

# @TEADYHAND

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September 14, 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  
Superintendent of Securities, Prince Edward Island  
Nova Scotia Securities Commission  
Superintendent of Securities, Newfoundland and Labrador  
Superintendent of Securities, Northwest Territories  
Superintendent of Securities, Yukon Territory  
Superintendent of Securities, Nunavut

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## *Steadyhand Investment Funds National Instrument 31-103 Comment Letter Cost Disclosure and Performance Reporting*

To start, it's our view this is the most important initiative the CSA is taking on with respect to the individual investor. If clients have better clarity as to what they're paying and how they're doing, the other initiatives to improve the relationship model will get more traction. To our way of thinking, this level of disclosure will have a significant impact on client knowledge and behavior.

At this stage in the process, we have just a few comments.

We agree

It would appear that the CSA has made firm decisions in a number of areas. Nonetheless, in anticipation of further comments and pressure from the industry, we would like to endorse the following initiatives.

*Showing fees in dollars and cents.* Clients understand dollars. They don't always get basis points. Advisors are compensated in dollars, not basis points. Putting the cost of investing in terms that clients can understand is a very important aspect of the reporting initiative.

*Performance and fee documents delivered with the account statement.* The monthly/quarterly statement is the one document we know (most) clients read, although many go months without looking. If the cost and performance documents were delivered separately, they would be read less frequently. They would too often be mistaken as just another piece of administrative mail, which means they would end up on the paper pile unopened or in recycling. We would prefer that the documents ultimately be integrated in client statements (we have done this).

*The use of adjusted cost base ("ACB") as opposed to original cost.* It's not perfect, but we believe showing the ACB is the only option. We don't like the fact that clients compare market value ("MV") to ACB as a way of assessing performance, but nonetheless, the cost base shown on the statement has to line up with the tax situation. With the improvements that are coming in other parts of the statement, we believe the MV versus ACB comparison will happen less frequently in the future.

*Better transparency required around the cost of fixed income investing.* As we work with new clients who are bringing money over to Steadyhand, we often find ourselves in a situation where we can't determine how much they're paying to purchase or sell a bond (or other spread vehicle). This is a mystery area that has to be cleaned up.

### Dollar-weighted returns

The time-weighted versus dollar-weighted return issue is a difficult one. We see the merits of both methods and could live with either. On balance, and over the long term, however, we believe that dollar-weighted returns are the way to go, primarily because they relate more closely to the clients' experience and what they really want to know—Am I making money or not? We think it's important that the return number reflect all factors, including the clients' behavior. Indeed, managing how clients use investment products is the industry's biggest challenge.

It's been suggested that dealers have a choice as to which method they use. We don't see this as being feasible. Comparing time-weighted and dollar-weighted returns is like comparing apples and oranges. Needless to say, if dealers are using different methodologies, it will make it difficult for investors to do meaningful comparisons.

### Milestones

We are disappointed that the implementation period has been extended out to three years.

Certainly there are some tricky aspects to this conversion- the dollar-weighted requirement makes it tougher for sure- but as Ken Kivenko (Kenmar Associates) said *in his* submission dated June 19, 2012 the industry seems to be able to get the systems in place *in a* matter of days or weeks for new product launches and marketing initiatives (i.e. TISAs come to mind).

As we said at the beginning of the year at Steadyhand, we're very supportive of these changes to N131-103. They will have a significant impact on investor literacy, and ultimately, investor behavior.

Yours truly,

Tom Bradley  
President

Steadyhand Investment Funds

A handwritten signature in black ink, appearing to be 'TB', is written over a light gray rectangular background. A horizontal line extends from the right side of the signature area.