



December 22, 2016

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

*Delivered to:*

*The Secretary  
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Dear Sirs/Mesdames:

***Re: Canadian Securities Administrators (“CSA”) Notice and Request for Comment -  
Modernization of Investment Fund Product Regulation – Alternative Funds (the “Proposed  
Amendments”)***

This comment letter is submitted by Vision Capital Corporation (“Vision” or “we”) to provide comments to you on the legislation referred to above.

***About Vision***

Vision, Toronto-based and a member of AIMA Canada, is a registered dealer in the category of exempt market dealer and a registered investment fund manager under the securities laws of the provinces of Ontario, British Columbia, Alberta, Manitoba and Quebec and a registered adviser in the category of portfolio manager in the provinces of Ontario, British Columbia, Alberta and Manitoba. Vision is the manager of Vision Opportunity Fund Trust, Vision Opportunity Fund Limited Partnership, Vision Opportunity Non-Resident Fund Limited Partnership and Vision Strategic Opportunity Fund Limited Partnership.

**Comments**

The comments submitted herein are in addition to what is being concurrently submitted by AIMA Canada in its comment letter on the behalf of its members (the “AIMA Letter”). Vision believes the AIMA Letter is well written, reasonably comprehensive and thoughtful, and Vision is supportive of the recommendations being put forth on behalf of AIMA Canada’s members.

Vision believes that of greatest importance are AIMA Canada’s recommendations to certain proposed amendments that are critical from a practical perspective in order for the modernization of investment funds to achieve the goals for which it was intended. The following table highlights these questions and AIMA Canada responses.

<b>CSA Questions/Comments</b>	<b>AIMA Canada Responses / Recommendations (Summarized)</b>
<i>We are seeking feedback on whether there are particular asset classes common under typical “alternative” investment strategies, but have not been contemplated for alternative funds under the Proposed Amendments, that we should be considering, and why.</i>	<i>While not a separate asset class, market neutral strategies should be eligible to be offered as alternative funds, which would not be possible under the Proposed Amendments limiting the maximum short position to 50% of NAV.</i>
<i>Should we consider how frequently an alternative fund accepts redemptions in considering an appropriate illiquid asset limit? If so, please be specific. We also seek feedback regarding whether any specific measures to mitigate the liquidity risk should be considered in those cases.</i>	<i>Mismatching of the Issue and Redemption Prices and NAV Calculations. Matching the calculation of NAV to the redemption and purchase frequency of the alternative funds needs to be considered and implemented to avoid significant inefficiencies and confusion.</i>
<i>Custodians of Alternative Funds (Part 6 of NI 81-102) – Proposed Amendments would require alternative funds to appoint custodian for the assets of the fund in the same manner as conventional mutual.</i>	<i>Permitting prime brokers of alternative funds to also act as custodian of the alternative funds as the requirement to have a separate custodian for the assets does not provide any significant additional safeguards and would result in increased costs and operational complexities for alternative funds.</i>
<i>Custodial provisions relating to short sales (Section 6.8.1) – Currently permits funds to deposit up to 10% of NAV with a borrowing agent, other than its custodian, as security in connection with a short sale.</i>	<i>Permitting prime brokers of alternative funds to also act as custodian of the alternative funds would allow the current language in Section 6.8.1 to function more effectively.</i>
<i>Presentations of Financial Highlights in NI 81-106 – Currently requires long and short returns to be calculated separately.</i>	<i>Exemption for alternative funds to have long and short returns be calculated separately as a core fundamental component of many alternative funds involves the execution of long-short paired trades. As such, the trade itself is only relevant by considering the combination of the long and short components.</i>

<i>Historical Performance Record (Part 15 of NI 81-102) – Section 15.6(1)(a) contains prohibition against the inclusion of performance data in sales communications for a mutual fund that has been distributing securities under a prospectus for less than 12 consecutive months.</i>	<i>Exemption from the prohibition contained in NI 81-102 to permit alternative funds that convert from pooled funds to include their historical performance data in sales communications with appropriate qualifications to allow investors to obtain complete picture of the alternative fund manager.</i>
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The aforementioned questions/comments and corresponding responses/recommendations are particularly critical and without their serious consideration and implementation by the CSA, Vision believes that the proposed amendments as they are currently drafted will have, on balance, negative impact to the Canadian investment community as a whole. As the AIMA Letter highlights, the vast majority of AIMA Canada members are small managers of alternative investment funds. While Vision’s assets under management position us as one of the larger alternative fund managers amongst AIMA Canada members, we remain quite concerned with these implications. The operational and cost implications of the CSA not agreeing with the requested recommendations as submitted by AIMA Canada, would be prohibitive for the majority of the small fund managers to contemplate providing alternative funds to retail investors in Canada. Accordingly, it will only be the largest institutions such as the Canadian banks, large mutual fund companies, etc. that have the capital and the resources to benefit from the proposed amendments as currently drafted. This could potentially, for competitive reasons, result in a further hollowing out in the Canadian financial services industry and result in anti-competitive behaviour and be a detriment to the vast majority of the AIMA Canada members who are the small fund managers. There is large body of research and analytical reports that demonstrate that smaller investment managers and sector specialists generate superior risk –adjusted performance relative to large and more generalist funds. It would seem prudent and responsible for the CSA to ensure that any such well-qualified funds bolstered with strong operational and compliance infrastructure can practically and effectively contemplate product offerings to benefit Canadian investors.

***Conclusion***

While Vision is supportive of including a broad choice of possible investment products to Canadian investors, it wants to ensure that the Proposed Amendments offered under NI 81-102 will preserve a level playing field for all market participants, whether big or small.

We appreciate the opportunity to provide the CSA with its views on the Proposed Amendments. Please do not hesitate to contact the undersigned with any comments or questions you may have.

Yours sincerely,

**VISION CAPITAL CORPORATION**



Jeffrey Olin  
President and CEO

