



September 6, 2012

BY EMAIL: comments@osc.gov.on.ca;
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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
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

Attention: The Secretary
Ontario Securities Commission
20 Queen Street West, Suite 1903, Box 55
Toronto, ON M5H 3S8

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3

Dear Sirs/Mesdames:

Re: CSA Notice and Request for Comment on Implementation of Stage 2 of Point of Sale Disclosure for Mutual Funds (the "Proposal")

Background

Capital International Asset Management (Canada), Inc. ("CIAM") is part of The Capital Group Companies, Inc., a global investment management firm originated

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in 1931. CIAM serves as the manager and trustee to the Capital International mutual funds, which are subadvised by our affiliates, Capital Research and Management Company and Capital Guardian Trust Company (part of Capital Group International, Inc.). These groups, which manage equity assets independently, are two of the world's largest providers of global/international equity investment services. Capital International funds are distributed primarily through third-party distributors in Canada.

General Comments

CIAM is pleased to have the opportunity to present comments on the Proposal.

CIAM generally supports the positions asserted in the Investment Funds Institute of Canada comment letter (the "IFIC letter") dated August 31, 2012 as submitted to the CSA in response to the current Proposal. Our comments will follow the two general themes in the IFIC letter, specifically:

1. streamlining the presentation of the information and removing language that creates a negative bias towards mutual funds; and
2. confirming the importance of providing consistent disclosure across similar investment products Canadians are likely to own.

We would like to underscore our specific concerns with the CSA's proposed changes to the risk and performance disclosures in the Proposal which, we believe, may disadvantage investors by potentially causing them to overlook considering mutual fund investments in lieu of other investments.

Risk Disclosure

With respect to the expanded risk disclosure, we are concerned that investors may be confused by the new risk section that the CSA has introduced entitled "other specific risks". As all of the relevant risks associated with mutual funds are detailed in the funds' prospectuses, drawing attention to specific risks (with a limit of four) may give undue prominence to such risks. Market fluctuations, political environment and foreign legislation are only a few examples of potentially significant risks that could impact certain types of mutual funds at any given time; however, focusing only on a limited number of risks in a fairly static disclosure document does not provide the investor the opportunity to consider such additional potential risks impacting his or her portfolio. The existing risk disclosure in the Fund Facts document and the simplified prospectus strikes the appropriate balance in describing the risks.

Performance Disclosure

With respect to the new section adding a comparison of a fund's performance to a one-year GIC, we are concerned that this information is not meaningful to investors as mutual funds and GICs are quite separate and distinct investment vehicles with the latter being a short-term deposit instrument. We are concerned that such a comparison undermines the clear intention of section 13.1(7) in the Companion Policy to NI 81-102 which requires the performance of a mutual fund to be compared to another investment or benchmark if the comparison clearly sets out the factors that are necessary to ensure that the comparison is fair and not misleading. Such factors, as detailed in this section, include...“an explanation of any relevant differences between the mutual fund or asset allocation service and the investment or benchmark to which it is compared. Examples of such differences include any relevant differences in the guarantees of, or insurance on, the principal of or return from the investment or benchmark; fluctuations in principal, income or total return; any differing tax treatment; and, for a comparison to an index or average, any differences between the composition or calculation of the index or average and the investment portfolio of the mutual fund or asset allocation service.”

In the OSC Notice 33-724 (compliance annual report), we note that one of the common marketing deficiencies cited in the document included “inappropriate use of benchmarks” where firms were comparing mutual funds to benchmarks that were either inappropriate or misleading. As an example of the deficiency, this notice compares a fund holding only Canadian equities to the S&P 500. We believe the guidance in this notice is relevant when comparing a mutual fund to another investment.

Investors require a more meaningful comparison with substantially similar investment vehicles to make sound investment decisions.

With respect to the proposed addition of the worst three-month return, we believe this information is evident in the chart showing historical annual returns. Showing investors the worst three-month return is inconsistent with the long-term nature of mutual fund investing.

Consistent Disclosure

We support and applaud the implementation of the Fund Facts document as the summary disclosure document for mutual fund investors. With the introduction of the Fund Facts and other existing disclosure requirements, we believe that mutual fund investors benefit from a comprehensive disclosure regime. We strongly encourage the CSA to work with other regulatory bodies to apply the same transparency standards to other investment products in efforts to harmonize the requirements, help investors make informed, appropriate

investment decisions, create a level playing field and reduce potential for regulatory and product arbitrage.

Extending the Fund Facts approach to other investment vehicles could provide greater benefits to investors.

We urge the CSA to consider the above comments as well as the IFIC letter prior to finalizing the rule. We appreciate the opportunity to comment on this Proposal. Thank you.

Yours truly,

CAPITAL INTERNATIONAL ASSET MANAGEMENT
(CANADA), INC.

(signed) "Mark Tiffin"

Mark Tiffin
President