEADERS' MESSAGE

CHARLIE SIMS

Chair
IFIC Board of Directors

STÉPHANE LANGLOIS

Chair
CFIQ Board of Governors

JOANNE DE LAURENTIIS

(President & CEO)
The Investment Funds Institute of Canada

As Canada's oldest investment funds association concludes its first half-century of service to Members, we can look back on a remarkable story of expansion and success, both for our association and for an industry that has grown from \$25 billion in 1981 to close to \$800 billion today – along the way becoming a cornerstone of Canadians' retirement savings.

Like most 50 year old entities, IFIC has changed considerably over the decades – and not in name alone. IFIC now speaks for roughly 150 fund managers, dealers, and affiliate Member firms. More than two dozen IFIC staff and scores of Member volunteers work tirelessly on behalf of all of us to research, develop, and promote industry positions that balance the interests of the investment funds industry with those of our investors. We are unswerving in our belief that the interests of the two are co-dependent.

Early in 2011, as we prepared to enter our next five decades, your Board surveyed the current regulatory and policy environment, identifying a number of key priorities for the years that lie ahead. We determined that IFIC's continued leadership as a source of credible, verifiable research on issues impacting the industry would be crucial to our future success, establishing an Ad Hoc Strategic Research Committee to help frame that work.

Many of the issues we face as an industry are highly complex, requiring considerable resources and an in-depth understanding of investment fund operations in order to fully grasp them – a role that IFIC is uniquely positioned to play. They are also long-term issues, requiring long-term game plans. As you will

read in the pages of this report, in the past year, IFIC has made important contributions to increased policy and regulatory understanding on a number of fronts, including: the value of advice, management expense ratios, active and passive investment strategies, the need for modernization of Canada's GST/HST rules as they apply to financial services, options for expanding Canadians' retirement savings, the introduction of Fund Facts, and more.

Also in this report, you'll read highlights of our most recent Pollara Investor Survey confirming, once again, the confidence investors have in mutual funds to meet their financial goals – confidence amply demonstrated by our industry's phenomenal growth. Indeed, investor confidence is our single biggest asset as an industry, a trust we believe is a direct result of the transparency and integrity with which our industry conducts itself and the enduring value that advice-based distribution delivers. You'll also learn about our association's latest contributions to supporting Member efforts to enhance Canadians' financial literacy.

The work of the association and the advancement of the interests of the industry can only be accomplished with the full support of the investment funds industry – as a voluntary Member organization, IFIC is privileged to have broad support from the industry. We would like to thank all Member firms, the many individuals who support and guide the work of IFIC, and the staff, who are the driving force behind our achievements, for their commitment, professionalism and integrity.



“ Investor confidence is our single biggest asset as an industry, a trust we believe is a direct result of the transparency and integrity with which our industry conducts itself and the enduring value that advice-based distribution delivers.”

THE INVESTMENT FUNDS INDUSTRY IN CANADA

For almost eighty years, Canada's investment funds industry has been making it possible for individual investors to grow their savings and achieve their financial and life goals.

First introduced into Canada in 1932, mutual funds grew slowly but steadily until the early 1960s when assets under management (AUM) suddenly doubled from \$540 million to over \$1 billion in just three years. This growth spurt also spawned the Canadian Mutual Funds Association, now called The Investment Funds Institute of Canada, in 1962. Over the intervening 50 years, Canada's population has almost doubled, while retail mutual fund assets increased roughly 800% so that, today, total industry assets hover around the \$800 billion mark.

Through those years, mutual funds products and distribution channels have evolved to meet the changing needs of Canadian investors. For first time savers and savvy investors, for those who value advice and do-it-yourselfers, for those saving for retirement and those saving for a rainy day, the industry offers a wider range of choices than ever before – and does it with the most transparency and disclosure of any financial product on the market in Canada today.

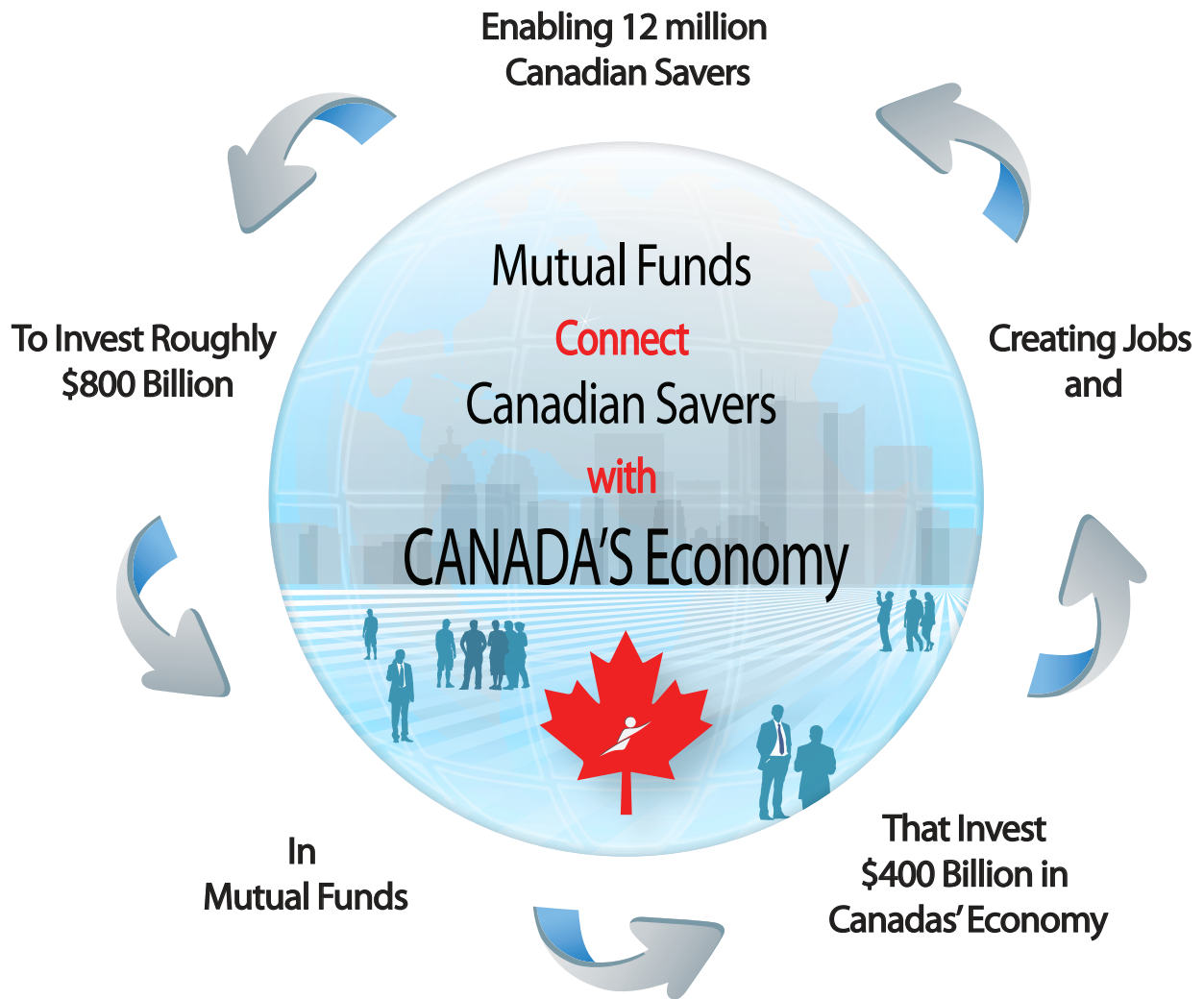
One of the great untold stories of our industry – and one that IFIC is sharing with stakeholders across the country – is our significant contribution, and that of our savers, to Canada's economy.

Of the fund industry's total AUM today, half – \$400 billion – is invested in domestic funds which, in turn, provide capital to Canada's thriving manufacturing, resource, and service sectors. This is an important advantage for our nation's business sector.

As Professor Jack M. Mintz of the University of Calgary's School of Public Policy has pointed out, aging populations will stop saving and start withdrawing. The result will be shrinking pools of capital worldwide and increased global competition for those dollars. In an era of growing global competition for capital, secure sources of domestic capital will be critical for our country's prosperity. Canada's mutual fund industry provides just such capital.

Beyond funding for Canadian business, the industry directly employs over a quarter of a million people in communities large and small. Mutual fund advisors can be found in cities, towns, and rural communities across the nation while industry head offices contribute to Canada's growing reputation as home to some of the world's leading financial services centres, helping to attract foreign enterprises while building Canada's reputation abroad through the export of financial know-how and expertise.

The mutual fund industry is integral to Canada's great story of growth over the past century. It's a story we can all be proud to tell, and tell again.



* Figures in chart are rounded and based on July 2011 industry data.

DELIVERING ON OUR PRIORITIES

Your IFIC Board Priorities 2011
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YOUR IFIC BOARD PRIORITIES 2011

PRIORITY

OUTCOMES

Proactive Government Relations

- Better understanding of the industry driving sound policy and regulatory decisions
- Recognition of the contributions the industry makes to wealth building, Canada's capital markets, and the community

National Regulatory Structure

- Leadership and staff who understand and value the industry
- Entrenched mechanisms for dialogue and consultation
- Seamless national interface

Relationships with Other Industry Associations

- Industry communities of interest consistently promote attributes and share resources
- Visible independent credible 3rd party affirmation of industry research and positions

Authoritative Source of Information

- Topical data and analysis that help drive outcomes on key industry issues, coordinated through a senior Board committee
- Acceptance and citation of IFIC research data and analysis
- Qualitative improvement in tone of coverage of industry issues

Public Voice

- IFIC referenced as the authoritative voice of the industry
- Clear fact-based representation of issues impacting the industry

RESEARCH, POLICY REPRESENTATION



IFIC's reputation as a highly credible voice of the investment funds industry was earned through our adherence to three principles - rigorous research, balanced, thoughtful policy development, and respectful representation. We understand very well that our reputation is one of IFIC's greatest assets.

In any given year, IFIC is asked to represent the industry's views on dozens of proposed policy and regulatory initiatives. Some, such as GST tax reform, are key policy questions that have the potential to effect significant change within the industry, whether impacting Member relationships with their clients or going straight to Members' bottom lines. Others are regulatory, with the potential to change the kinds of products Members can sell and how they are allowed to sell them. On behalf of our Members, we monitor the public policy agenda and public environment, bringing emerging issues to Members' attention, facilitating and formulating responses on their behalf.

Our approach is always to create a constructive dialogue with regulators and governments based on facts, and on our unparalleled understanding of both the business of the industry and the priorities of investors.

IFIC researches thoroughly. Public policymakers do not always have the resources or expertise required

to undertake in-depth analysis of factors specific to the investment funds industry. We ensure that any response we provide includes verifiable data to support our submissions - commissioning original research when needed such as the Pollara Investor Survey, now in its sixth year. The high priority your Board places on sound research was reflected in this year's priorities, including the establishment of a senior Board committee to coordinate IFIC's research efforts.

Our policy positions are carefully considered. The high level of Member involvement in IFIC committees ensures that policy positions are thoroughly and thoughtfully debated and examined for their impact on both the business of the industry and the interests of investors, before being finalized.

Once developed, IFIC frames its presentations and submissions clearly, articulating the needs of the industry while recognizing the goals of the public policy agenda.

To view copies of IFIC's submissions and detailed research reports, please visit our Member website: www.ific.ca.



IFIC's principle-based advocacy:

“rigorous research, balanced thoughtful policy development, respectful representation”

2010/2011 Annual Report

DELIVERING STRATEGIC RESEARCH

“One of the five pillars of this year’s Board priorities included the establishment of a senior Board level committee to coordinate supporting research on issues of key concern to the industry. Senior business leaders who participated in the 2010-2011 Ad Hoc Strategic Research Committee were Jordy Chilcott (Dynamic Funds Ltd.), Chris Donnelly (Manulife Financial), Chris Enright (Industrial Alliance Insurance and Financial Services Inc.), Blake Goldring (AGF Investments Inc.), and Charles Guay (National Bank of Canada). We asked Committee Chair Murray Taylor (Investors Group Inc.) about the Committee’s first year.”

1. Why did the Board include the creation of this particular committee in its priorities for 2010/2011?

“Over the years, IFIC has built a sound research basis for opinions expressed and information provided to the marketplace and our Members. In 2006, IFIC launched an annual survey of investors conducted by the professional research firm Pollara Inc., providing one of the only fact-based independent sources of information focused solely on those Canadians who buy and use mutual funds. Then, as the retirement policy debate grew over the last few years, it became important that our industry be a credible part of this dialogue. Additional research was sponsored on the use and importance of financial advisors, as this aspect of the industry’s value proposition was being either ignored or misrepresented. Both of these research initiatives are yielding important benefits. As we looked at the 2010/2011 planning year, the Board determined that a senior committee focused on strategic research needs and how best to communicate results would further enhance IFIC’s ability to act as an informed and authoritative source of

information to regulators, policy makers, and the marketplace.”

2. Your mandate to demonstrate the legitimacy of mutual funds as the primary vehicle for long term savings is a broad one. How has the committee set its priorities?

“We set our priorities based on those emerging issues where we believe IFIC can contribute positively to a more complete understanding and consequent policy formulation. Our 2010/2011 focus has been on developing a clear explanation of fund fees (MER study); advocating for the value of advice (further efforts to enhance the body of research for further editions of our report); and on active and passive investment management to clarify misperceptions about these strategies.”

3. What steps are the committee taking to inform and reframe the public dialogue on the value of advice?

“It is clear to us that we can never stop reinforcing the value of advice, and so we have taken a three pronged approach: a) keep fundamental research moving along in conjunction with Ipsos Reid, our own annual Pollara study, and other studies that are emerging, both locally and internationally; b) communicate all of these findings on the value of advice to other industry groups, regulators, and politicians in our normal course of events; and c) monitor all reports and studies that bear any relation to the role or price of an advisor, and intervene to address any errors in their comments.”

4. Is the committee seeing any trends in the public policy challenges faced by the industry?

There is a growing awareness and a degree of surprise being expressed by many industry watchers as to the long-term benefits of advice and access to advice which the mutual fund product provides.

5. Is the committee tracking global regulatory issues and do you see any that are likely to become active in Canada?

Yes, and many of our current research activities address some of these issues, such as incorrect comparisons often drawn between MERs in Canada

6. What do you consider to be the committee's single greatest accomplishment of the past year?

The publication of a series of reports that are very useful to our Members and which have been well received by regulators and policy makers for their relevant, credible contributions to on-going public policy development.

“It is clear to us that we can never stop reinforcing the value of advice”

ADVICE – AN ENDURING VALUE

The value of advice is a theme that underpins many of our submissions, reports, and policy presentations. Whether making the case for a flexible Pooled Public Pension Plan, explaining Canadian fund fees, demonstrating our industry's contributions to financial literacy or higher retirement savings, or point of sale discussions, the high value of the advice component of funds is often at the forefront. Along with the ability to pool capital efficiently, it is one of the key distinguishing features of a large portion of mutual fund investment products – and a key reason why many investors choose mutual funds.

2011 Pollara Report finds long term value

Using data from a variety of sources, including Ipsos Reid's Canadian Financial Monitor and Pollara Strategic Research's Canadian Investors' Perceptions of Mutual Funds and the Mutual Fund Industry's 2010 Value of Advice Report, clearly demonstrated a correlation between advised households and levels of wealth. Advised households had substantially higher investable assets in 2009 than non-advised households and were significantly more likely to participate in tax-advantaged vehicles such as RRSPs, TFSAs, RESPs.

What wasn't so clear was whether the higher level of wealth reflected in the research was a benefit of advice, or whether advised households were wealthier when they started working with an advisor. So, in our 2011 Pollara survey, we sought to better understand the first time investor. What Pollara found supported the argument that it is the seeking of advice that leads to higher levels of wealth:

- Well over half – 57% - of respondents had less than \$25,000 when they first started working with an advisor. Even more impressive was that fully 1/3 started with less than \$10,000;

- Three quarters – 74% - had little or no investing experience when they first used an advisor; and
- Respondents cited two reasons as having been equally important in their decision to seek advice – a desire to invest for retirement, and a desire to achieve better results than they felt they could achieve on their own.

Additional benefits emerged:

- It became clear that advice is neither episodic nor short term:
 - Roughly two-thirds of mutual fund investors had received other types of investment advice from their advisors, e.g. retirement planning, budgeting,
 - On average, mutual fund investors work with advisors for 18 years
- Advisors remain the most popular channel through which investors want to receive information about mutual funds; and
- Mutual fund investors like the fact that advice is included in the product pricing (59%);

As we note later in this document, the federal Task Force on Financial Literacy recognized the value of advice in its report, *Canadians and Their Money: Building a brighter financial future*, recommending that the Government actively play a role in informing Canadians of the benefits of professional financial advice.

IFIC staff is currently preparing the 2011 edition of the Value of Advice Report. In addition to the Pollara research, the 2011 report will draw on Ipsos Reid's Canadian Financial Monitor and Canadians and Financial Advice, as well other publicly available third party research. It will be published in November 2011.

2011 Pollara Survey

2011 is the sixth year of Pollara's Canadian Investors' Perceptions of Mutual Funds and the Mutual Fund Industry report. The consistency of the series' results, over time, speaks to the reports' reliability. Here are some other highlights of Pollara's 2011 survey:

- For the first time since 2008, mutual fund investors have more confidence in mutual funds than in any other type of investment tested, including primary residences;
- Investors' confidence in their knowledge about mutual funds is increasing steadily;
- Investors express high levels of satisfaction with their advisors' advice;
- Almost all investors are comfortable that they had the right information to make an informed decision the last time they purchased a mutual fund;
- Investors feel in control of their decision making when it comes to mutual funds – 91% state that they either make the decisions alone or with their advisor;
- The full 2011 Pollara Report is available from IFIC's website, www.ific.ca.

“Canadian mutual fund investors have more confidence in mutual funds to help them meet their financial goals than in any other type of investment tested – including their primary residence.”

Source: Pollara Strategic Research Inc.
Canadian Investors' Perceptions of Mutual Funds and the Mutual Fund Industry, 2011

2010 - 2011 IFIC ISSUES SPOTLIGHT

Throughout the course of any year, IFIC committees and staff take on a wide range of issues touching on every aspect of our Members' businesses and the investor experience. Readers will find complete lists under the Reports and Submissions Section of this Report. Detailed reports and position papers can be found on the Member side of our website at www.ific.ca.

Two issues that received considerable attention in 2010/2011 were the pursuit of a federal government review of GST/HST that would redress current inequities in the application of Canada's value-added tax regime as it applies to mutual fund products, and federal/provincial proposals for a new retirement savings program for Canadians. For Members' interest, we provide synopses of the issues and IFIC's activities on these two files below.

GST/HST Reform

Since its inception in 1991, the GST has applied four to five times more heavily to the value of services provided to mutual and other funds than to the equivalent value of services provided to non-fund investment products. Indeed, the current tax application of the Goods and Services Tax (GST) on the services provided by mutual fund providers does not meet the standards set out by the (then) federal government when it set out its framework for sales tax reform in the late 1980s.

Introduction of the Harmonized Sales Tax (HST) has compounded matters by creating inherently false economic choices and distortions in the tax system along with a host of administrative inefficiencies.

The demographic, economic and financial landscape has changed significantly since the GST was introduced, and it is clearly time to consider how to modernize federal value-added sales tax policy for investment funds so that it:

- Is fair to investors
- Encourages savings
- Promotes economic growth, and
- Functions simply and effectively within the federal and provincial sales tax and securities legislation/regulation framework

IFIC Board and senior staff have worked throughout the year to inform federal and provincial policy makers of the inequities inherent in the current tax regime and of the negative consequences it has on Canadians' savings, especially retirement savings. We are actively presenting the industry's case that it is time for an in-depth review and reform of Canada's GST/HST regime. Increasingly, third parties, including respected think tanks, are joining in the call for reform. We recognize that this is a long term issue – governments do not undertake tax reviews lightly; however, we believe that the merits of our industry's position are being recognized and that a review is achievable.

Retirement Savings and Pooled Registered Public Pensions (PRPPs)

Canada's federal, provincial and territorial Ministers of Finance met on December 20, 2010 in Kananaskis, Alberta to discuss policy options for reforming Canada's retirement income system. At the meeting,

Ministers agreed to work on a framework for the introduction of a Pooled Registered Pension Plan (PRPP), and to defer discussion on expansion of the Canada Pension Plan.

IFIC agrees that the government's objective of providing an accessible, straight-forward, low-cost retirement option that employers can offer is a worthy one. Board and staff took part in federal provincial consultations throughout the winter and spring of 2011 on the potential design of a PRPP program and, more recently, provided detailed comment to the federal government on a draft framework. Supported by IFIC research demonstrating the 'value of advice' proposition, we have highlighted the importance of designing a program that allows for access to advice in all of our discussions with government.

Our submission, which asserted that improvements to some fundamental points in the draft Framework would help the government accomplish its goals, focused on three aspects.

First, in order to create a program that is easily understood by employers and employees, we recommended that the government follow the patterns and rules of RRSPs in general, with some minor adaptation of pension rules such as locked-in provisions and employer contributions.

Second, the framework appears to reflect an assumption that passive investment options for PRPP investors are a good marriage that will produce sufficient retirement savings at a low cost. We believe that this approach will lead to far too limited

choices and reduce interest in suppliers providing PRPPs into the marketplace. We shared with the government the findings of IFIC's 2011 report, *Active and Passive Investing*, which argues that active and passive strategies are complementary, not competing strategies, and that decisions as to which to use should be left in the hands of professional administrators and portfolio managers.

Third, rather than broadening choice, there appears to be an effort to restrict choice of vehicles in which to build retirement savings. Those investors who may need more active investment strategies the most because they currently don't have a sufficient base of savings should be given a choice of vehicles for saving for retirement. This can be accomplished if the Framework confirms GRRSPs as qualifying alternatives to PRPPs, as they could provide greater options for actively managed investment strategies.

We will continue to monitor this file closely and intervene whenever possible.

For further information on any IFIC policy issues, please contact IFIC Directors of Policy, Jon Cockerline (Dealer Issues) at jcockerline@ific.ca or Ralf Hensel (Fund Manager Issues) at rhensel@ific.ca.

IFIC ADVOCACY SCORECARD

The advocacy and representation scorecard demonstrates IFIC's initiatives on behalf of its Members and Canadian investors. Copies of submissions represented on the scorecard are available at www.ific.ca

GST POLICY REVIEW

IFIC's objective in seeking a GST Policy Review is to level the playing field for mutual funds relative to other fund products. The Ad Hoc GST Committee is recommending policy initiatives that IFIC can bring before the federal government with regard to a GST review. The Inter-Association Committee has met to review their potential positions on topics that are supported by the industry. Currently, IFIC also is developing a draft of a parallel study supporting fund industry issues.

HST HARMONIZATION – ONTARIO, BRITISH COLUMBIA, AND QUEBEC

IFIC's objective with respect to HST Harmonization is to minimize negative implementation and cost impacts on investors and industry resulting from provincial adoption of the HST. The HST Implementation Task Force has provided feedback to Canada Revenue Agency (CRA) through meetings and received some indications of their willingness to consider industry concerns. IFIC will monitor the planned GST/PST split that the B.C. government intends to implement by March 13, 2013, as well as the recently-completed Quebec Harmonization Agreement.

FEDERAL/PROVINCIAL RETIREMENT SAVINGS INITIATIVES

The objective with respect to Retirement Savings is to direct the discussion surrounding government delivered pensions, and to highlight private sector options as desirable and important components of individual retirement savings planning. IFIC has submitted comments

to both the federal government's Pooled Retirement Pension Plan (PRPP) Framework and Tax Rules, arguing in favor of flexibility in terms of PRPP eligible plans, plan portfolio management strategies, and portability between RRSPs and PRPPs. Currently, legislation to introduce PRPPs has only been announced in Quebec. Consultations by Minister of State (Finance) Ted Menzies with industry stakeholder groups, including IFIC, are underway.

POINT OF SALE DISCLOSURE

Point of Sale I was implemented in July, 2011 and the CSA has released proposed POS Stage II for comment by November, 2011. IFIC will monitor distribution and usage of Fund Facts by investors to demonstrate that a mandated pre-delivery of the document for only the fund product is not necessary. Further, IFIC is encouraging the efforts by the CSA to extend similar disclosure requirements to other products investors buy, to ensure a level playing field exists for funds, and investors.

NATIONAL SECURITIES REGULATOR

IFIC has not taken a position, either in favour of or in opposition to, the proposed National Securities Regulator. However, IFIC staff and Board Members have actively engaged in regular discussions with the Canadian Securities Transition Office (CSTO) regarding the importance of insuring strong fund industry expertise in any new regulatory body, as well as the need for a built-in industry consultation and fair fee assessments. A written submission was provided to Finance Canada on July 21, 2011.

FEDERAL TASK FORCE ON FINANCIAL LITERACY

IFIC's objective with respect to the Federal Task Force on Financial Literacy was to achieve recognition of the role financial advisors' play in developing financial literacy among their clients, and of the industry's ongoing contributions to financial literacy. The task force released

its recommendations on February, 2011, which included a recommendation that government actively promote the benefits of working with a professional financial advisor. Subsequently, IFIC sent a letter to federal Finance Minister Jim Flaherty, committing the industry's support for a national strategy and offering to serve on any national committee.

REGISTRATION RULE (NI 31-103) IMPLEMENTATION

IFIC's objective regarding Registration Rule NI 31-103 implementation is to push for a correction of errors and addressing of concerns with regard to industry-identified issues. NI 31-103 has become the overriding market conduct rule for the industry. The Canadian Securities Administrators (CSA) extended the exemption from the requirement for Investment Fund Managers (IFM) to register in a local jurisdiction by one year to September 28, 2012. Work on itemizing IFM activities that would trigger registration in local jurisdictions is continuing.

MFDA CLIENT RELATIONSHIP MODEL (CRM)

IFIC's objective with respect to the Client Relationship Model is to influence the adoption of less prescriptive suitability requirements for Policy #2. The MFDA CRM Rule was approved for implementation in June, 2012. Phase II of CRM performance reporting and cost disclosure was released for comment by CSA in July. The Dealer Issues Task Force is commenting on CSA rule and coordination issues between the MFDA and CSA; meetings with the regulators are on-going.

IIROC CLIENT RELATIONSHIP MODEL (CRM)

IFIC's objective with respect to the IIROC Client Relationship Model has been to generate industry requested changes to IIROC's proposed CRM model. However, recent developments at the CSA with respect to NI 31-103 indicate that, in all likelihood, the IIROC initiative will be

superseded by CSA-initiated changes. IFIC will pursue industry desired changes at the CSA level.

DO NOT EMAIL (BILL C-28)

The objective of IFIC's Do Not Email initiative is to mitigate aspects of the Bill, which unintentionally limit legitimate use of e-mail in business practice. Draft Regulations have been developed and circulated for comment by the CRTC and Industry Canada; IFIC has submitted suggestions for achieving the government's objectives without impeding legitimate responsible commercial use of email as a communications vehicle.

U.S. FOREIGN ACCOUNT TRANSACTION COMPLIANCE ACT, 2009 (FATCA)

IFIC's objective with respect to FATCA is to minimize implementation and operational impact on our Members. The U.S. Treasury has accepted IFIC's FATCA Committee's proposal regarding the \$50,000 Exemption Rule, and dialogue continues with U.S. Treasury officials concerning other industry concerns. Minister Flaherty has actively championed Canadian financial institutions and IFIC continues to keep the Finance Canada apprised of potential impacts and industry initiatives, especially regarding registered accounts.

RISK MANAGEMENT IN FUND PRODUCT DEVELOPMENT

IFIC's objective for the Risk Management in Fund Product Development initiative has been to ensure that regulators are comfortable with industry management and consideration of risk in product development. The Joint Forum has conducted preliminary consultations with the financial services industry, including IFIC, to understand how risk is assessed, managed and communicated in product development. It will follow up with a questionnaire to industry to gather further information. The first meeting of the OSC Investment Funds Product Advisory Committee is

planned for fall of 2011. IFIC will monitor the results.

MARKET VOLATILITY AND EFFECT ON REGULATION

IFIC's objective for the Market Volatility and Effect on Regulation initiative has been to ensure that any new regulations are manageable, and to reduce risk of future market problems. The CSA is proceeding with the Original Money Market Rule changes proposed in NI 81-102. The final rule is expected to be released late 2011.

FUND INVESTMENT RULES MODERNIZATION REFORM (NI 81-102)

IFIC's objective for the Rules Modernization Reform initiative is to achieve updated investment rules that will include amendments that allow the industry to better serve investors' interests. Draft amendments were released in 2010, with plans for the final amendments to be released by the end of 2011. IFIC responded seeking Enhanced Fund Modernization Amendments, while supporting exemptive relief codification. In late May, CSA released Stage 1 of Phase 2 proposals and the rule is expected to be published for comment in early 2012.

COMINGLING AND PAYMENT OF INTEREST

The objective of IFIC's Comingling and Payment of Interest initiative is to ensure that the mutual fund industry receives the same relief as IROC dealers under NI 81-102. The desired amendment is included with proposed amendments to NI 81-102 released by the CSA in June 2010; IFIC is awaiting the final rule.

IFRS PROPOSAL TO INTERNATIONAL ACCOUNTING STANDARDS BOARD

IFIC's objective regarding the International Accounting Standards Board (IASB) is to obtain agreement to changes in or exemptions from standards that address industry

concerns. On January 12, 2011, the IASB extended the deferral of the Mandatory IFRS Changeover Date by one year, due to a delay in the IASB's company project. On August 25, 2011 the IASB published an exposure draft on consolidation; this is being reviewed by IFIC's Accounting Advisory Working Group.

MFDA RULE 2.4.1 INCORPORATED SALESPERSONS

The objective of the Incorporated Salespersons initiative is to obtain an industry-accepted solution regarding the incorporation of salespersons (i.e. the MFDA rule change). The MFDA revised Rule 2.4.1, accommodating the desired industry position in December 2010. The proposal now requires provincial consent. IFIC sent submissions to provincial consultations on February 25, 2011, and currently is awaiting results. IFIC will continue to monitor developments at IIROC and CSA.

DISCLOSURE REFORM PROJECT

IFIC's objective for the Disclosure Reform Project initiative is to achieve rationalized disclosure requirements, and an agreement to discuss further amendments. Currently, disclosure reform is not on the OSC's short-term priorities list. IFIC staff will continue with international comparative research which it will submit to the OSC. The OSC has agreed to hold future discussions with IFIC.

PENSION BENEFITS STANDARDS ACT INVESTMENT LIMITS

The objective of IFIC's Pension Benefits Standards Act (PBSA) initiative is to increase the ability of NI 81-102 mutual funds to be qualified investments for federal and provincial pension plans. Federal PBSA legislation did not address the issue, but Finance Canada has advised that other investment rule changes will be introduced through a regulatory package in the future. Provinces are expected to follow suit, to the extent that they reference Schedule III of the PBSA.

OBSI GOVERNANCE AND MEMBERSHIP FEES

The objective of the Ombudsman for Banking Services and Investments (OBSI) fees initiative is to introduce greater transparency and accountability within OBSI's financial/budgetary process and strategy. A subset of IFIC Dealer Members is working with IIAC Dealer Members in discussions with OSC on improvements.

FOREIGN INVESTMENT ENTITIES (FIE) AND NON-RESIDENT TRUSTS (NRT)

The objective of IFIC's FIE and NRT initiative is to simplify the rules for the investment funds industry. IFIC has met with the Department of Finance, Canada to discuss the main points of IFIC's submission; any progress is expected to be long-term.

ALBERTA'S UNCLAIMED PROPERTY LEGISLATION

The objective of the unclaimed property legislation is to achieve a harmonized period for all property, and issuance of industry-specific guidance on remitting requirements. A submission was sent in May, 2011 requesting a harmonized period for the remittance of all property and seeking clarification on the application of this general legislation. On July 11, 2011 the response from the Government of Alberta indicated that they are receptive to at least some of the issues raised and would like to work with the industry.

ALTERNATIVE MINIMUM TAX (AMT) ON UNIT TRUSTS

IFIC's objective with respect to the AMT on Unit Trusts is to achieve a net reduction in AMT paid by unit trusts. IFIC met with the Department of Finance, Canada to discuss the main points of the submission and it appears that progress is being made.

FUND GOVERNANCE RULE (NI 81-107)

IFIC's objective regarding Fund Governance Rule NI 81-107 was to obtain the best possible outcome from potential fund governance rule amendments. The OSC released results of the IRC Member Survey and the findings were positive. Subsequently, amendments to NI 81-107 were released, reviewed by IFIC, and found to create no issues. The NI 81-107 Fund Governance Working Group has been wound down.



FINANCIAL LITERACY

From the industry's earliest days, Members have understood that helping to create more informed investors serves the interests of our unit-holders, our industry and ultimately Canada's economy.

Today, financial education is woven into the fabric of what we do, whether through sophisticated corporate web-based analytical tools, or through the volunteer participation of our Members in community financial education programs, or through the daily interactions of thousands of advisors across the country.

Our industry is proud of the leadership it has contributed to increasing the financial literacy of Canadians and of our on-going role in seeking new solutions. Indeed, in its February, 2011 report, the federal Task Force on Financial Literacy (the Task Force) urged Canada's financial services companies "to continue their contributions to financial literacy and explore ways to participate further to help advance the National Strategy."

As stated in last year's annual report, IFIC made a substantial submission to the federal Task Force. We were particularly gratified with the Task Force report's recognition of the role of financial advice, "in empowering Canadians in their financial decisions," and its recommendation that the Government "should make a concerted effort to build consumer awareness around financial advice as a tool to assist in financial planning and decision making."

November is Financial Literacy Month in Canada. Through the course of this past year, IFIC's Financial Literacy Task Force (FLTF) has developed a major program of activities to showcase our industry's contributions and to further enhance its ability to contribute to the National Strategy, including:

- Exciting enhancements to the Investor Centre on IFIC's website featuring a new web-based interactive version of our Lifecycle Chart that not only identifies the life events that might trigger the need for professional financial advice, but also educates investors as to those questions they should be asking their advisors at particular junctures;
- A new portal where community based organizations needing volunteers for local financial literacy programs can connect with IFIC Members;
- Three investor-focused Globe and Mail special sections inspired by the Lifecycle Chart;
- The 7th annual IFIC Investor Education Award, which will be presented during the Canadian Investment Awards; and
- IFIC's 3rd annual Financial Literacy Forum, which will build on past forums to explore the latest thinking on financial literacy. This year's Forum will examine the cultural and behavioural barriers that may limit investors' abilities to act on information they are given and help Members understand how to transfer knowledge and skills to specific population groups – seniors, youth, women, and new Canadians.



“The Task Force recommends that the Government of Canada, in partnership with stakeholders, provide tools to help Canadians become better informed about the role and benefits of professional financial advice, as well as how to choose a financial practitioner.”

Canadians and Their Money: Building a brighter financial future
Report of the Federal Task Force on Financial Literacy, February 2011

CFIQ – QUEBEC INVESTMENT FUNDS COUNCIL

2010 was a demonstration of CFIQ's continued commitment to the investment funds industry. CFIQ has been representing the investment funds industry in Quebec for over 14 years and, with focused planning, CFIQ has made significant contributions to the Quebec financial sector.

As a voice of authority on the mutual funds industry in the Quebec market, CFIQ has strived to uphold its role as the representative of the industry's interests in the Province. In its Annual General Assembly, which took place in September 2010, the CFIQ Board established its strategy for the year. In addition, in May 2011, the CFIQ Board established its strategy for 2011 – 2014. Below are some of the strategic initiatives that have been undertaken by CFIQ this year.

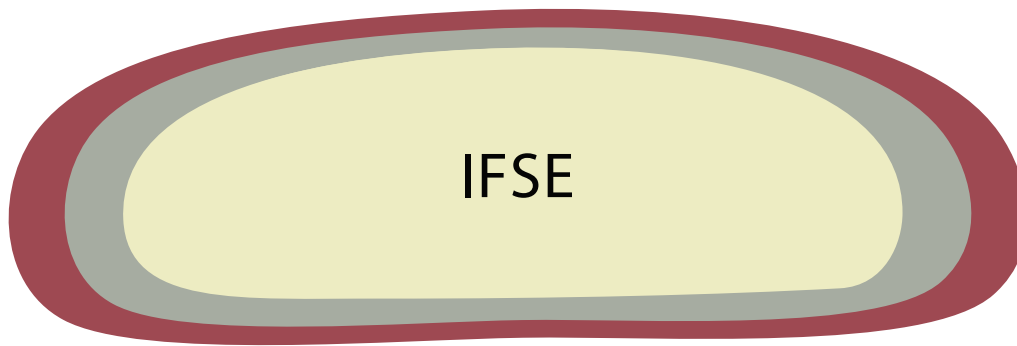
CFIQ meets regularly with the Autorité des marchés financiers (AMF) and the Chambre de la sécurité financière to discuss regulatory issues and inform them about IFIC research (Understanding Management Expense Ratios, Value of Advice Report). CFIQ also provided extensive comments on AMF's consultation on its considered harmonization with the Mutual Fund Dealers Association (MFDA).

The Council has actively devoted resources to increasing the visibility of CFIQ in Quebec and to further enhancing its communication with IFIC.

CFIQ is closely monitoring implementation of Quebec's harmonization of its sales tax with the federal government GST, as well as the new planned retirement product Régime volontaire d'épargne retraite Québec's plan for implementing a Pooled Registered Pension Plan.

CFIQ committees have followed up on, and addressed, many regulatory, compliance, operational, and communication issues. They have also undertaken initiatives to provide networking and learning opportunities for CFIQ members and provided industry knowledge to the media and other stakeholders. A few highlights include creating a framework for the utilization of social media; evaluating interest in a conference for brokers/dealers; and providing input to a major Quebec media outlet for the development of its annual special section on mutual funds.

CFIQ has been dedicated in its representation of the mutual funds industry in Quebec, and will strive to further this commitment in the years to come.



IFSE embodies the industry's commitment to professionalism and continuing education as cornerstones on which investor confidence has been built.

Through IFSE's online web portal (www.ifse.ca), the organization is able to deliver valuable course content in a manner that is both efficient and time effective. The online self-study model is formatted in such a way that professionals can achieve educational goals without having to put their careers on hold. All courses have been re-engineered to take advantage of the web medium to maximize the distance education methodology.

IFSE also captures the strength of traditional classroom-based learning to facilitate the needs of those who learn best in a classroom setting with a group of their peers. Through IFSE's Corporate Training Plus program, an organization can ensure that their employees are equipped with the knowledge and skills necessary for delivering valuable and accurate information to a client. The program is flexible, and can be tailored to any company's goals and objectives.

The range of course offerings at IFSE include:

- Mutual Funds
- Life License Qualification Programs
- Exempt Market Program
- Continuing Education
- Fixed Income Investment Program

IFSE's broad range of course offerings, commitment to financial literacy, and desire to help the industry grow is what has made IFSE one of the leaders in investment funds education.

IFIC/CFIQ BOARDS AND COMMITTEES

IFIC Board of Directors 2010-2011

IFIC Committee Briefs

IFIC Committees and Task Forces

CFIQ Board of Governors

CFIQ Committees

Reports and Submissions

Events

IFIC Key Contacts

IFIC BOARD OF DIRECTORS

2010-2011



Sims, Charles
(Chair)
President & CEO
Mackenzie Financial Corporation



Gowland, Glen
(Vice Chair)
President & CEO
Scotia Asset Management.



De Laurentiis, Joanne
(ex officio) President & CEO
The Investment Funds
Institute of Canada



Adams, John
EVP & CEO
PFSL Investments Canada



Aguiar, George
President & CEO
GP Wealth Management Corporation



Burgess, Sian
SVP, Legal & Compliance Canada
Fidelity Investments



Cimoroni, Sandy
President
TD Mutual Funds



Coulter, Doug
President
RBC Global Asset Management Inc.



Davis, Laurie
[resigned Dec 2010]
President & CEO
Hartford Investments Canada Corp.



Dyck, Tom
[resigned Sept 2011]
President
TD Mutual Funds



Enright, Chris
SVP
Wealth Management Distribution
Industrial Alliance Insurance
& Financial Services Inc.



Firth, J. Roy
EVP, Individual Wealth Management
Manulife Financial



Geist, Steve
President
CIBC Asset Management Inc.



Goldring, Judy
COO & EVP
AGF Investments Inc.



Gore, Brian
President & CEO
FundSERV Inc.



Guay, Charles
President & CEO
National Bank Securities Inc.



Guimond, Martine
(ex officio)
Partner
Gowling Lafleur Henderson LLP



Ihnatowycz, Ian
[resigned Feb 2011]
President, CEO & CIO
Acuity Funds Ltd.



Intraligi, Peter
[resigned Nov 2011]
President & COO
Invesco Trimar Ltd.



Kappele, Ross
Co-President
BMO Investment Inc.



Langlois, Stéphane
President
LBC Financial Services



Moorhouse, Ian
President & CCO
Independent Accountants'
Investment Group



Murray, Oliver
CEO
Brandes Investment Partners & Co.



Peters, Brian
President & CEO
MD Physician Services Inc.



Reed, Donald
President & CEO
Franklin Templeton Investments Corp.

IFIC COMMITTEE BRIEFS

AD HOC GST Policy Review Committee

The mandate of the GST Policy Review Committee is to press for meaningful change in GST tax policies to ensure that they apply fairly and equally to all financial products. This year the committee engaged in various initiatives to further this objective. Members met with industry experts to discuss and obtain input on reforms to current tax policies. They analyzed the tax models put forward in the 2010 KPMG report, and reviewed the implications of these models. The committee also developed a presentation to educate government officials on the value of GST reform for the mutual funds industry.

AD HOC Strategic Research Committee

The Strategic Research Committee has been instrumental in demonstrating the legitimacy of mutual funds as the primary vehicle for long-term savings, and in reinforcing the value of advice. Over the past year, they have added to the growing awareness of policy makers as to the benefits of mutual funds through the release of the Value of Advice Report, Understanding MERs and Active and Passive Investing. The Committee has steered IFIC's discussion with government leaders and officials on major policy issues such as retirement savings, and regulatory initiatives including Point of Sale disclosure and the Client Relationship Model.

Dealer Steering Committee

One of the mandates of the Dealer Committee is to identify and review federal and provincial legislative, regulatory and self-regulatory organization (SRO) initiatives that may affect investment fund dealers. To accomplish this goal, the Committee offers a regular forum for senior level discussion of issues affecting mutual fund distribution and prospective regulatory developments, and oversees the development of IFIC responses to various regulatory concerns affecting the industry. The Dealer Committee has also been involved in discussions with the MFDA, and received commitments from them to address Member concerns.

Operations Working Group

The Operations Working Group continues to be involved in discussing industry developments and review of how new technology can be implemented within the industry (i.e. electronic imaging). It is actively involved in analyzing industry practices and developing guidelines to enhance the overall accuracy and efficacy of the practices. The Working Group will continue to discuss and monitor operational issues that arise out of policy developments, such as Point of Sale, and SRO rule changes.

Policy Steering Committee

The Policy Steering Committee is responsible for all business and public policy issues that affect the investment funds industry and its investors. The Committee advises and assists the Board and provides guidance to the staff of the Institute on all matters pertaining to effective representation of investment fund managers, investment fund dealers, and investment fund products before all levels of government and regulatory or self-regulatory organizations.

Public Liaison Steering Committee

The Public Liaison Committee's role is to monitor and provide oversight on all aspects of the industry's public reputation, proactively promoting the industry/product value; as well as conveying industry positions to stakeholders and the media. Along with the Ad Hoc Strategic Research Committee, Public Liaison has led the implementation of the Board's increased focus on government relations, establishing new programs of activities and providing input into the key messages and themes used by IFIC in its outreach to public policy makers.

Accounting Advisory Working Group

The Accounting Advisory Working Group proactively seeks to develop policy positions on matters affecting

Members on new/emerging issues. They have engaged in discussions with regulators, Members and other stakeholders on investment fund accounting issues. Currently, the working group is also monitoring developments with regard to implementation of International Financial Reporting Standards for investment funds. The Working Group will continue to review and analyze proposed and current federal, provincial and international accounting legislation.

Fund Categorization Working Group

The Fund Categorization Working group advises IFIC on all matters pertaining to the categories for reporting by investment funds and other standards developed by the Canadian Investment Funds Standards Committee (CIFSC). Towards this goal, the Working Group actively raises Member awareness of the work of the CIFSC, resulting in increased Member input into CIFSC processes and decisions. Moreover, the working group provides proposals and feedback to CIFSC, as well as observing the work of various industry data providers.

Legal & Compliance Issues Working Group

The Legal and Compliance Issues Working Group makes recommendations to the Board and provides advice to the staff of the Institute, respecting proposals, rules, policies and legislation that affect the investment fund industry, particularly from the perspective of legal and compliance. The Working Group also oversees the updating of Member guidelines in the area of sales practices and personal investing. It will continue to provide input on various submissions to administrators, securities commissions, and the provincial and federal governments.

NI 81-107 Fund Governance Working Group

The mandate of the Fund Governance Working Group was to maintain an open dialogue with Ontario Securities Commission staff on National Instrument 81-107 implementation issues. The Working Group monitored the industry for any implementation issues, and recommended coordinated positioning for IFIC Members, as

required. The Working Group has completed its tasks and has been wound down.

Public Relations Working Group

The Public Relations Working Group tracks, monitors and addresses issues of relevance to the industry including developing a proactive plan for working with organizations which analyze the mutual fund industry. The Group supports the development of numerous IFIC reports and provided advice related to communication planning and strategies, including key message development.

Registered Products Working Group

The Registered Products working group has continued its activities, through ongoing monitoring and discussion around regulatory changes on registered accounts and plans. The Working Group has liaised with the CRA on providing an industry perspective on Tax-Free Savings Account error correction and filing issues. Towards the goal of minimizing the administrative burden on RESPs, the Group has also liaised with the Canada Revenue Agency (CRA) and Human Resources and Skills Development Canada (HRSDC) on issues such as the transfer form and unresolved transfers.

Taxation Working Group

The Taxation Working Group helps identify issues for pre-budget submissions, with the focus being on GST reform, retirement savings program rules, and income splitting. The Group meets with officials from the United States to discuss issues affecting the industry, Currently focusing on requirements of the Foreign Accounts Transactions Compliance Act (FATCA).

IFIC COMMITTEES AND TASK FORCES

2010-2011

AD HOC BOARD COMMITTEES

GST Policy Review Committee

Peters, Brian
(Chair)
MD Physician Services Inc.

Bowen, Peter
Fidelity Investments Canada ULC

Cisterna, Danny
Deloitte & Touche LLP

Coutu, Stéphane
Sun Life Financial

Felepchuk, Carol
TD Asset Management Inc.

Firth, Michael
PricewaterhouseCoopers LLP

Gardner, Paula
Investors Group Inc.

Ilahi, Sania
Ernst & Young LLP

Morris, Jim
Dynamic Funds Ltd.

Pampena, Josie
National Bank of Canada

Schlesinger, David
KPMG LLP

Strategic Research Committee

Taylor, Murray (Chair)
Investors Group Inc.

Chilcott, Jordy
Dynamic Funds Ltd.

Donnelly, Chris
Manulife Financial

Enright, Chris
Industrial Alliance Insurance and
Financial Services Inc.

Goldring, Blake
AGF Investments Inc.

Guay, Charles
National Bank of Canada

STEERING COMMITTEES

Dealer Committee

Aguiar, George
(Chair)
GP Wealth Management Corporation

Adams, John
PFSL Investments Canada Ltd.

Dubois, Robert
PEAK Financial Group

Enright, Chris
Industrial Alliance Insurance and
Financial Services Inc.

Kostal, Julie
TD Mutual Funds

Moorhouse, Ian
Independent Accountants'
Investment Group

Walker, Michael
RBC Global Asset Management Inc.

Operations Committee

Davis, Laurie
(resigned December 2010)
Hartford Investments Canada Corp.

Gore, Brian
FundSERV Inc.

Ihnatowycz, Ian
(resigned January 2011)
Acuity Funds Ltd.

Kappele, Ross
BMO Investments Inc.

Policy Committee

Burgess, Sian
(Chair)
Fidelity Investments Canada ULC

Adams, John
PFSL Investments Canada Ltd.

Enright, Chris
Industrial Alliance Insurance and
Financial Services Inc.

Guay, Charles
National Bank Securities Inc.

Langlois, Stéphane
(ex officio)
LBC Financial Services

Murray, Oliver
Brandes Investment Partners & Co.

Sims, Charles
Mackenzie Financial Corporation

Public Liaison Committee

Gowland, Glen
(Chair)
Scotia Asset Management

Coulter, Doug
RBC Global Asset Management Inc.

Firth, Roy
Manulife Financial

Kearns, John
Northwest & Ethical
Investments Inc.

Reed, Donald
Franklin Templeton Investments Corp.

WORKING GROUPS

Accounting Advisory

Loewen, James
(Chair)
KPMG LLP

Ashley, Justin
Dundee Private Investors Inc.

Chin, Gary
Ernst & Young LLP

Ciccarelli, Brad
RBC Dexia Investor Services

Lee, Anita
Franklin Templeton Investments Corp.

Man, Edna
AGF Investments Inc.

Pitts, Chris
PricewaterhouseCoopers LLP

Ramos, Mervyn
Deloitte & Touche LLP

Reid, BJ
Investors Group Inc.

Santos, Victor
TD Asset Management Inc.

Schauer, Robert
BMO Investments Inc.

Thompson, Andrew
Fidelity Investments Canada ULC

Williams, Doug
MD Physician Services Inc.

Williamson, Drew
CIBC Securities Inc.

Fund Categorization Working Group

Thompson, Jason
(Chair)
Mackenzie Financial Corporation

Condakchian, Steve
(resigned April 2011)
Fédération des Caisses Desjardins

Coté, Philip
(resigned July 2011)
CIBC Asset Management Inc.

Cutler, Hilly
(resigned November, 2010)
Invesco Trimark Ltd.

Dumais, Yannick
(joined May 2011)
Fédération des Caisses Desjardins

Duraj, Martin
RBC Global Asset Management Inc.

Lauw, Ken
Manulife Mutual Funds

Mickels, Esko
(joined July 2011)
AGF Investments Inc.

Shepherd, Steven
BMO Investments Inc.

Simas, Ivana
TD Asset Management Inc.

Tacoma, Han
(resigned July 2011)
AGF Investments Inc.

Wilson, John
Fidelity Investments Canada ULC

Legal and Compliance Issues

Donnelly, Dan
(Chair)
CIBC

Abbas, Fidae
Fidelity Investments Canada ULC

Adams, Mark
AGF Investments Inc.

Beuttenmiller, Brad
Franklin Templeton Investments Corp.

Cheop, David
Investors Group Inc.

Han, Susan
Miller Thomson LLP

Lake, Darcy
BMO Investments Inc.

McGrade, Lynn
Borden Ladner Gervais LLP

Meade, Jeffrey
RBC Global Asset Management Inc.

Mercanti, Jennifer
Manulife Mutual Funds

Monk, Susan
PEAK Financial Group

Norgren, Bruce
Northwest & Ethical Investments Inc.

Sands, Carol
Brandes Investment Partners & Co.

Sklar, Robert
TD Asset Management Inc.

Thadani, Pam
Capital International Asset Management

NI 81-107 Fund Governance

Church, Nancy
(Chair)
RBC Global Asset Management Inc.

Beuttenmiller, Brad
Franklin Templeton Investments Corp.

Brault, Marie
National Bank of Canada

Chamberlain, Catherine
BMO Investments Inc.

Châtillon, Pierre-Yves
Fasken Martineau Dumoulin LLP

Chinkiwsky, Bill
Scotia Asset Management

Cowdery, Rebecca
Borden Ladner Gervais LLP

Elliott, Barbara
PricewaterhouseCoopers LLP

George, Lisa
International Financial Data
Services Limited

Lockerbie, Valerie
CIBC

Westlind, Nick
Fidelity Investments Canada ULC

Operations

Martin, Larry
(Chair)
Fidelity Investments Canada ULC

Best, Patti
Mackenzie Financial Corporation

Chau, Michael
PricewaterhouseCoopers LLP

Crowther, Kelly
Franklin Templeton Investments Corp.

Devolin, Bill
Manulife Mutual Funds

Gundy, Harry
FundSERV Inc.

Lynde, Carol
Brandes Investment Partners & Co.

Mastromattei, Jack
Industrial Alliance Advisory Services

McShane, Colleen
AGF Investments Inc.

Pampena, Josie
National Bank of Canada

Spagnuolo, Carlo
TD Asset Management Inc.

Public Relations

Becker, Lucy
(Chair)
AGF Investments Inc.
(resigned June 2011)

Pepper, Chris
(Acting Chair, effective July 2011)
Fidelity Investments Canada ULC

Axworthy, Barbara
Investors Group Inc.

Bilhan, Hande
PFSL Investments Canada Ltd.

Boright, Anthony
VAULT Solutions Inc.

Damsell, Keith
Franklin Templeton Investments Corp.

Mawani, Aysha
(resigned November 2011)
Invesco Trimark Ltd.

Jennings, Dwayne
Manulife Financial

Maiden, Ken
Collins Barrow Toronto LLP

Smirnakis, Francesca
Borden Ladner Gervais LLP

Registered Products

Scepanovic, Dara
(Chair)
AGF Investments Inc.

Balakumar, Thiru
Franklin Templeton Investments Corp.

Bean, Michael
(resigned July 2011)
CGI ISMC Inc.

Birkbeck, David
Royal Mutual Funds

Blane, Don
Manulife Financial

Domodossola, Dan
TD Asset Management Inc.

Dunn, Kerry
CIBC Asset Management Inc.

Morton Anthony
International Financial Data Services
Limited

Nadarajah, Ahila
State Street Trust Company Canada

Ramsay, Esther
Fédération des Caisses Desjardins

Seto, Ivan
Fidelity Investments Canada ULC

Shannon, Marie
Mackenzie Financial Corporation

Turek, Andrew
BMO Investments Inc.

Taxation

Pearl-Weinberg, Debbie
(Chair)
CIBC

Beauchemin, Marc
Fédération des Caisses Desjardins

Chasmar, Hugh
Deloitte & Touche LLP

Green, Gary
Investors Group Inc.

Jette, D'Arcy
MD Physician Services Inc.

Johnston, Nigel
McCarthy Tétrault LLP

Lee, John
Manulife Mutual Funds

Lee, Thomas
RBC Global Asset Management

Maj, Stan
(resigned July 2011)
Ernst & Young LLP

Munro, Michelle
Fidelity Investments Canada ULC

Pantalone, Connie
Citigroup Fund Services

Schapiro, Sky
BMO Investments Inc.

White, Laura
Borden Ladner Gervais LLP

Wilson, Ronald
Davies Ward Phillips & Vineberg LLP

Young, Kathleen
Brandes Investment Partners & Co.

In addition to the standing committees, dozens of volunteers make it possible for us to do the work that we do on a daily basis. IFIC Members take time to participate in these task forces to help us accomplish our goals and advance investment fund industry interests. We thank them all. The task forces for 2010/2011 included:

TASK FORCES

- | | |
|---|-------------------------------|
| Dealer Issues | NI 31-103 Implementation |
| Electronic Imaging | Orphaned Accounts |
| Error Corrections and Adjustments | POS Advisory |
| Event Advisory | POS Implementation |
| Financial Literacy | RESP |
| Fund Risk Classification | Retirement Savings |
| Government Relations | Statistics Reporting |
| HST Implementation | Value of Advice |
| Investor Education Award (now merged with Financial Literacy) | Value of Portfolio Management |
| Investor Survey | |

CFIQ BOARD OF GOVERNORS

2010-2011



Langlois, Stéphane
(Chair of the Board)
President
LBC Financial Services



De Laurentiis, Joanne
(1st Vice Chair)
President & CEO
The Investment Funds Institute of Canada



Guilmond, Martine
(2nd Vice Chair)
Partner
Gowling Lafleur Henderson LLP



Béland, Pierre
Regional Sales Director
Investia Financial Services



Châtillon, Pierre-Yves
Partner
Fasken Martineau



David, Ann
Chief Compliance Officer
Royal Mutual Funds



Fortin, Michel
VP, Business Opportunities and Pricing,
Retail and Pension Products
Standard Life



Gervasio, Isabelle
VP, Investor Relations
and Business Development
Matrix Asset Management Inc.



Landry, Éric
Senior Manager of the Specialized
Savings Product Development
Fédération des caisses Desjardins du Québec



Martin, Marcel
Executive Director
Great-West Life



Morin, Normand
Executive Director
Investissements Excel



Paquet, Nancy
Regional VP
Advisor Distribution
National Bank of Canada



Paquin, Claude
President, Quebec
Investors Group Financial Services



Testani, Annamaria
SVP, National Sales
& Business Development
Wellington West



Vaillancourt, François
Compliance Director
Desjardins Financial Security
Investments

CFIQ COMMITTEES

2010-2011

COMMUNICATIONS COMMITTEE

Gervasio, Isabelle
(Chair)
Matrix Assets Management
(resigned june 2011)

Bruneau, Jean-Pascal
Quadrus Investment Services

Combes, Caroline
PEAK Financial Group

Duval, Louis-Simon
National Bank of Canada

Leblanc, Marie-Claude
Investissements Excel

Marc-Aurèle, Julie
Fédération des caisses Desjardins
du Québec
(resigned april 2011)

Paquet, Nancy
(Acting Chair)
National Bank of Canada
(Effective june 2011)

Sinclair, Gilles
B2B Trust

Testatni, Annamaria
Wellington West

OPERATIONS COMMITTEE

Châtillon, Pierre-Yves
(Chair)
Fasken Martineau LLP

Bodnar, Alex
Manulife Financial

Boutin, Marie-Line
Desjardins Financial Securities
Investments

Bruneau, François
Groupe Cloutier Investissements

Cournoyer, Luc
Mica Capital Inc.

Farley-Enslow, Claire
Standard Life

Gauthier, Jocelyne
National Bank of Canada

Hamel, Christiane
Investia Financial Services

Hum, Betty
LBC Financial Services

Paquet, Lynne
Quadrus Investment Services

Sauriol, Chantal
Investors Group Financial Services

Vanlian, Haig
Deloitte & Touche s.r.l.

REGULATORY WATCH COMMITTEE

Guimond, Martine
(Chair)
Gowling Lafleur Henderson LLP

Blanchard, Johanne
Investors Group Financial Services

Boivin, Isabelle
Fédération des caisses Desjardins
du Québec
(resigned may 2011)

Brais, François
Borden Ladner Gervais LLP

Brault, Marie
National Bank of Canada

De Koninck, Sophie
Sun Life Financial

Gagnon, Geneviève
Standard Life

Hébert, Cynthia
Desjardins Financial Securities

Piette, Renée
National Bank of Canada

Primeau, Éric
Fédération des Caisses
Desjardins du Québec

COMPLIANCE COMMITTEE

Vaillancourt, François
(Chair)
Desjardins Financial Securities
Investments

Armantier, Christophe
Quadrus Investments Services

Boivin, Isabelle
Fédération des Caisses
Desjardins du Québec
(resigned may 2011)

Cardinal, Élyse
Investissements Excel

Chamberland, Élisabeth
LBC Financial Services

Girard, Nathalie
Groupe Cloutier Investissements

Griss, Maryanne
Scotia

Iacono, Charlie
Sun Life Financial

Lacombe, Valérie
Investors Group

Morin, Yvan
Mica Capital Inc.

NOMINATION COMMITTEE

Guimond, Martine
(Chair)
Gowling Lafleur Henderson LLP

Paquet, Nancy
National Bank of Canada

REPORTS AND SUBMISSIONS

(OCTOBER 1, 2010 – SEPTEMBER 30, 2011)

Understanding Management Expense Ratios Report

Released April 2011, the study seeks to clarify what Management Expense Ratios (MERs) are, and answer the most frequently asked questions concerning the MERs of mutual funds.

Active and Passive Investing Report

Released July 2011, the study seeks to clarify and counter misperceptions surrounding the efficacy of passive strategies of investing versus active strategies. The study demonstrates that passive and active investment strategies are complementary, and that each investor should determine his or her individualized investing strategy.

Fiduciary Duty and Financial Advisors Report

Released September 2011, this series of questions and answers is intended to provide general information about the legal relationship between a financial advisor and his or her clients. It outlines why there is no need to legislate a fiduciary duty into the relationship.

POLLARA Investors Perception of Mutual Funds and The Mutual Funds Industry Report

Released October 2011, the POLLARA report is a study that is commissioned by IFIC and conducted by POLLARA (a Canadian opinion and market research firm). The aim of the study is to better understand the attitudes and opinions of Canadian mutual fund holders; to identify their needs, expectations, behaviours and opinions; and to track these attitudes over time. This year marks the sixth iteration of the POLLARA phone surveys.

Submission to CRA – re: Extension to Implement the Protocol for NR Forms 301, 302 and 303 - (September 8, 2011)

NI 31-103 Performance Reporting and Cost Disclosure - (September 7, 2011)

Submission to CSA – re: NI 31-103 Performance Reporting and Cost Disclosure (September 7, 2011)

Submission to CRTC – re: Electronic Commerce Protection Regulations (August 31, 2011)

Submission to Department of Industry Canada – re: Electronic Commerce Protection Regulations (August 31, 2011)

Submission to CSA – re: Response to Proposed Amendments to NI 54-101 (August 16, 2011)

Submission to Department of Finance Canada – re: PRPP Tax Rules (August 12, 2011)

Submission to Finance Canada – re: Excluded Property (August 11, 2011)

Submission to the House of Commons Finance Committee – re: Pre Budget Submission 2012 (August 11, 2011)

Submission to OSC – re: NI 31-103 Implementation (August 8, 2011)

Submission to Department of Finance Canada – re: Proposed PRPP Framework (July 20, 2011)

Submission to Industry Canada – re: Canada's Anti-Spam Legislation (July 8, 2011)

Submission to Alberta and Ontario Securities Commissions – re: Regarding the Dealer Initiative on Improvements to OBSI (July 8, 2011)	Submission to SEC – re: Investment Advisers Act Amendment Proposals (January 24, 2011)
Submission to IRS – re: Foreign Account Tax Compliance Act Notice 2011-34 (June 7, 2011)	Submission to CSA – re: NI 31-103 Investment Fund Manager Registration (January 13, 2011)
Submission to OBSI – re: Industry Associations Letter (May 31, 2011)	Submission to CSA – re: Clarification on Point of Sale Issues (December 14, 2010)
Submission to Alberta Finance and Enterprise – re: Unclaimed Personal Property and Vested Property Act (May 17, 2011)	Submission to Ontario Ministry of Finance – re: Securing our Retirement Future (November 29, 2010)
Submission to OSC – re: OSC Statement of Priorities (April 27, 2011)	Submission to Committee on Industry, Science and Technology, House of Commons – re: Fighting Internet and Wireless Spam Act (Bill C-28) (November 2, 2010)
Submission to CSA – re: Clarification on Notice 81-321 (March 30, 2011)	Submission to U.S. Treasury and IRS – re: Foreign Account Tax Compliance Act Notice 2010-60 (November 1, 2010)
Submission to CRA – re: DSC Rebates for TFSAs (March 29, 2011)	Submission to Department of Finance Canada – re: Foreign Account Tax Compliance Act Notice 2010-60 (November 1, 2010)
Submission to Department of Finance Canada – re: PRPP Consultations (March 24, 2011)	Submission to the House of Commons Finance Committee – re: Pre-budget Consultations 2010 (October 21, 2010)
Letter to Morningstar – re: March 2011 Global Investor Experience Survey (March 17, 2011)	Submission to CSA – re: Proposed Amendments to NI 81-102 (October 1, 2010)
Submission to Council of Ministers – re: Incorporated Salespersons (February 25, 2011)	Submission to CSA – re: Proposed Amendments to NI 31-103 (October 1, 2010)
Submission to International Tax Counsel – re: Foreign Account Tax Compliance Act (February 17, 2011)	
Submission to Department of Finance Canada – re: Impact of GST (February 1, 2011)	

EVENTS

2010-2011

IFIC Annual Leadership Conference – October 1, 2010
Operations Day – October 28, 2010
Financial Literacy Forum – November 30, 2010
Quebec Compliance Conference – November 3, 2010
Board Strategic Planning and Board Meeting – January 12, 2011
Economist Breakfast – February 2, 2011
Regional Members Tour – February 28, 2011
CFIQ Annual Conference – April 6, 2011
Compliance Forum (10th Annual Compliance Forum) – May 2, 2011
Dealer Day – May 3, 2011
Golf Tournament – July 18, 2011



IFIC KEY CONTACTS

Joanne De Laurentiis
President & CEO
jdelautentiis@ifc.ca
416-309-2300

John Parker
Vice President, CFO
jparker@ifc.ca
416-309-2319

Jon Cockerline
Director, Policy and Research
jcockerline@ifc.ca
416-309-2327

Ralf Hensel
Corporate Secretary & Director – Policy Manager Issues
rhensel@ifc.ca
416-309-2314

Jan Dymond
Director, Public Affairs
jdymond@ifc.ca
416-309-2306

Kia Rassekh
Policy Advisor - Quebec
krassekh@ifc.ca
514-985-7025

For further information please contact:



The Investment Funds Institute of Canada
L'Institut des fonds d'investissement du Canada


11 King Street West, 4th Floor
Toronto, Ontario M5H 4C7

General: 416-363-2150
Toll free: 1-866-347-1961
Fax: 416-861-9937
Web: www.ific.ca



Conseil des fonds d'investissement du Québec
Le volet Québécois de l'Institut des fonds d'investissement du Canada

1010 Sherbrooke Ouest bureau 1800
Montréal, Québec H3A 2R7
Phone: 514-985-7025
Fax: 514-985-5113

 To download this report electronically please visit: www.ific.ca



11 KING STREET WEST, 4TH FLOOR,
TORONTO, ONTARIO, M5H 4C7
TEL: 416-363-2150/FAX: 416-861-9937
www.ific.ca