



Heathbridge Capital Management Ltd.

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September 13, 2012

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Registrar of Securities, Nunavut

c/o John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West, Suite 1903 Box 55
Toronto, Ontario M5H 3S8

c/o Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22 étage
C.P. 246, tour de la Bourse
Montreal, Québec
H4Z 1G3

Dear Sirs/Mesdames:

Re: Comments on Proposed Amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations* relating to Cost Disclosure and Performance Reporting

Heathbridge Capital Management Ltd. is a relatively small Portfolio Manager firm, managing \$350 million of assets for families and foundations across Canada. Heathbridge is one of a minority of Canadian firms who claims GIPS compliance and is one of only a handful who are independently verified. We have a close relationship with our clients who have varying degrees of sophistication about performance, benchmarks, dollars made, etc. For the past four years, we have provided absolute dollar profits/(losses) (i.e. not percent) for all our clients, having paid one

Robert F. Richards, CFA, President
Rupel M. Ruparelia, CFA, Vice-President, Finance
Richard M. Tattersall, CFA, Vice-President

of our software providers to make a custom report in addition to the standard time weighted percentage returns for dollar returns since inception going back as far as December 1998. Some of our clients like this since they cannot eat % returns. Our clients can calculate to the penny how much our fees are, at least for our separately managed accounts, since there are no obscured commissions or trailers or mark-ups on foreign exchange or interest rate spreads that we charge.

We generally applaud the thrust of the additional disclosure of costs, performance reporting and client statements but have a few comments to make. Our industry association (Portfolio Management Association of Canada PMAC) and others have written more articulately on this topic and have a number of sensible recommendations. Our specific comments are as follows:

1. Performance Return Methodology
2. Monthly Statements
3. Disclosure of Commissions and Compensation for Financial Advisors

1. Performance Return Methodology

As noted, we applaud the intention to provide meaningful returns for investors that illustrate how they are doing and how they compare with other managers and relevant benchmarks. The way we do it for our clients, both time-weighted returns and absolute dollar profits (i.e. not dollar percentage) has had a positive reception from our clients since different people measure progress in different ways.

- Time-weighted returns is generally regarded as the best methodology for comparing managers against each other and against benchmarks. It essentially ignores cash flows in and out – thereby neither penalizing nor benefiting the manager for actions beyond their control.
- There are different ways of calculating dollar weighted returns so the ability to distort numbers increases if the methodology switches.
- Historical returns will generally be lost by switching to dollar-weighted returns. Given the huge impractical challenges of restating historical returns the Proposed Amendments essentially re-set the start date for calculating returns which would remove the ability of clients to measure performance.
- The global industry has spent years and millions of dollars refining performance methodology to allow for comparability between firms, prevent short-cuts and have global comparability, hence the GIPS. The trend is for more and more portfolio managers to move to GIPS which should be strongly encouraged. We spent over ten thousand dollars to do this and to get independently verified. GIPS uses time weighted returns and if Canada were to move towards dollar-weighted returns it would undermine the positive trend towards wider adaptation of GIPS.

Proposed Solution: Make it mandatory to provide both time-weighted returns over multiple time frames and absolute dollars profits since inception only.

2. Monthly Statements

We agree with the thrust of the CSA views that clients should get these. We would note that feedback from clients is that if they get too much paper and information they do not tend to read any of it. We would suggest that where there is no activity (dividends, interest, trades, etc.) statements only need to be sent quarterly.

3. Disclosure of Commissions and Compensation for Financial Advisors

We strongly applaud the thrust of the recommendations to highlight trailers, fixed income mark-ups, etc. We think it should be broadened further. We think an annual statement including payments from new issues, IPOs and secondary share issues should also be mandatory. Numerous clients who have accounts at brokerage firms, including those with discretionary managers, are oblivious that their financial advisor gets a very generous commission on new issues which they can buy at the “issue price with no commission”. These fees can be quite substantial and even fairly sophisticated clients are not aware of the magnitude of these until it is explained to them (or better yet disclosed in an annual statement). In the interest of practicality of implementation, we will ignore the foreign exchange spreads and interest rate spreads that firms charge their clients though they should also be pondered in terms of disclosure to clients.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Richard M. Tattersall, CFA
Vice-President, Portfolio Manager & Chief Compliance Officer