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December 23, 2022

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**Re: Proposed Amendments and Proposed Changes to Implement an Access-Based Model for Investment Fund Reporting Issuers (“Proposed Amendments” or “proposal”)**

Dear Madam/Sir:

Broadridge Investor Communications Corporation (“Broadridge”)<sup>1</sup> appreciates the opportunity to provide comments on the Canadian Securities Administrators (“CSA”) Proposed Amendments.

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<sup>1</sup> Broadridge is a global Fintech leader with over \$5 billion in revenues and an industry leader in the Canadian Fintech marketplace. Broadridge provides critical infrastructure that powers investing, corporate governance and communications to enable better financial lives.

Broadridge is aligned with regulators, investors advocates and fund companies on the goal of making disclosure regulations more effective for Canadian investors and more efficient for fund companies. However, the data and the results of the investor testing we submit below show that the CSA's proposed Access-Based model misses an opportunity to advance these important goals.

The Access-Based model is out-of-step with regulatory initiatives underway in other major securities markets. That is because it fails to reflect the ways in which current technology applications can improve investor engagement with regulatory disclosures while also providing more significant cost savings for the industry. It is also a departure from the CSA's highly successful Fund Facts (and ETF Facts) initiative which reflected the need to provide average investors with understandable, summary information while reducing costs for the industry. Adopting the proposed model will give rise to significant barriers to such reforms.

Our comments are organized into the following five sections:

- I. Executive Summary
- II. Investor Research: Detailed Findings
- III. Building Upon the CSA's Successful Fund Facts Approach to Provide a Smooth Transition to Digital Disclosures
- IV. "Fund Facts Plus:" Greater Efficiency Savings for Fund Companies and Investors
- V. Conclusion

## I. Executive Summary

**The Access-Based model does not provide effective notification.** The results of independent testing with 2,000 Canadian investors indicate that the Access-Based model would fail to provide effective notification when new Management Reports of Fund Performance and related financial reports ("MRFPs") become available. Only 12% of investors say they would monitor websites for announcements of new MRFPs. Most investors prefer instead to be notified directly by email and to receive summary information from MRFPs automatically, rather than monitor websites for media releases, search for the right MRFP, and parse out relevant information from a lengthy MRFP document.

**The proposal perpetuates problems with financial literacy.** It misses an opportunity to improve investors' understanding of the expenses, performance, and material changes of investments they own. Those few investors who take the steps necessary to find MRFPs would encounter a lengthy document that testing shows is not effective in conveying certain key information to the average investor. Based on independent testing with ≈1,000 randomly selected investors who viewed a typical MRFP, only 35% of them on average correctly responded to basic questions on expenses, performance, and material changes.

**The proposal fails to protect the most vulnerable investors.** The proposed Access-Based model is even less effective in conveying key information to women, as well as segments of all investors with low levels of financial literacy, low household income, few investable assets, and lower educational attainment. As a group, only 29% of women were able to correctly answer the basic questions. Investors with only a high-school education scored only 25% correct.

**User-friendly summary information could significantly improve investor understanding.** By comparison, when another randomly selected group of ≈1,000 investors viewed the same key information on expenses, performance, and material changes in a modified Fund Facts disclosure, their ability to correctly answer the same basic questions improved by 62%. We note that regulators in Canada and the U.S. have taken steps to enhance protection for average investors by simplifying lengthy prospectuses and shareholder reports for mutual funds and ETFs and by making key information more salient, more engaging, and more decision useful.<sup>2</sup>

**The Proposed Amendments miss an opportunity to provide understandable and useful information.**

The good news is that the MRFP does not have to be redesigned for it to be made more useful. Instead, certain of the key information it contains could be extracted from it and delivered directly to investors by including it in a modified version of the CSA's highly successful Fund Facts and ETF Facts disclosures. As described below, meaningful information can be added without unduly lengthening these summary disclosures, and without undue burden to fund companies. A modified Fund Facts disclosure could be sent electronically to provide even greater utility to investors and greater cost savings to fund companies.

**There are better, more significant ways to lower costs.** Based on the CSA's assumptions about the cost of filing a media release, the proposal would increase costs for funds that have low subscription volumes and do not currently issue media releases when new MRFPs are filed. Its minor cost savings would accrue to a few of the largest funds. By contrast, amendments designed around providing summary information, through methods we describe below, would lead to greater efficiencies for virtually all fund companies. We note, for example, that a media release model does not provide a one-step method for investors to enroll in electronic delivery for MRFPs or for other documents and communications that fund companies and broker-dealers mail to them.

Moreover, alternative mechanisms widely in use in many applications could facilitate 'universal consent' to electronic delivery – thereby, providing meaningful efficiency savings to virtually all fund companies. Personalized QR codes are being used in regulatory communications to provide a one-step method for investors to enroll in e-delivery of documents and communications associated with their account.<sup>3</sup>

**A “Fund Facts Plus” approach would more effectively inform and engage Canadian investors while reducing burden for fund companies.** Based on the data, this alternative to the proposed Access-Based delivery mechanism shows great potential for improving awareness of key information contained in MRFPs and for lowering costs. We refer to this more constructive alternative as “Fund Facts Plus.”

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<sup>2</sup> On January 1, 2011, the CSA adopted the Fund Facts disclosure for investors making mutual funds purchases (ETF Facts was adopted on December 10, 2018). On October 26, 2022, the U.S. Securities and Exchange Commission (“SEC”) adopted Tailored Shareholder Reports to streamline mutual fund and ETF disclosures for retail investors to monitor their investments, available at <https://www.sec.gov/news/press-release/2022-193>

<sup>3</sup> In the U.S., issuers and fund companies provide QR codes on their mailed notices to provide online access to summary information and interactive functionality, and to drive greater digital adoption by simplifying enrollment in electronic delivery. The QR codes are personalized to each investor.

The Fund Facts Plus approach would build upon the CSA's highly successful Fund Facts and ETF Facts disclosures. A Fund Facts Plus would provide certain key summary information contained in and taken from the MRFP. It could be sent directly to investors in a layered approach that also informs them of the availability of more-detailed information online. It can be implemented in a way that involves relatively little burden to fund companies because it would utilize information from the current Fund Facts and MRFP filings that funds are already required to provide. To the extent that certain key information is "tagged" in a machine-readable format, the process of creating a Fund Facts Plus could be largely automated. Data tagging is commonplace in other applications in many jurisdictions.<sup>4</sup>

**In the long run, the Fund Facts Plus approach would be less costly to investors and fund companies.**

The testing indicates that 55% of the investors who chose the correct responses to basic questions on expenses, performance, and material changes were able to find the information in a Fund Facts Plus in less than 30 seconds. By comparison, only 17% of the far smaller group who answered the questions correctly were able to find the information in less than 30 seconds using a typical MRFP. We did not attempt to quantify investor's time spent on monitoring for media releases, searching for the right document on a landing page, or locating key information when viewing a lengthy MRFP.

Many respondents indicated they would like to receive Fund Facts Plus disclosures electronically by email. Electronic delivery of Fund Facts Plus disclosures would eliminate steps which a large body of behavioural research shows impede action and provide postage savings over sending annual reminder notices by mail. To the extent that more investors choose to receive these and other disclosures electronically, fund companies would realize added efficiency opportunities.

## II. Investor Research: Detailed Findings

To assist regulators and other market participants in evaluating potential changes to the continuous disclosure framework, Broadridge commissioned an independent market research firm, True North Market Insights ("True North"), to survey 2,000 Canadian retail investors during November and December (2022). (See Attachment 1.) Survey respondents are representative of all Canadian investors.<sup>5</sup> The survey results are consistent with findings from similar work undertaken by the Ontario Securities Commission, as well as investor research on average investors undertaken in the U.S. and other jurisdictions.<sup>6</sup>

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<sup>4</sup> For example, the SEC's Tailored Shareholder Report is required to be tagged in Inline XBRL and filed in the SEC's EDGAR database. See Tailored Shareholder Reports for Mutual Funds and Exchange-Traded Funds; Fee Information in Investment Company Advertisements, (October 26, 2022) [87 FR 72758 (November 25, 2022)], at paragraph accompanying n.569, available at <https://www.sec.gov/rules/final/2022/33-11125.pdf>

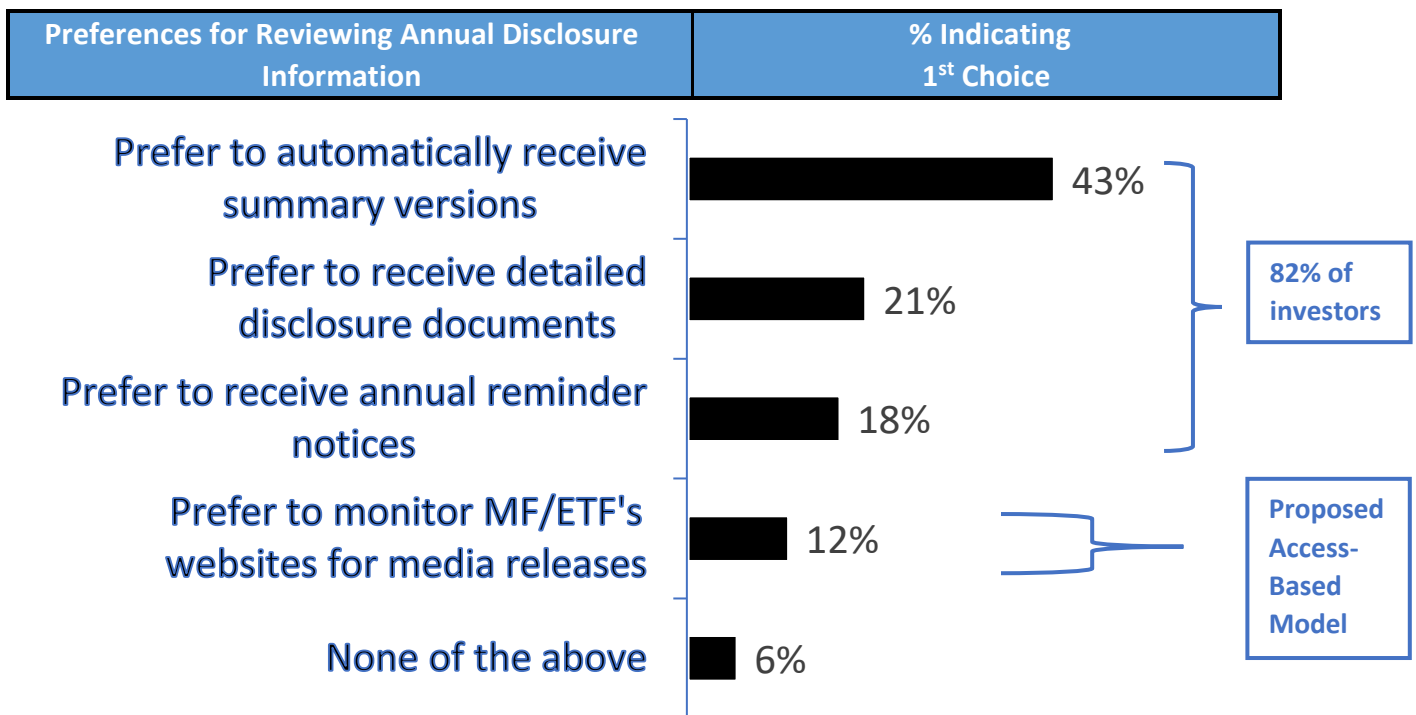
<sup>5</sup> True North conducted the research during November and December 2022 (refer to their report as the "True North 2022 Canadian Investor Survey"). Respondents were profiled based on self-reported demographic information (e.g., gender, age, income, level of educational attainment, household assets, and other factors). They are representative of all individual investors in Canada, and include a sample of "would-be" investors who plan to invest in mutual funds and ETFs. Respondents' financial literacy was assessed using the widely accepted Lusardi-Mitchell three-question test of financial literacy (see Attachment 2).

<sup>6</sup> FINRA Foundation "Investors in the United States: The Changing Landscape A Report of the FINRA Foundation National Financial Capability Study" (December 2022), available at <https://www.finrafoundation.org/sites/finrafoundation/files/NFCS-Investor-Report-Changing-Landscape.pdf>

**Preferences for receiving annual disclosure information**

Survey participants were asked to rate four alternative ways of reviewing annual disclosure information. The proposed media release mechanism is unpopular with nearly all Canadian investors as well as would-be investors. (See Figure 1.)

**Figure 1. 82% of investors prefer to receive information or notification automatically. Only 12% prefer the proposed Access-Based model.<sup>7</sup>**



**Key Findings:**

- By a factor of 7 to 1, average investors prefer receiving MRFP information or notification automatically (82%) to monitoring fund websites for media releases announcing when new documents are available (12%).
- 6% of respondents preferred “None of the Above.” Half of this group say they rely on a financial adviser for reviewing this information.<sup>8</sup>

<sup>7</sup> True North 2022 Canadian Investor Survey, slide 7.

<sup>8</sup> True North 2022 Canadian Investor Survey (3 percentage points out of 6 percentage points said the reason they don’t want to review annual disclosure information is that they rely on a financial advisor).

- “Automatically receive a summary version” ranked the highest among the alternatives presented (at 43%). The current method (an annual reminder notice) ranked higher than the proposed Access-Based model (18% vs. 12%), but neither is a hit with investors.
- Preferences for receiving information were largely consistent across all segments of investors, including those in most need of protection (woman, lower income, lower assets, lower levels of educational attainment, and those who have lower levels of financial literacy).

**The proposed Access-Based Model substitutes one fragmented process for another.<sup>9</sup>**

Instead of receiving an annual notice reminding investors that they can request MRFPs when they are available, under the proposed Access-Based model investors would need to monitor websites for media releases on MRFPs and search online or make requests for them. In both cases, accessing the MRFP requires that investors take steps. It is widely recognized in behavioural research, across a wide range of applications, that when even seemingly small steps are required, access is dramatically reduced.<sup>10</sup> Other research has pointed out that people use the internet to manage personal finances and pay bills, but few use it to search for or read lengthy annual reports.<sup>11</sup> If the CSA’s amendments were designed instead to provide summary information directly to investors, the steps to access and view information investors say is important would be eliminated.

**Lengthy MRFP documents are marginally effective, at best, in conveying certain key information to the average investor.**

Respondents to the survey were placed into two randomly selected representative groups of ≈1,000 investors each. One group viewed a typical MRFP, and the other group viewed a hypothetical Fund Facts Plus.<sup>12</sup> (See Attachment 3 for the Fund Facts Plus example they viewed.) Participants were asked to review the documents to find information on expenses, performance, and material changes. Each group was asked the same three multiple-choice questions. Their correct scores were tabulated and

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<sup>9</sup> Response to the CSA’s Notice and Request for Comment Specific Question 5 “No further broadening of access-based model.” The CSA’s reservations about the Access-Based model are warranted. As we discussed in previous Broadridge comment letters to the CSA dated March 9, 2020, September 17, 2021, and July 6 2022, an Access-Based model (aka “access equals delivery”) should not be extended to non-investment fund investors or other types of documents, such as proxy materials, as it would also result in less informed investors and lower participation.

<sup>10</sup> See “Channel Factors That Block (Psychologically) Effective Access: Unforeseen Risks of the Proposal on “Internet Availability of Proxy Materials,” Daylian M. Cain and Sendhil Mullainathan, Harvard University (2006), “The evidence cited so far hopefully makes clear that apparently small barriers to access and changes in the status quo can effectively deter access.”

<sup>11</sup> See Forrester’s 2018 Disclosures Survey Report. (Most respondents reported using the internet to manage personal finances and perform other activities, but only 38% used it to research mutual funds and ETFs on fund or broker websites. Only 23% say they used it to read company annual reports. This indicates that certain investing-related activities are less common online.) Available at <https://www.sec.gov/comments/s7-12-18/s71218-4595392-176342.pdf>

<sup>12</sup> The hypothetical Fund Facts Plus disclosure is based on the existing Fund Facts disclosure but supplemented with additional summary information from the MRFP that investors say they use to monitor their funds (see below for more details).

compared.<sup>13</sup> On average, only 35% of the investors who viewed the MRFP were able to choose the correct answer.<sup>14</sup> (See Figure 2.)

**Figure 2. Only 35% of investors, on average, can correctly answer three basic questions when viewing a typical MRFP.**

Questions	% Correct Scores
<b>Expense information</b> “What is the Management Expense Ratio (MER) for Hextone Series A?”	37%
<b>Performance Information</b> “What is the 3-Year Annual Compound Return for Hextone Series A?”	38%
<b>Material Changes to the Fund</b> “Please identify a material change that occurred in the fund.”	29%
<b>Average =</b>	<b>35%</b>

The MRFP is even less effective in conveying this information to segments of investors who most need protection, including women, as well as investors with lower income, wealth, and educational attainment, and investors with lower levels of financial literacy. (See Figure 3.)

**Figure 3. The MRFP is less effective for woman and for investors with lower income, lower assets, lower educational attainment, low financial literacy, and would-be investors.**

% Correct Scores	All Investors	Woman	<\$25k Income	<\$10k Assets	High School Education	Would-Be Investors	Low Financial Literacy
<b>Expenses</b>	37%	31%	35%	36%	30%	30%	24%
<b>Performance</b>	38%	33%	29%	30%	27%	29%	25%
<b>Material Changes</b>	29%	24%	23%	21%	18%	17%	14%
<b>Average</b>	<b>35%</b>	<b>29%</b>	<b>29%</b>	<b>29%</b>	<b>25%</b>	<b>25%</b>	<b>21%</b>

<sup>13</sup> This particular information was tested because investors say it is the information that is most useful to them in monitoring their investments. See the 2021 market survey completed by True North Survey (“True North 2021 Canadian Investor Survey”), slides 13 and 15, available at [https://www.osc.ca/sites/default/files/2021-09/com\\_20210917\\_51-102\\_broadridge.pdf](https://www.osc.ca/sites/default/files/2021-09/com_20210917_51-102_broadridge.pdf)

<sup>14</sup> This is consistent with the True North 2021 Canadian Investor Survey. (“Of those rating MRFPs as too lengthy, 91% would prefer shorter summary documents with more detailed information found online.”)

**By comparison, the Fund Facts Plus approach would better inform investors on key information contained in MRFPs.**

The group of investors that viewed a hypothetical Fund Facts Plus was far more able to correctly answer the same multiple-choice questions on expenses, performance, and material changes as the group who viewed a typical MRFP. By making the information more salient, the Fund Facts Plus improved test scores by 62%. (See Figures 4 and 5.)

**Figure 4. The Fund Facts Plus improved test scores by 62% on average over a typical MRFP.**

Questions	% Improvement in Test Scores
<b>Expense information</b> “What is the Management Expense Ratio (MER) for Hextone Series A?”	62%
<b>Performance Information</b> “What is the 3-Year Annual Compound Return for Hextone Series A?”	37%
<b>Material Changes to the Fund</b> “Please identify a material change that occurred in the fund.”	59%
<b>Average Improvement =</b>	<b>62%</b>

**Figure 5. The Fund Facts Plus improved test scores for investors with lower financial literacy by 65%, on average, over a typical MRFP.**

Questions	% Improvement in Test Scores
<b>Expense information</b> “What is the Management Expense Ratio (MER) for Hextone Series A?”	72%
<b>Performance Information</b> “What is the 3-Year Annual Compound Return for Hextone Series A?”	46%
<b>Material Changes to the Fund</b> “Please identify a material change that occurred in the fund.”	76%
<b>Average Improvement =</b>	<b>65%</b>

**Key Findings:**

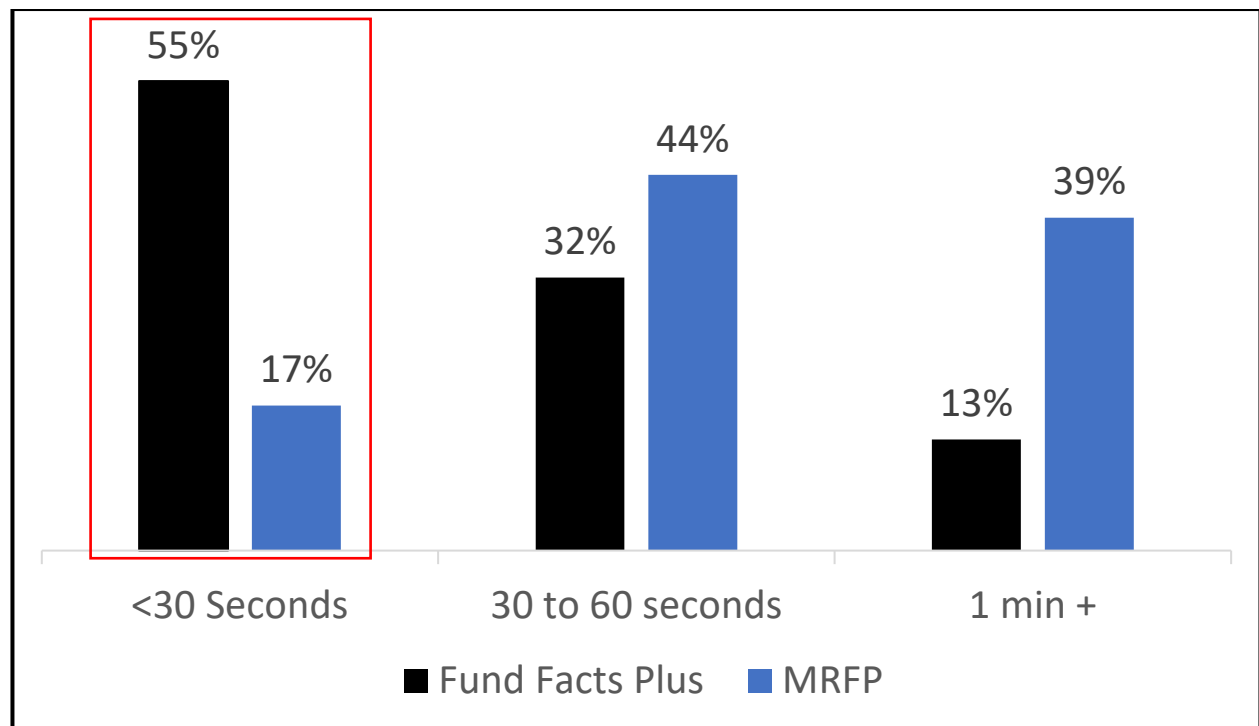
- There was a 65% improvement in test scores among investors with lower levels of financial literacy. There were marked improvements in scores across other segments in most need of protection.
- “Would-be investors” (i.e., those who do not currently own funds/ETFs but plan to) had a 44% improvement in test scores when viewing a Fund Facts Plus.
- Almost 60% of investors found Fund Facts Plus *easy* to understand, while 63% of investors found the MRFP *difficult* to understand.



**The Fund Facts Plus approach reduces the time it takes for investors to find key information on expenses, performance, and material changes.**

Among respondents who answered correctly, three times as many were able to find the information quickly (i.e., in less than 30 seconds) when reviewing the hypothetical Fund Facts Plus than when reviewing the typical MRFP. Their self reported times are consistent with measured times observed during the administration of the survey instruments. (See Figure 6.)

**Figure 6. Investors find key information 3x faster with a Fund Facts Plus (among those who answered correctly).**



### III. Building on the CSA's Successful Fund Facts Approach to Provide a Smooth Transition to Digital Disclosures<sup>15</sup>

Financial literacy studies in numerous countries and applications note that individual investors better absorb and retain information when it is presented in ways that are simple, visual (i.e., with charts,

<sup>15</sup> In response to the CSA's Notice and Request for Comment Specific Question 3(c) – regarding alternative "Notice methods."

lists, and graphs -- not lots of legalese), and accessible.<sup>16</sup> By every account, the CSA's Fund Facts (and ETF Facts) disclosures are effective in conveying key *purchase* information to investors and in reducing costs. Based on an earlier survey, 88% of investors say they are aware of these disclosures, and 86% say they are helpful in comparing investments.<sup>17</sup>

By comparison, when it comes to *monitoring and evaluating* their investments on an ongoing basis, fewer investors are aware of MRFPs (66%), and of those who are aware (49%) say they aren't useful.<sup>18</sup> In comparison to the MRFP, based on testing, investors say a Fund Facts Plus would provide a 54% improvement in usefulness for monitoring and evaluating funds.<sup>19</sup>

**As a practical matter, the Fund Facts Plus approach could be furnished to investors without the need to undertake an arduous redesign of the MRFP.**

Instead, amendments could specify which information from MRFP filings would need to be included in the Fund Facts Plus (and EFT Facts Plus). Brief, plain-English summaries of the MRFP information that investors say is most important to them could be added to existing Fund Facts disclosures. A prior study was helpful in identifying the key information.<sup>20</sup>

The existing Fund Facts disclosure already contains most of the essential information for a Fund Facts Plus. Adding key summary information (extracted from the MRFP) would not unduly add to its length (i.e., information on annual compounded returns and recent material changes). Because fund companies already produce and file all the necessary information, the process to include this summary information in a new Fund Facts Plus disclosure should not be unduly burdensome. If the CSA were to require that certain information be filed in a machine-readable format (as other regulators have with disclosure information in other countries), the process of creating a Fund Facts Plus could be further automated.

### **Digital and interactive content**

Current technology is especially suited to the goal of making regulations more effective to the average investor and more cost-efficient to fund companies.

For example, the Fund Facts Plus could include a QR code that provides a direct, personalized way for investors to access interactive tools and more detailed information online (i.e., the complete MRFP). QR codes can enable investors to enroll in electronic delivery of Fund Facts Plus as well as other communications from their fund companies, resulting in far greater cost-savings on paper and postage. These functions are not enabled by the CSA's proposed approach. (See Figure 7.)

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<sup>16</sup> In the U.S., the SEC implemented an investor research initiative led by the SEC's Office of the Investor Advocate ("OIA"), dubbed 'POSITIER', also known as Policy Oriented Stakeholder and Investor Testing for Innovative and Effective Regulation. POSITIER seeks to inform the rulemaking process with evidence obtained from surveys and specific testing projects. Under this initiative, the OIA examined the topic of Retail Disclosure Effectiveness, to identify and test interventions that increase investor awareness of key investment features and, in turn, improve investment outcomes. More information can be found at <https://www.sec.gov/advocate/positier>

<sup>17</sup> True North 2021 Canadian Investor Survey, slide 8.

<sup>18</sup> True North 2021 Canadian Investor Survey, slide 12.

<sup>19</sup> True North 2022 Canadian Investor Survey, slide 14.

<sup>20</sup> Information on expenses, performance, and materials risks was tested because investors indicated in an earlier study that it was important to them in monitoring their investments, True North 2021 Canadian Investor Survey, slides 13 and 15.

Figure 7. QR codes provide a smooth path to an enhanced digital experience.



To view an illustrative, interactive online disclosure, simply point your smartphone camera on the QR code, open, and scroll

Email message enhancements offer another example. Enhancements can provide a better, digital experience than a generic message with a link to a lengthy pdf. Email messages can include key content in the body of the message, as well as links to interactive reports specific to each investor. Such enhancements are proving successful in other jurisdictions in encouraging more investors to accept digital delivery. Figure 8 contains an illustration of an enhanced email message.

[Fund Facts +](#)

# HEXTONE BALANCED FUND

**Series A**  
**BRHT686**  
**Hextone Asset Management**

We're excited to introduce a new way to help you monitor your fund investment

View Interactive Summary Information →

[Get Fund Facts +](#)

### HOW HAS THE FUND PERFORMED?

Series A as of June 30, 2022

1-YEAR RETURN	3-YEAR RETURN	5-YEAR RETURN	SINCE INCEPTION
+ 12.6%	+ 12.2%	+ 6.0%	+ 7.7%

### HOW MUCH DOES IT COST?

**SERIES A MANAGEMENT EXPENSE RATIO (MER) 1.25%**

Get More Information & Details

- Economic conditions and growth forecasts remain good by historical standards but have moderated amid headwinds from the highest inflation in decades and less monetary and fiscal support.
- Against a backdrop of strong economic growth and high inflation, bond yields should gradually increase but returns will be modest and insufficient to offset the impact of inflation.

### RECENT CHANGES TO THE FUND

- The fund has reduced its maximum asset allocation in foreign securities to 30%.
- A co-investment fund manager, Hextone Asset Management (US) Inc. will be added effective January 1, 2023. Hextone Asset Management (US) Inc. is an affiliate of the current manager.

**Live pilots in the U.S. show significant improvements in investor engagement when enhanced email messages are used to convey key summary information from mutual fund and ETF shareholder reports.**

In the U.S., several fund companies are piloting attractive, digital-first disclosure experiences with their investors.<sup>21</sup> The SEC's new regulations for providing *Tailored Shareholder Reports* facilitate a smooth transition to digital delivery by providing useful summary information without all the steps to access it.<sup>22</sup>

Pilot results indicate that this approach greatly improves investors' access and engagement with key summary information on their investments.<sup>23</sup> There was a 10X improvement in measured "open rates." Anecdotal information from fund companies indicated that the approach reflected favourably on their brands.

**Other ways to foster digital adoption: Incentives and universal consent**

Several ideas are being discussed for improving upon the relatively low rates of digital adoption in Canada. One idea is the potential for incentive programs to increase adoption. This idea refers to an incentive program that was implemented in the U.S by the New York Stock Exchange (NYSE) and the SEC -- it increased e-delivery adoption over a 5-year period at great net cost savings to issuers and fund companies.<sup>24</sup>

Another idea being discussed is the potential to use a universal e-delivery 'consent' agreement.<sup>25</sup> The CSA plays an especially critical role in this regard because private-sector initiatives have achieved only modest success in the face of the complex regulatory hurdles to fostering greater adoption of electronic delivery.

Broadridge is committed to working with fund companies, corporate issuers, banks, broker-dealers, and regulators to drive increasing usage of technology, to improve awareness of disclosure information, and to provide increasing cost savings. We welcome discussion with regulators, investor advocates, and industry representatives on these and other ideas to accomplish these goals.

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<sup>21</sup> The pilot replaced legacy emails that contained no summary content, but merely provided a link to a static document online.

<sup>22</sup> Tailored Shareholder Reports, supra note 2.

<sup>23</sup> The email contains publicly available information.

<sup>24</sup> In the U.S., the NYSE and SEC approved and supported a 5-year pilot program (from 2013 to 2018) to encourage digital adoption to foster greater retail engagement and cost savings. Under the program, corporate issuers and fund companies paid a one-time incentive fee of \$0.99 to broker-dealer intermediaries when an investor selected e-delivery for their account preference. Funds and issuers saved significantly more than the one-time incentive fee paid because the 'consent' was applied to the current and future communications.

<sup>25</sup> One potential option would be for the regulators and industry to partner on a pilot program to create a universal consent that would cover broker-dealer, mutual funds, banks, and corporate issuers. With an incentive program, brokers could "re-consent" their customers using a new universal consent agreement, thereby expanding these programs to cover all required disclosures for all entities and turbo charging the move to digital delivery.

#### IV. “Fund Facts Plus:” Greater Efficiency Savings for Fund Companies and Investors.

**The proposal provides little information on the cost savings benefits of the Access-based model.** As noted in earlier comment letters, most of the savings from the CSA’s proposed Access-Based model would accrue to a few of the largest firms.<sup>26</sup> Based on the CSA’s assumptions about the cost of filing a media release, the proposal would increase costs for funds that have low subscription volumes and do not currently issue media releases when new MRFPs are filed. Its minor cost savings would accrue to a few of the largest funds.

**The unit cost of mailing a Fund Facts Plus is about the same as an annual reminder notice.** Postage comprises approximately 70% of the combined paper & postage unit cost of sending annual reminder notices. To the extent that some Fund Facts Plus disclosures are sent by mail (instead of email), they would qualify by weight for the lowest available postage rate (i.e., *Incentive Lettermail*). Given the brevity of a Fund Facts Plus disclosure, the unit cost of mailing (paper & postage) would be similar to that of an annual reminder notice.

**Fund Facts Plus provides a better, more significant way to lower costs.** Virtually all annual reminder notices are currently delivered by mail. Yet, two-thirds of investors want to receive annual disclosure information automatically and electronically by email.<sup>27</sup> (See Figure 9.) Their strong preferences for e-delivery are confirmed by numerous studies of investor delivery preferences.<sup>28</sup>

**Figure 9. 81% of investors either want email delivery, or a combination of email and mail delivery.**

Preferred Delivery Method	Results
Send it to me electronically by email	64%
Send it to me by email and mail	17%
Send it to me by mail	19%

81% want email delivery, or a combination of email and mail

Many respondents indicated they would like to receive Fund Facts Plus disclosures electronically by email. Electronic delivery of Fund Facts Plus disclosures would provide postage savings over sending annual reminder notices by mail. To the extent that more investors choose to receive these and other disclosures electronically, fund companies would realize added efficiency opportunities.

**Amendments designed around providing summary information would lead to greater efficiencies for virtually all fund companies.** We note that a media release model does not provide a one-step method

<sup>26</sup> Our analysis indicates that the largest companies could realize economic benefits from AED, while 88% of all Canadian issuers would be economically worse off if they relied on it, Broadridge’s July 6, 2022 comment letter to the CSA, available at [https://www.osc.ca/sites/default/files/2022-07/com\\_20220706\\_41-101\\_moenm.pdf](https://www.osc.ca/sites/default/files/2022-07/com_20220706_41-101_moenm.pdf)

<sup>27</sup> True North 2022 Canadian Investor Survey, slide 13.

<sup>28</sup> FINRA Foundation “Investors in the United States: The Changing Landscape, A Report of the FINRA Foundation National Financial Capability Study” (December 2022) (“Email (38 percent) has overtaken physical mail (30 percent) as the most widely preferred method for receiving disclosures. Preference for email has increased since 2015, while preference for physical mail has decreased.”), available at <https://www.finrafoundation.org/sites/finrafoundation/files/NFCS-Investor-Report-Changing-Landscape.pdf>

for investors to enroll in electronic delivery for MRFPs or for other documents and communications that fund companies and broker-dealers mail to them. With QR codes, enhanced email messages, and interactive features, we expect that a Fund Facts Plus model would ultimately prove to be more cost-effective overall because it would lead to greater levels of e-delivery of annual disclosure information and other communications as well.<sup>29</sup>

**Potential additional savings from eliminating MRFP mailings.** The CSA's proposed Access-Based model includes a provision for investors to request to receive mailed hard copies of full MRFP disclosures. If the CSA were to determine that the Fund Facts Plus disclosure is sufficient protection, then fund companies would realize added savings from eliminating costs associated with capturing and fulfilling investor requests for hard copies of MRFP disclosures.

**Intangible benefits:** Because many investors indicate a strong preference for receiving useful summaries, fund companies could realize benefits in goodwill and brand image. Investors would spend less of their valuable time finding key information to monitor their fund investments. Moreover, a Fund Facts Plus disclosure has the potential to foster better investment decision making particularly among would-be investors and segments of investors who are in most need of understandable information.

It is axiomatic that it is in everyone's interest for investors to be informed, aware, and engaged. As an example, many fund companies and institutional asset managers are eager to provide "proxy voting choice" to their investors for the securities held in a fund. Investors who are engaged in communications from their fund companies are more likely to add their "voice" in matters of corporate governance.

## V. Conclusion

The CSA's proposed Access-Based model misses an opportunity to better inform investors and provide meaningful cost savings to all fund companies. It would replace one fragmented approach to accessing important information with another. Instead of receiving annual notices reminding investors that they can request the MRFP, investors would need to monitor websites for media releases announcing that they could request the MRFP or search for it online. In both cases, the few investors who take steps to access the MRFPs encounter a lengthy document that proves difficult for most of them to understand.

An unfortunate consequence of adopting the proposed Access-Based model would be to create unintended barriers to awareness and engagement, and to miss an opportunity to foster greater financial literacy among Canadian investors, particularly among segments of investors who most need it. Testing indicates that the Fund Facts Plus would improve investors' understanding of key information by over 60% and require a fraction of the time to access it.

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<sup>29</sup> As mentioned above, the CSA's proposed media release process for document notification does not provide a way for investors to directly enroll in electronic delivery. By contrast, a QR code on a Fund Facts Plus can provide an easy way for investors to access fund and broker websites, or in-app facility, to enroll in electronic delivery for Fund Facts Plus and for other regulatory disclosures as well. This would lead to added cost savings on paper and postage for all fund companies.

Amendments to the MRFP disclosure model should focus instead on ensuring that investors receive the information they need, at the right times, and that it is presented in ways the average investor can understand. The CSA previously furnished investors with an effective *purchase* disclosure model with Fund Facts (and ETF Facts). That approach can be leveraged to better convey key information for *monitoring and evaluating* mutual fund and ETF investments on an ongoing basis.

A Fund Facts Plus approach containing certain key, summary information from the MRFP could be furnished without undue burden to fund companies because they already file all the necessary information. Most investors would prefer to receive it electronically.

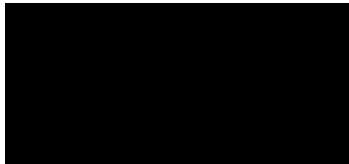
The proposed Access-Based model is out-of-step with regulatory initiatives underway in other major securities markets. It fails to reflect the ways in which current technology applications (including SEDAR+) can improve investor engagement with regulatory disclosures while also providing more significant cost savings for the industry. Fund Facts Plus could greatly improve the user experience in receiving information electronically because it can contain personalized features that are not possible with a media release. By a factor of 7 to 1, investors prefer to receive annual disclosure information automatically or in summary format to monitoring websites for media releases. Only 12% of investors prefer the proposed Access-Based model.

Evidence from other jurisdictions demonstrates, moreover, that the application of technology can help to “future proof” regulations in the face of evolving technology developments.

As always, Broadridge is committed to investments in technology and processing to make disclosures more effective for Canadian investors and more efficient for fund companies. We look forward to continuing the work with regulators, fund companies, and investor advocates on these important goals.

We welcome any questions you may have.

Sincerely,



Martha Moen  
General Manager, Investor Communication Solutions, Canada

**Attachments:**

Attachment 1 - True North 2022 Canadian Investor Survey

Attachment 2 - Lusardi & Mitchell “Big Three” Financial Literacy Questions

Attachment 3 - Sample Fund Facts Plus

**Attachment 1**

**True North 2022 Canadian Investor Survey**





# INSIGHTS

by

TRUENORTH

## Report on Canadian Investor Survey Commissioned by Broadridge Financial Solutions

December 2022

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# Executive Summary

01

## What the research reveals

**82% of investors prefer to receive annual disclosure information or notices automatically.**

- Only 12% of investors prefer the proposed Access-Based method.

**The MRFP is not effective in communicating key information, including expenses, performance, and materials changes to average investors.**

- Only 35% of investors correctly answered three basic questions when viewing a typical MRFP.
- Only 17% of investors were able to answer all three questions correctly when viewing a typical MRFP.
- Vulnerable segments needing more protection had even lower scores when viewing the MRFP.

**A Fund Fact Plus would improve understanding of key information by over 60%.**

- With Fund Facts Plus, scores improved in all segments of investors, including the most vulnerable.

## What the research reveals (continued)

### **The Fund Facts Plus makes it easier and faster to accurately locate key information on expenses, performance, and material changes.**

- Those who reviewed the Fund Facts Plus could locate the information 3x faster than those who viewed the MRFP (among those who scored correctly).
- Investors say the Fund Facts Plus makes it easier to find information (a 79% improvement over the MRFP), easier to understand (a 54% improvement over the MRFP), and more useful (a 58% improvement over the MRFP).
- All segments of investors, including the most vulnerable, say Fund Facts Plus is easier to use, easier to understand, and more useful to them in monitoring and evaluating their investments.

### **81% of investors prefer to receive information or notices automatically by email.**

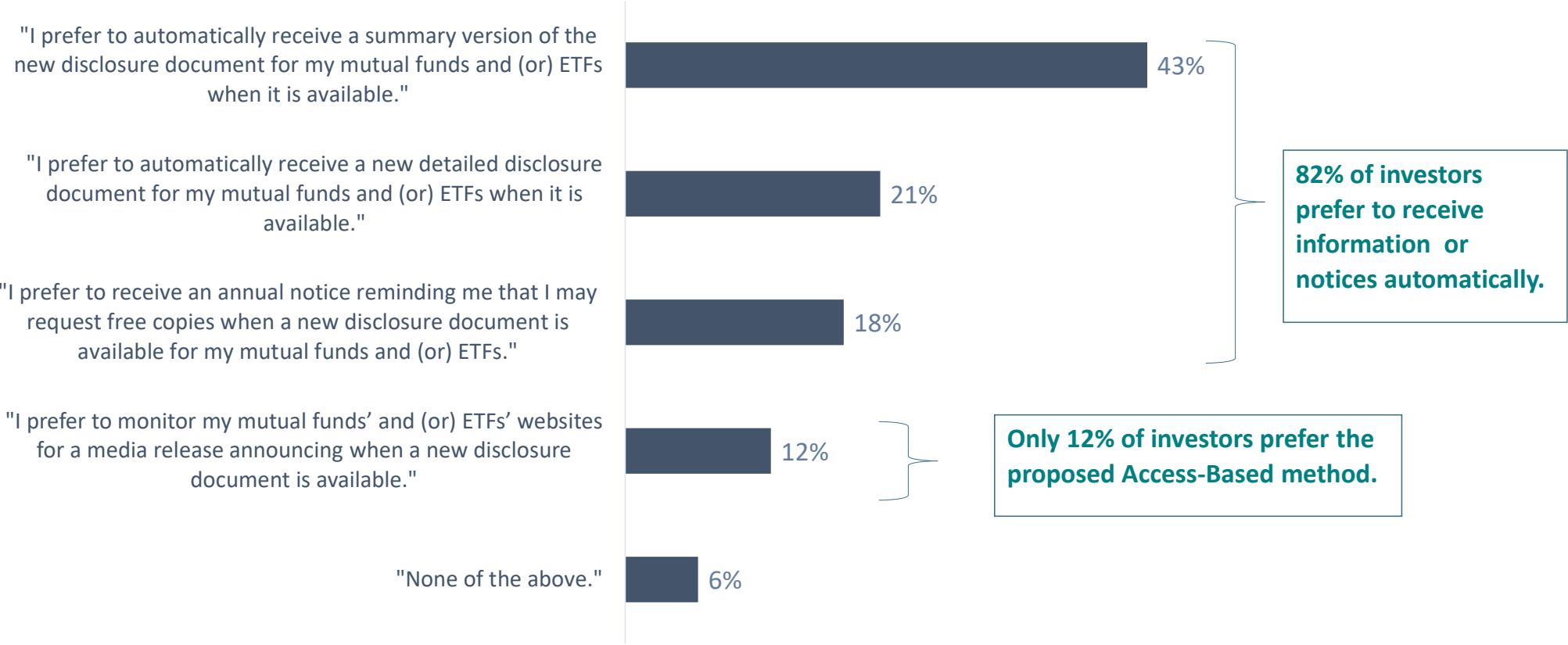


# Survey Findings

02

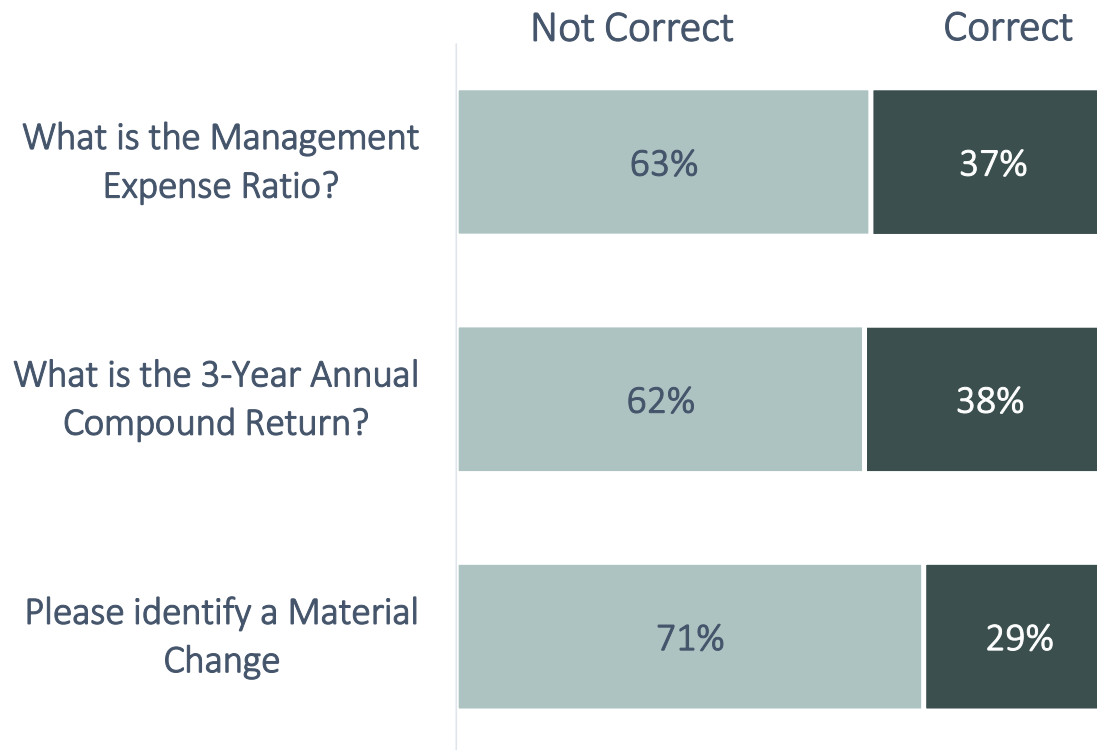
# Investors prefer to receive annual disclosure information or notices automatically.

They were asked to choose which way they would most prefer to receive annual disclosure information.



Q7. When it comes to reviewing annual disclosure information about your mutual funds and (or) ETFs, which way would you prefer?

# Only 35% of investors, on average, correctly answered the three basic questions when viewing a typical MRFP.



- The average correct score was 35% when viewing a typical MRFP.
- Only 17% of investors were able to answer all three questions correctly.

Q1. [BASE: ALL] What is the Management Expense Ratio (MER) for Hextone Series A? [RANDOMIZE]

Q2. [BASE: ALL] What is the 3-Year Annual Compound Return for Hextone Series A? [RANDOMIZE]

Q3. [BASE: ALL] Please identify a material change that occurred in the fund. [RANDOMIZE]



Vulnerable segments needing more protection had even lower scores when viewing the MRFP.

	MRFP Total	Income	Education	Assets	Gender	Potential Owners	Financial Literacy
		Less than \$25K	HS or less	Under \$10k	Female	Would Be	Lower Financial Literacy
	n=1,002	n=62	n=114	n=61	n=403	n=124	n=833

**Q1. What is the Management Expense Ratio (MER)?**

<i>Correct Answer</i>	<b>37%</b>	<b>35%</b>	<b>30%</b>	<b>36%</b>	<b>31%</b>	<b>30%</b>	<b>24%</b>
<i>Not Correct</i>	<b>63%</b>	<b>65%</b>	<b>70%</b>	<b>64%</b>	<b>69%</b>	<b>70%</b>	<b>76%</b>

**Q2. What is the 3-Year Annual Compound Return for Hextone Series A?**

<i>Correct Answer</i>	<b>38%</b>	<b>29%</b>	<b>27%</b>	<b>30%</b>	<b>33%</b>	<b>29%</b>	<b>25%</b>
<i>Not Correct</i>	<b>62%</b>	<b>71%</b>	<b>73%</b>	<b>70%</b>	<b>67%</b>	<b>71%</b>	<b>75%</b>

**Q3. Please Identify the Material Change that was Found in the Fund?**

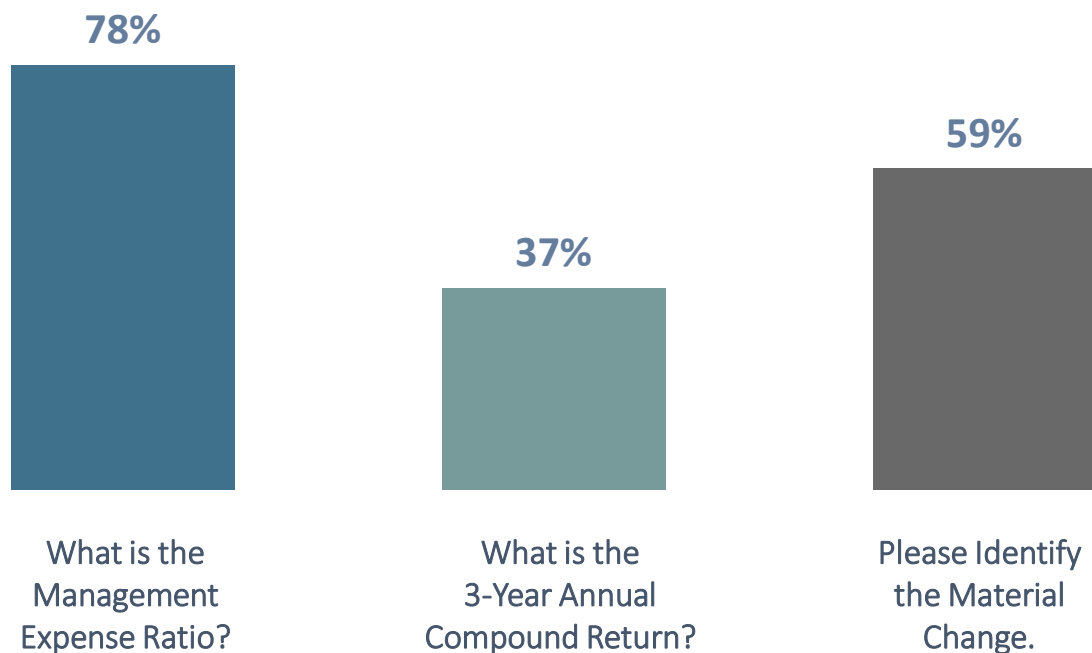
<i>Correct Answer</i>	<b>29%</b>	<b>23%</b>	<b>18%</b>	<b>21%</b>	<b>24%</b>	<b>17%</b>	<b>14%</b>
<i>Not Correct</i>	<b>71%</b>	<b>77%</b>	<b>82%</b>	<b>79%</b>	<b>76%</b>	<b>83%</b>	<b>86%</b>

Q1. [BASE: ALL] What is the Management Expense Ratio (MER) for Hextone Series A? [RANDOMIZE]  
 Q2. [BASE: ALL] What is the 3-Year Annual Compound Return for Hextone Series A? [RANDOMIZE]  
 Q3. [BASE: ALL] Please identify a material change that occurred in the fund. [RANDOMIZE]

■ / ■ Statistically higher / lower than the total at the 90% confidence level.

# The Fund Facts Plus improved test scores by 62% over a typical MRFP.

## % Improvement in Correct Scores with Fund Facts Plus



- There was a 65% improvement in correct scores among investors with lower levels of financial literacy.
- There were marked improvements in scores across other segments in most need of protection.

Q1. [BASE: MRFP] What is the Management Expense Ratio (MER) for Hextone Series A? [RANDOMIZE]

Q2. [BASE: MRFP] What is the 3-Year Annual Compound Return for Hextone Series A? [RANDOMIZE]

Q3. [BASE: MRFP] Please identify a material change that occurred in the fund. [RANDOMIZE]

## With Fund Facts Plus, scores improved in all segments of investors, including the most vulnerable.

	Fund Facts + Total	Income "Less than \$25k"		Education "HS or less"		Assets "Under \$10k"		Gender "Female"		Would Be		Low Financial Literacy	
		MRFP	Fund Facts +	MRFP	Fund Facts +	MRFP	Fund Facts +	MRFP	Fund Facts +	MRFP	Fund Facts +	MRFP	Fund Facts +
	n=998	n=62	n=71	n=114	n=117	n=61	n=71	n=403	n=391	n=124	n=126	n=833	n=662

### Q1. What is the Management Expense Ratio (MER)?

<i>Correct Answer (% improvement)</i>	<b>+23%</b>	<b>35%</b>	<b>+21%</b>	<b>30%</b>	<b>+7%</b>	<b>36%</b>	<b>+16%</b>	<b>31%</b>	<b>+25%</b>	<b>30%</b>	<b>+14%</b>	<b>24%</b>	<b>+16%</b>
---------------------------------------	-------------	------------	-------------	------------	------------	------------	-------------	------------	-------------	------------	-------------	------------	-------------

### Q2. What is the 3-Year Annual Compound Return for Hextone Series A?

<i>Correct Answer (% improvement)</i>	<b>+14%</b>	<b>29%</b>	<b>+19%</b>	<b>27%</b>	<b>+7%</b>	<b>30%</b>	<b>+24%</b>	<b>33%</b>	<b>+16%</b>	<b>29%</b>	<b>+9%</b>	<b>25%</b>	<b>+3%</b>
---------------------------------------	-------------	------------	-------------	------------	------------	------------	-------------	------------	-------------	------------	------------	------------	------------

### Q3. Please Identify the Material Change that was Found in the Fund?

<i>Correct Answer (% improvement)</i>	<b>+17%</b>	<b>23%</b>	<b>+15%</b>	<b>18%</b>	<b>+8%</b>	<b>21%</b>	<b>+16%</b>	<b>24%</b>	<b>+18%</b>	<b>17%</b>	<b>+9%</b>	<b>14%</b>	<b>+4%</b>
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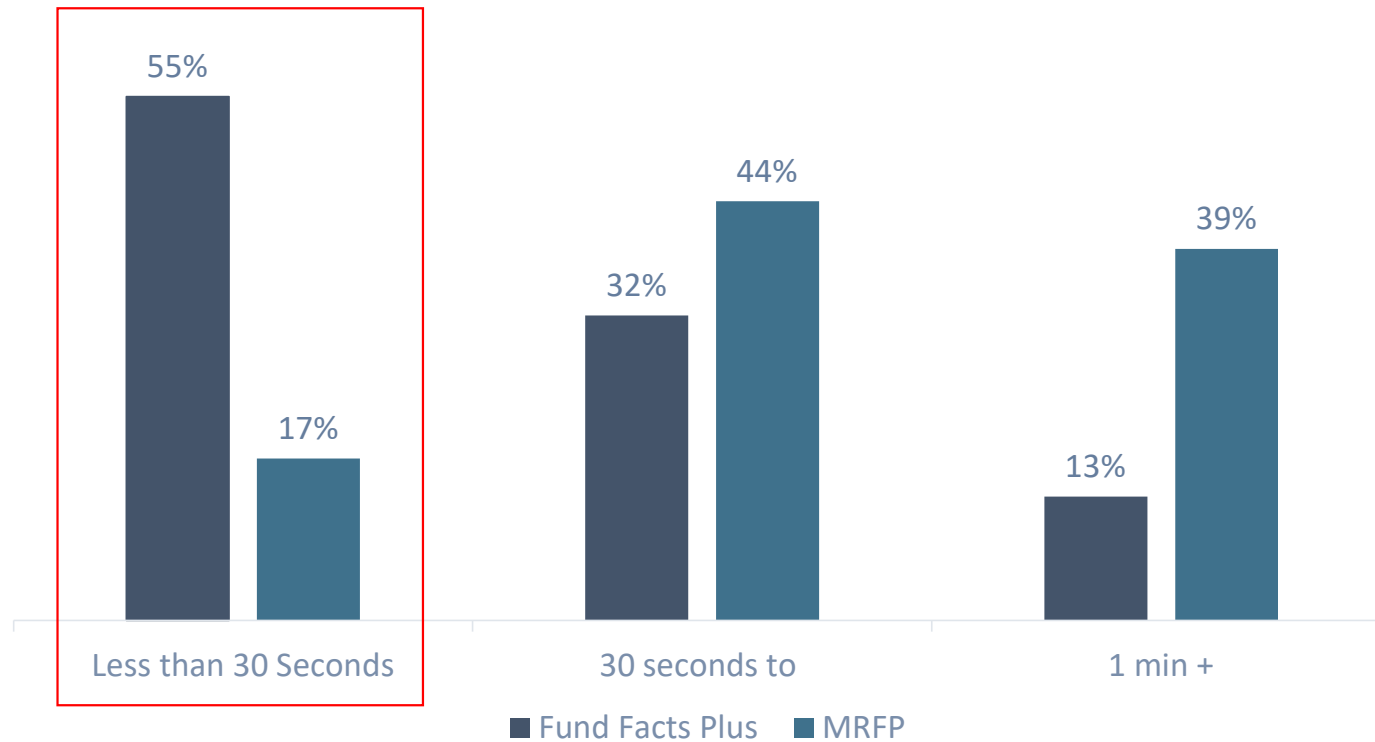
Q1. [BASE: ALL] What is the Management Expense Ratio (MER) for Hextone Series A? [RANDOMIZE]

Q2. [BASE: ALL] What is the 3-Year Annual Compound Return for Hextone Series A? [RANDOMIZE]

Q3. [BASE: ALL] Please identify a material change that occurred in the fund. [RANDOMIZE]

■ / ■ Statistically higher / lower at the 90% confidence level.

# The Fund Facts Plus reduces the time it takes for investors to find key information on expenses, performance, and material changes.

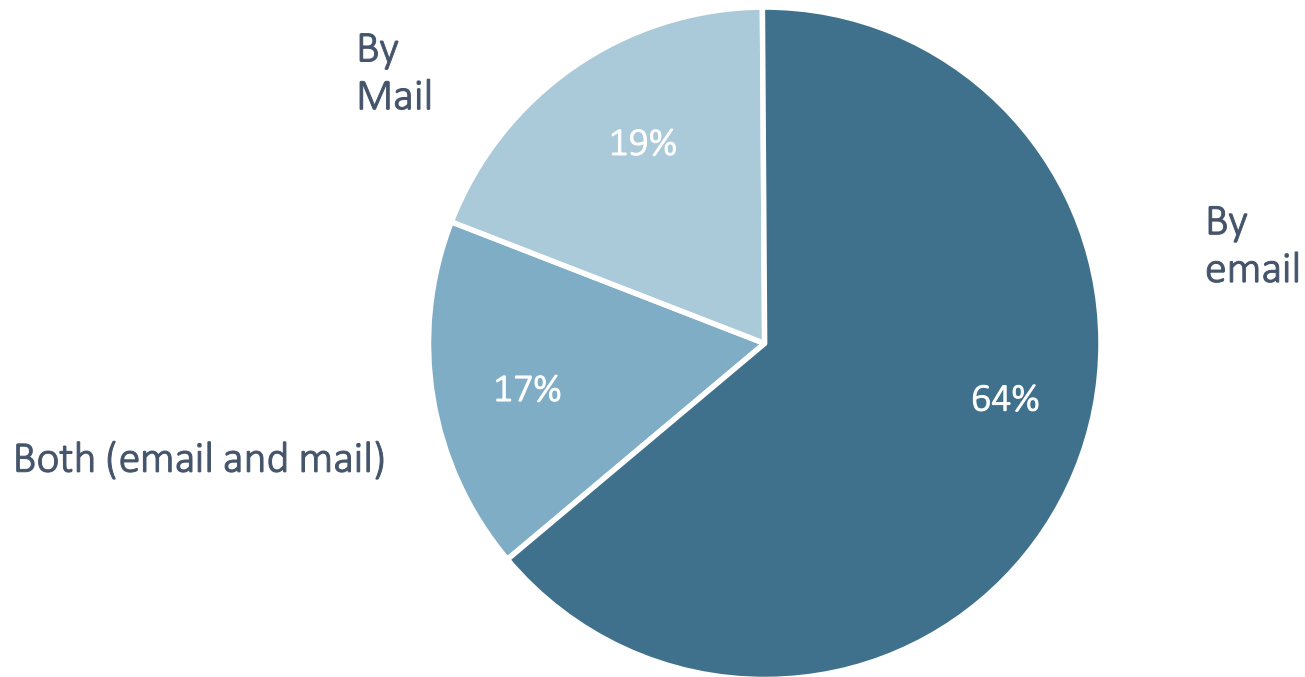


Among those who answered correctly...  
Q1a/2a/3a. [BASE: Correct Answer selected in Q1,Q2,Q3] How long did it take you to find the [1a=Management Expense Ratio; 2a=3-Year Annual Compound Return; 3a=material change to the fund]?

Their self reported times are consistent with measured times observed during the administration of the survey instruments.

# Investors prefer to receive information or notices automatically by email.

81% want email delivery, or a combination of email and mail

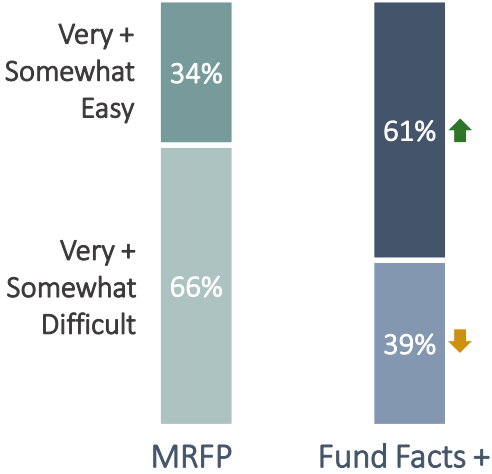


Q9. [BASE: Those who selected to receive the disclosure in Q#7 automatically 3/4]  
You said you prefer to receive the information automatically. Please indicate your preference.

# A Fund Facts Plus is easier to use, easier to understand, and more useful than the MRFP.

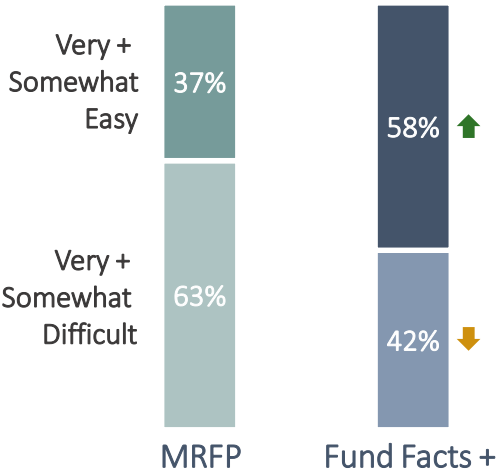
## Easy to Find

This is a 79% improvement over MRFP



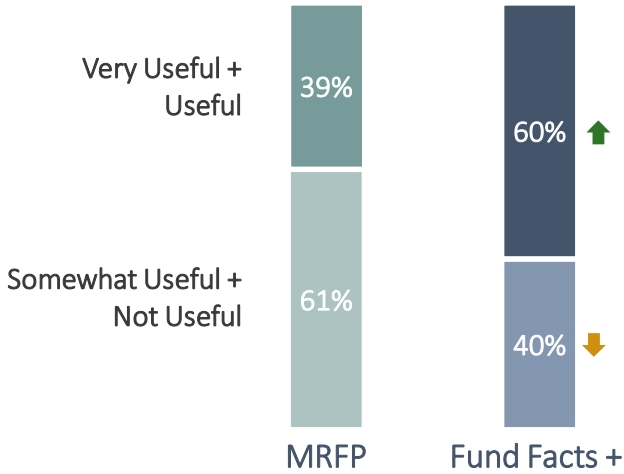
## Easy to Understand

That is a 57% improvement over MRFP



## Useful

That is a 54% improvement over MRFP



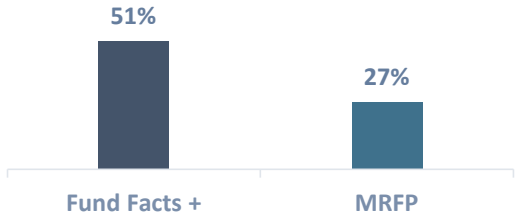
Q4. [BASE: ALL] How easy or difficult is it to find the information you were looking for?  
 Q5. [BASE: ALL] How easy or difficult is it to understand the information?  
 Q6. [BASE: ALL] How useful is this document for monitoring and evaluating your funds?

↑/↓ Statistically higher / lower at the 90% confidence level than total.

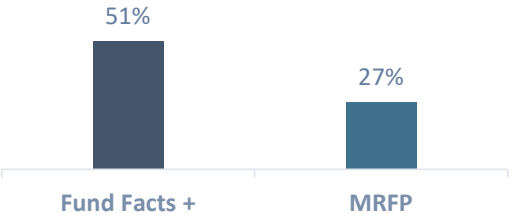
Easy to Find: All segments of investors, including the most vulnerable, say it's easier to find information with Fund Facts Plus than with the MRFP.

Q4: How easy or difficult was it to find the information you were looking for? Top 2 (Very and Somewhat Easy)

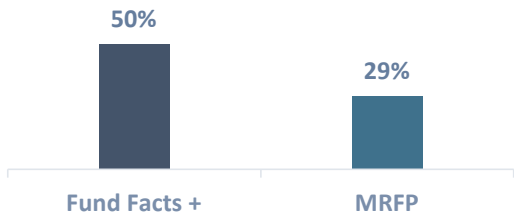
Less than \$25K Income



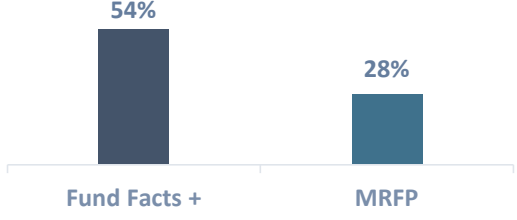
Less than \$10K Assets



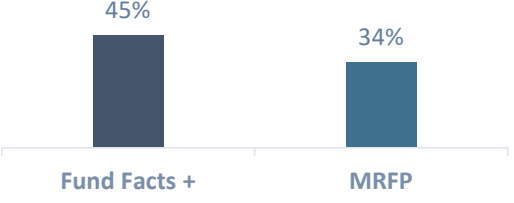
Education – High School or Less



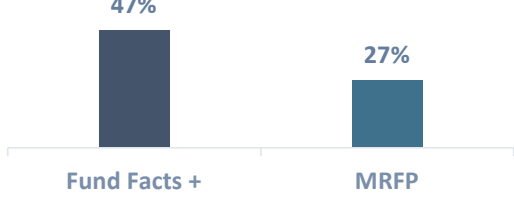
Gender - Female



Would-Be Investors



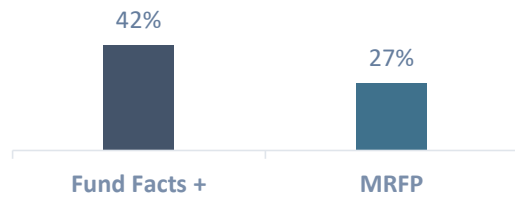
Low Financial Literacy



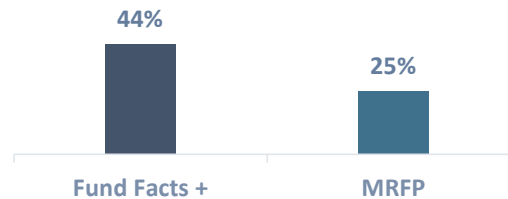
# Easy to Understand: All segments of investors, including the most vulnerable, say Fund Facts Plus is easier to understand than the MRFP.

Q5: How easy or difficult is it to understand the information? (Very and Somewhat Easy)

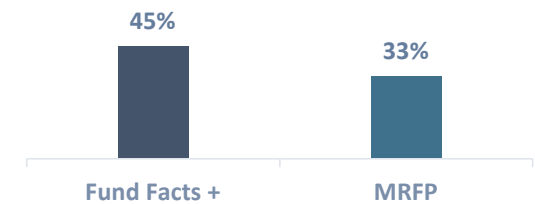
## Less than \$25K Income



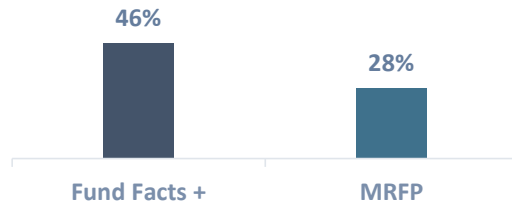
## Less than \$10K Assets



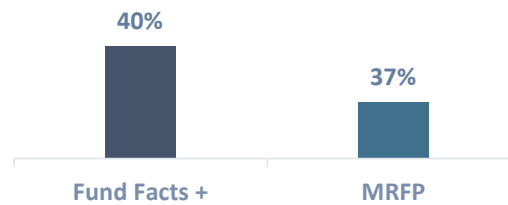
## Education – High School or Less



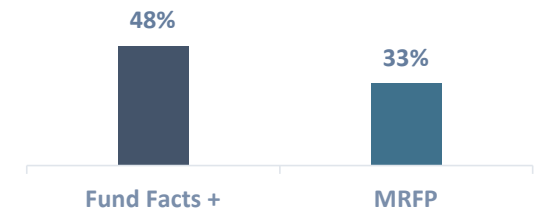
## Gender - Female



## Would-Be Investors



## Low Financial Literacy

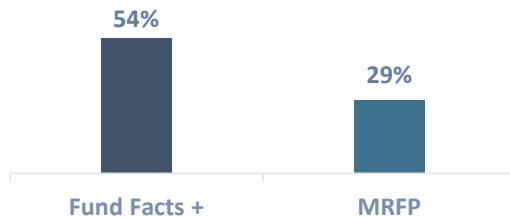




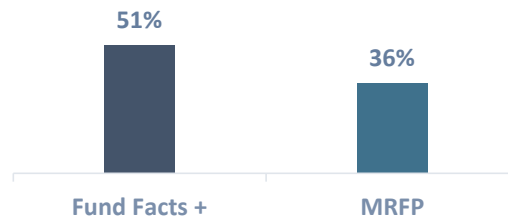
# Useful for Monitoring Investments: All segments of investors, including the most vulnerable, say Fund Facts Plus is more useful than the MRFP.

Q6: How useful is this document for monitoring and evaluating your funds? Top 2 (Very Useful and Useful)

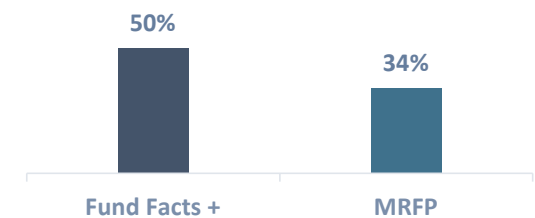
## Less than \$25K Income



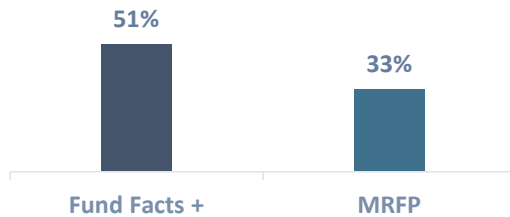
## Less than \$10K Assets



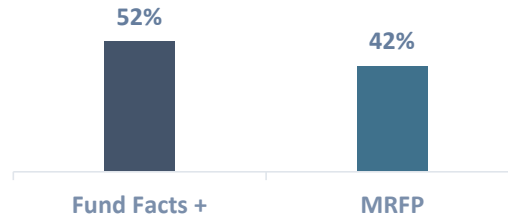
## Education – High School or Less



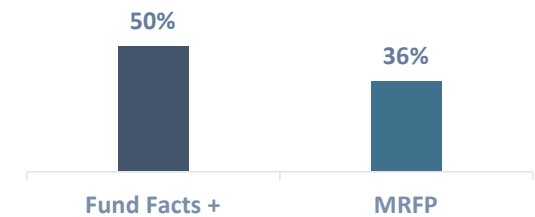
## Gender - Female



## Would-Be Investors



## Low Financial Literacy



# Appendix: Part I

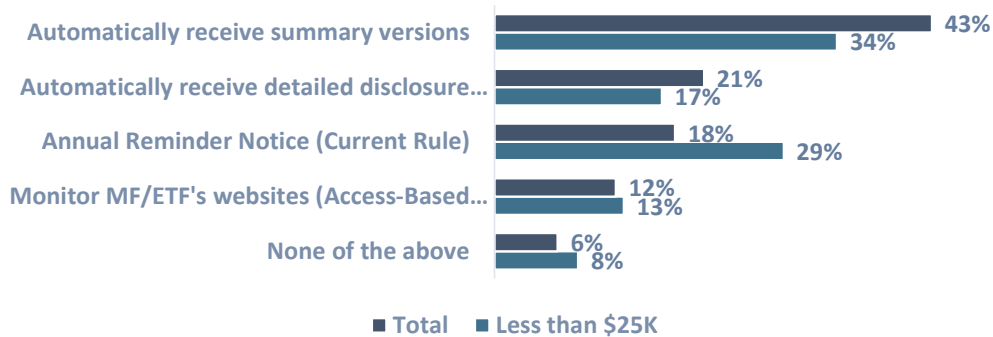
## Detailed Findings

- Preference for receiving disclosure
- Comprehension questions
- Preference for automatically receiving information

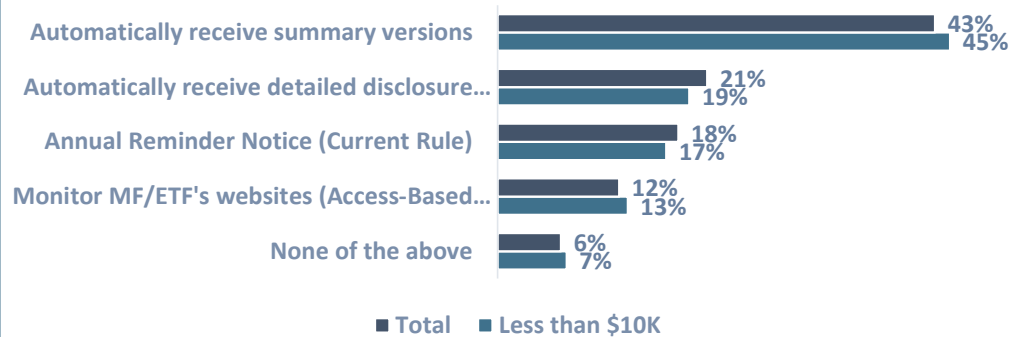
03

Preferences for reviewing annual disclosure information are consistent across all segments of investors. All prefer to receive summary information automatically.

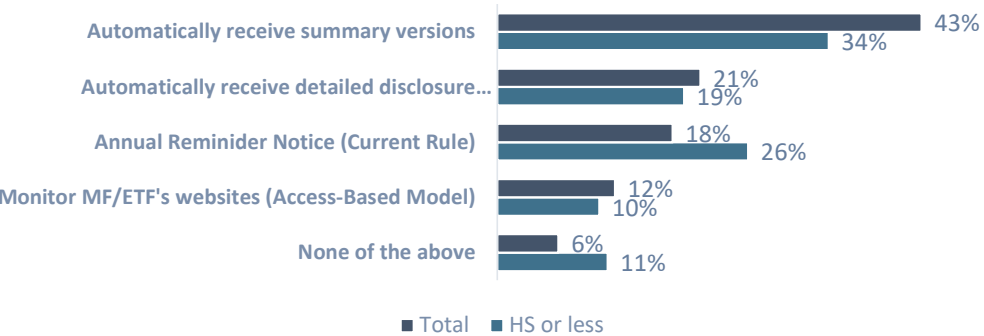
### Income



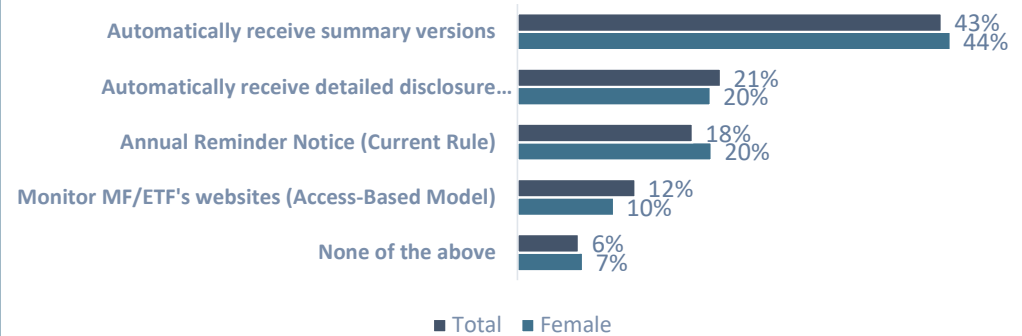
### Assets



### Education















### Gender



Q7. [BASE:LL] When it comes to reviewing annual disclosure information about your mutual funds and (or) ETFs, which way would you prefer?

## A Fund Facts Plus reduces the time it takes for investors to find key information on expenses, performance, and material changes.

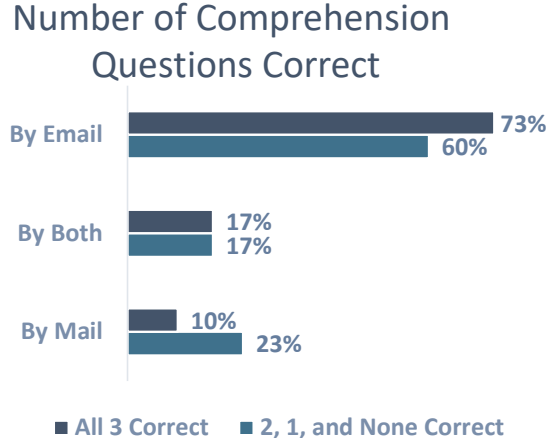
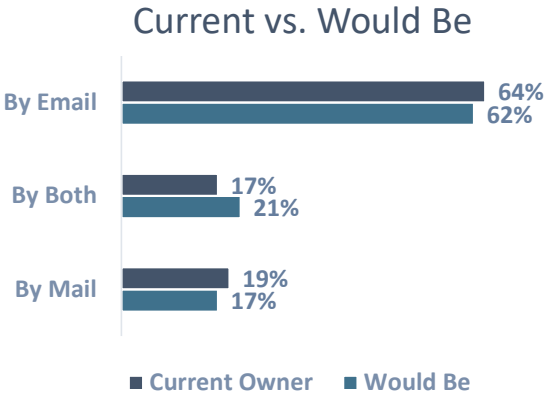
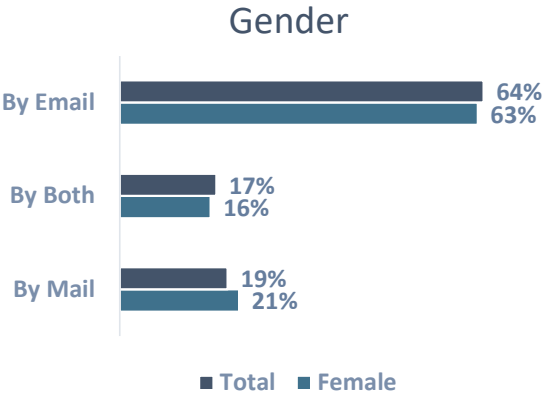
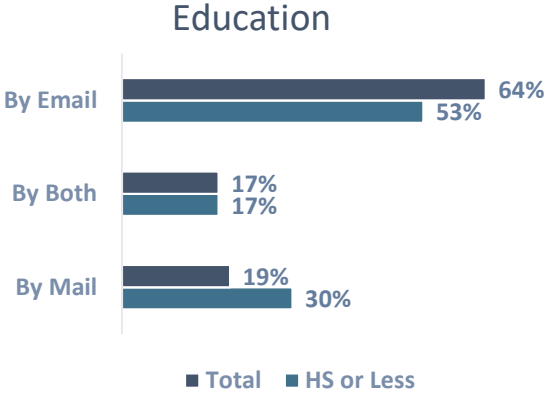
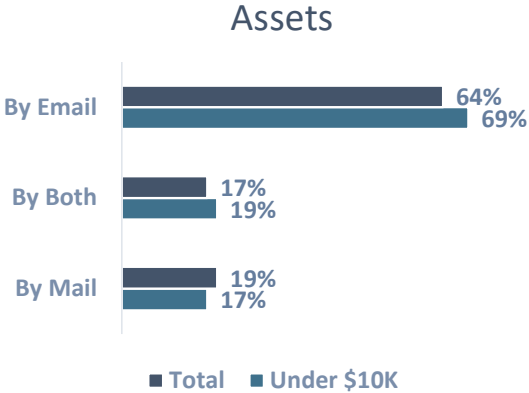
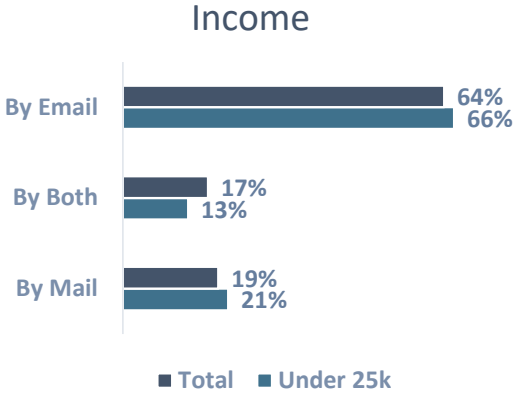
Information	Less than 30 seconds		30 to 60 seconds		1 minute or more	
	Fund Facts Plus	MRFP	Fund Facts Plus	MRFP	Fund Facts Plus	MRFP
Expenses	58% 	18%	30% 	48%	12% 	34%
Performance	53% 	12%	34% 	42%	14% 	46%
Material Changes	53% 	21%	33% 	41%	14% 	38%
Average	55% 	17%	32% 	44%	13% 	39%

  Statistically higher / lower at the 90% confidence level than total.

Among those who answered correctly...

Q1a/2a/3a. [BASE: Correct Answer selected in Q1,Q2,Q3] How long did it take you to find the [1a=Management Expense Ratio; 2a=3-Year Annual Compound Return; 3a=material change to the fund]?

# Preferences for email are consistent across all investor segments.



Q9. [BASE: Those who selected to receive the disclosure in Q#7 automatically 3/4] You said you prefer to receive the information automatically. Please indicate your preference.

## Appendix: Part II

- Background
- Methodology
- Demographics info

03

# Background and Objectives

## Background

Canadian mutual funds and ETFs are required to mail investors an annual notice to remind them that they can obtain copies of their fund's continuous disclosure filings by requesting them. Recently, Canadian regulators proposed an alternative model that would allow funds to post a media release and documents on their websites.

Broadridge is interested in testing a third option for the CSA to consider. That is, to replace the current model with a modified version of the Fund Facts disclosures (Fund Facts Plus), which would contain some of the key information found in a fund's Management Report of Fund Performance ("MRFP"). The modified version could be sent to investors digitally or by mail.

## Objective

To evaluate how effective the proposed and alternative models would be in informing investors of key information, including fund performance, expenses, and material changes to their funds. To ascertain investors' relative views on how easy or difficult the information is to access or find and to determine which model they prefer. To determine their preferences on how they wish to receive the information.

# Survey Methodology

A total of 2,000 online surveys were completed among mutual fund and ETF Canadian investors from November 22 - December 7, 2022. The margin of error for this sample is +/- 3%. An additional 250 respondents who said they expect to purchase mutual funds or ETFs in the next year or two were also surveyed. Respondents were shown a generic example of a modified Fund Facts disclosure (Fund Fact Plus) or a typical Management Report of Fund Performance (MRFP) and asked questions to test their ability to find and understand key information on expenses, performance, and material changes.

## **Respondent qualifications:**

All respondents who currently hold stocks, mutual funds, or ETFs outside of employer-sponsored retirement and Registered Education Savings plans. Respondent screening included:

- At least 18 years of age.
- Primary or shared investment decision-making in the household.

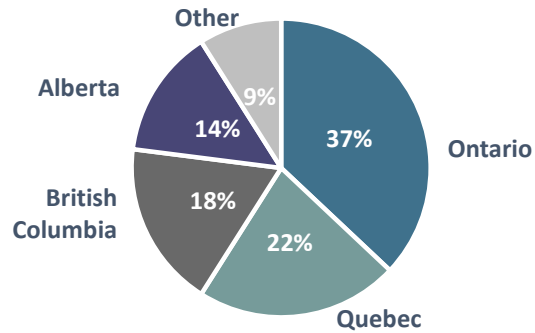
## **In order to provide a representative sample, this study was balanced as follows:**

- Initial outbound invitations were deployed to be balanced to the Canadian census on province, gender, age, and income.
- The survey “starts” were balanced to the Canadian census on province, gender, age, and income.
- Those qualifying to complete the survey were representative of investors with stocks, mutual funds, and ETFs outside of employer-sponsored retirement and Registered Education Savings plans.
- Respondents were randomly assigned to view either a hypothetical Fund Facts Plus report or a typical MRFP.
- The panel was provided by EMI Solutions, a leading online sample and quantitative research consultancy.

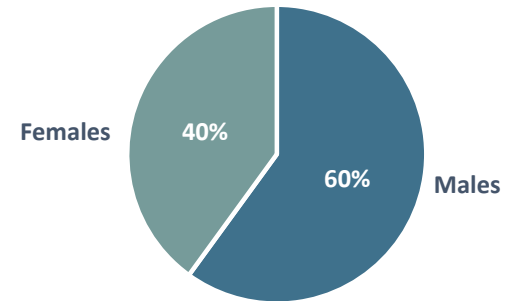


# Demographics – Current Investors

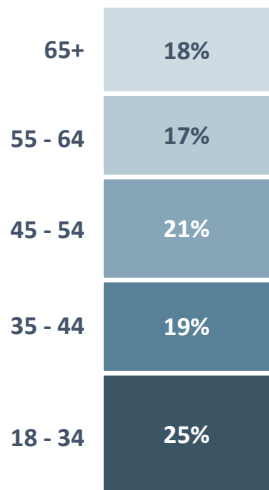
Provinces



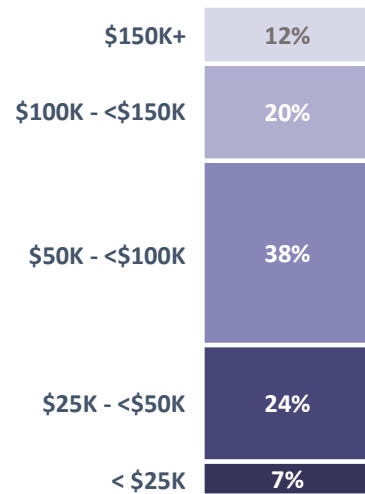
Gender



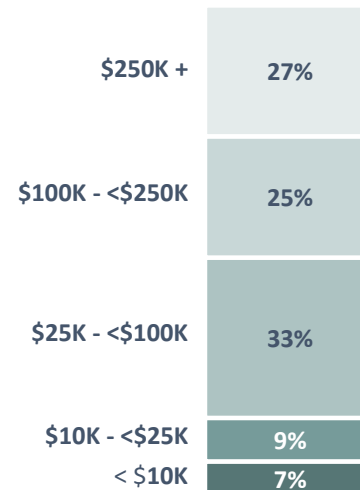
Age



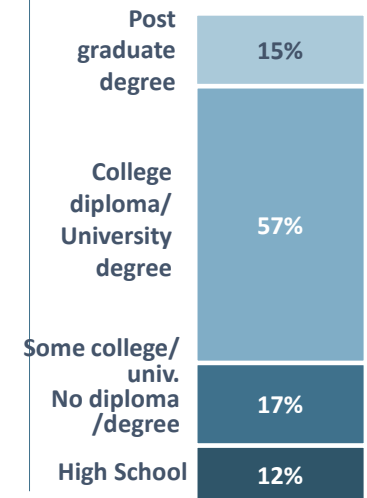
Household Income



Wealth (Investable Assets)

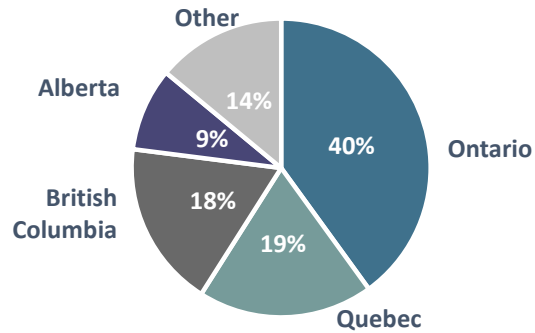


Education

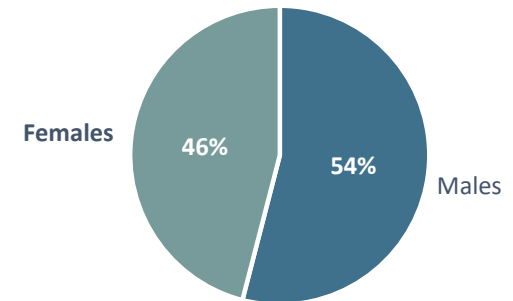


# Demographics – Would-Be Investors

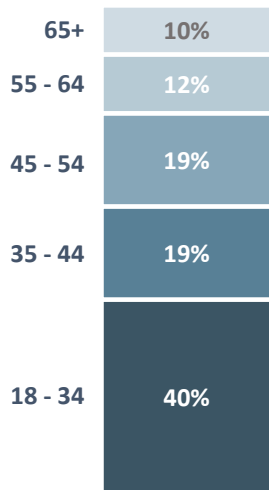
Provinces



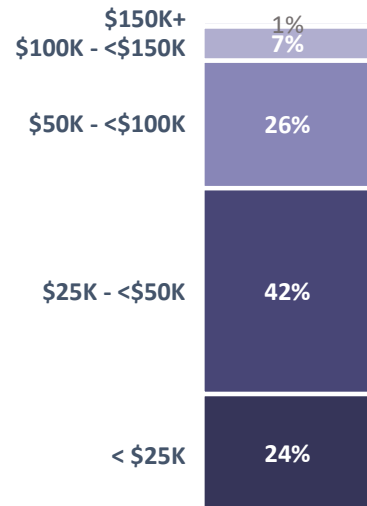
Gender



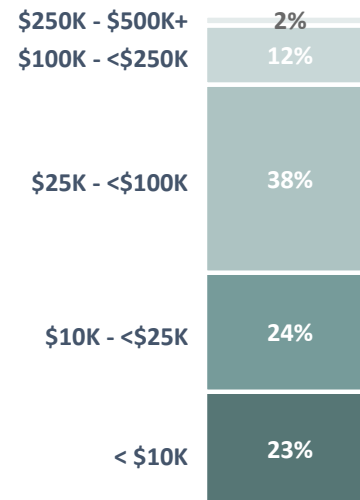
Age



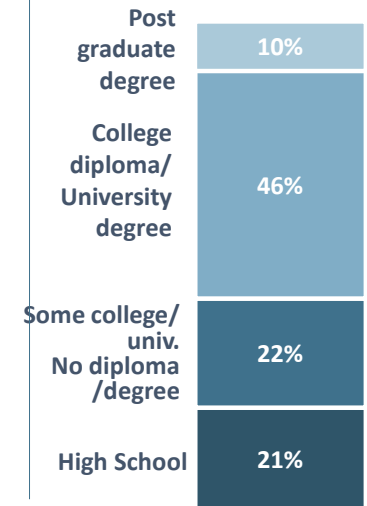
Household Income



Wealth (Investable Assets)



Education



## Attachment 2

### Lusardi & Mitchell "Big Three" Financial Literacy Questions



### Three Questions to Measure Financial Literacy

The “Big Three” financial literacy questions (listed below), created by Director Annamaria Lusardi and Professor Olivia S. Mitchell, have now been used in more than 20 countries to measure financial knowledge. Comparisons of results across countries have demonstrated that financial illiteracy is a global problem, that financial literacy peaks in middle age, and that women consistently score lower than men.

Lusardi and Mitchell provide an overview of the findings related to the “Big Three” questions in their paper “Financial Literacy Around the World: An Overview,” which is one of the *Journal of Pension Economics and Finance*’s ten most-cited articles. Among individuals in both well- developed and developing economies, financial literacy is very low. This matters because financially literate people are more likely to save for retirement than their less financially literate counterparts. The study concludes with a recommendation to develop more and better-targeted financial education programs.

Read the paper [here](#).

#### The “Big Three” Financial Literacy Questions (correct answer marked with asterisks)

1) Suppose you had \$100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow?

- More than \$102\*\*
- Exactly \$102
- Less than \$102
- Do not know
- Refuse to answer

2) Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, how much would you be able to buy with the money in this account?

- More than today
- Exactly the same
- Less than today\*\*
- Do not know Refuse to answer

3) Please tell me whether this statement is true or false. “Buying a single company’s stock usually provides a safer return than a stock mutual fund.”

- True
- False\*\*
- Do not know
- Refuse to answer

## **Attachment 3**

### **Sample Fund Facts Plus**

# Hextone Balanced Fund - Series A

June 29, 2022



**H E X T O N E**



**QR code provides access to interactive content.**

This Fund Facts report contains important information about the Hextone Balanced Fund for the Period of January 1, 2022 to December 31, 2022. You are encouraged to find additional information at [broadridgehextonefunds.ca/balancedfunddoc](http://broadridgehextonefunds.ca/balancedfunddoc) or on the [BroadridgeHextoneFunds App](#). You can also request this information by contacting us at 1-800-555-0100 or [documents@broadridgehextone.ca](mailto:documents@broadridgehextone.ca).

**Before you invest in any fund, and for ongoing monitoring, you should consider how it would work with your other investments and your tolerance for risk.**

Effective June 29, 2022, the administration fee for this series of the fund is reduced from 0.10% to 0.05%.

## Fund Performance (Annual Compound Return)

	Fund	Benchmark
1-Year	12.6%	11.2%
3-Year	12.2%	11.0%
5-Year	6.0%	8.2%
Since Inception	7.7%	5.0%

## Material Changes

- The fund has reduced its maximum asset allocation in foreign securities to 30%.
- A co-investment fund manager, Hextone Asset Management (US) Inc. will be added effective January 1, 2023. Hextone Asset Management (US) Inc. is an affiliate of the current manager.

## Quick facts

<b>Fund code:</b>	BRHT686
<b>Date series started:</b>	September 1, 2008
<b>Total value of the fund on June 30, 2022:</b>	\$2,050 Million
<b>Management expense ratio (MER):</b>	1.25%

<b>Fund manager:</b>	Hextone Asset Management Inc.
<b>Portfolio manager:</b>	Hextone Asset Management Inc.
<b>Sub-advisor:</b>	Hextone Asset Management (Asia) Limited
<b>Distributions:</b>	Quarterly in March, June, September and December; automatically reinvested unless you tell your representative to inform us that you want them in cash.
<b>Minimum investment:</b>	\$500 initial, \$25 additional investment

## What does the fund invest in?

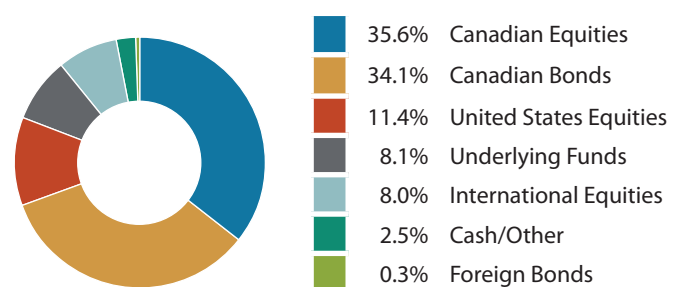
The fund invests primarily in a balance of Canadian equities, bonds and short-term debt securities. The fund may invest no more than 30% of its assets in foreign securities.

The charts below give you a snapshot of the fund's investments on June 30, 2022. The fund's investments will change.

### Top 10 investments (June 30, 2022)

1. HXT Emerging Markets Fund	2.8%
2. Royal Bank of Canada	2.3%
3. Cash & Cash Equivalents	2.3%
4. Toronto-Dominion Bank	2.1%
5. Enbridge Inc.	1.5%
6. Canadian Natural Resources Ltd.	1.3%
7. HXT Resources Fund	1.3%
8. Bank of Montreal	1.3%
9. Bank of Nova Scotia	1.3%
10. Brookfield Asset Management Inc., Class A	1.2%
<b>Total percentage of top 10 investments</b>	<b>17.4%</b>
<b>Total number of investments</b>	<b>793</b>

### Investment mix (June 30, 2022)





## How risky is it?

The value of the fund can go down as well as up. You could lose money.

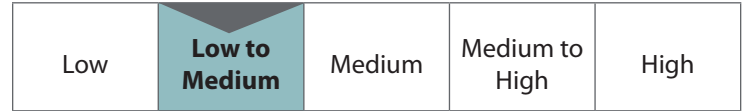
One way to gauge risk is to look at how much a fund's returns change over time. This is called "volatility".

In general, funds with higher volatility will have returns that change more over time. They typically have a greater chance of losing money and may have a greater chance of higher returns. Funds with lower volatility tend to have returns that change less over time. They typically have lower returns and may have a lower chance of losing money.

## Risk rating

Hextone Asset Management has rated the volatility of this fund as low to medium.

This rating is based on how much the fund's returns have changed from year to year. It doesn't tell you how volatile the fund will be in the future. The rating can change over time. A fund with a low risk rating can still lose money.



For more information about the risk rating and specific risks that can affect the fund's returns, see the sections entitled "Investment risk classification methodology" and "What are the risks of investing in the fund?" in the fund's simplified prospectus.

## No guarantees

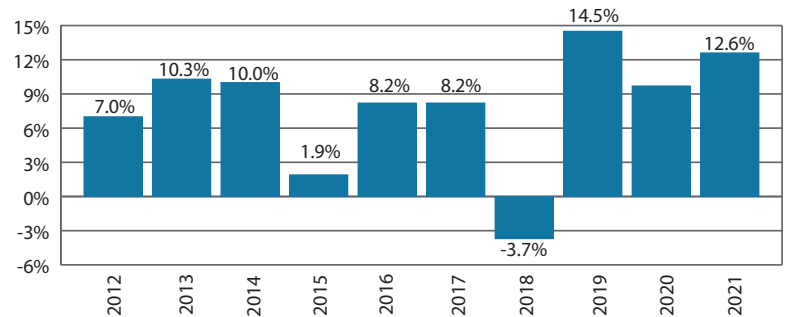
Like most mutual funds, this fund doesn't have any guarantees. You may not get back the amount of money you invest.

## How has the fund performed?

This section tells you how Series A units of the fund have performed over the past ten years. Returns are after expenses have been deducted. These expenses reduce the fund's returns.

### Year-by-year returns

This chart shows how Series A units of the fund performed in each of the past ten years. The fund dropped in value in one of the ten years. The range of returns and change from year to year can help you to assess how risky the fund has been in the past. It does not tell you how the fund will perform in the future.



### Best and worst 3-month returns

This table shows the best and worst returns for Series A units of the fund in a 3-month period over the past ten years. The best and worst 3-month returns could be higher or lower in the future. Consider how much of a loss you could afford to take in a short period of time.

	Return	3 months ending	If you invested \$1,000 at the beginning of the period
<b>Best return</b>	11.4%	June 30, 2020	Your investment would rise to \$1,114
<b>Worst return</b>	-10.3%	March 31, 2020	Your investment would fall to \$897

### Average return

A person who invested \$1,000 in Series A units of the fund ten years ago would have \$1,931 as at June 30, 2022. This works out to an annual compound return of 6.8%.

## Who is this fund for?

Investors who:

- want an actively managed mix of equity, fixed income and cash securities in a single fund
- want an investment that combines income and capital growth potential
- are planning to hold their investment for the medium-to-long term

## A word about tax

In general, you'll have to include in your taxable income any money you make on a fund held outside a registered plan such as a Registered Retirement Savings Plan or a Tax-Free Savings Account. How much income tax you pay depends on the tax laws that apply to you and the fund.

Keep in mind that if you hold your fund in a non-registered account, fund distributions are included in your taxable income, whether you get them in cash or have them reinvested.



### How much does it cost?

The following tables show the fees and expenses you could pay to buy, own and sell Series A units of the fund. The fees and expenses - including any commissions - can vary among series of a fund and among funds. Higher commissions can influence representatives to recommend one investment over another. Ask about other funds and investments that may be suitable for you at a lower cost.

#### 1. Sales charges

Series A units are no load. That means you pay no sales charges if you buy, redeem or switch your units.

#### 2. Fund expenses

You don't pay these expenses directly. They affect you because they reduce the fund's returns.

As of December 31, 2021, the expenses for Series A units of the fund were 1.28% of its value. This equals \$12.80 for every \$1,000 invested.

#### Annual rate (as a % of the Series A units' value)

##### Management expense ratio (MER)

This is the total of the fund's management fee and operating expenses (the administration fee, other fund costs and taxes).

1.25%

##### Trading expense ratio (TER)

These are the fund's trading costs.

0.03%

##### Fund expenses

**1.28%**

### More about the trailing commission

Series A has no trailing commissions.

#### 3. Other fees

You may have to pay other fees when you buy, hold, sell, switch or reclassify units of the fund.

##### Fee

Short-term trading fee

##### What you pay

2% of the value of units you sell or switch within 7 days of buying them. This fee goes to the fund.

Registered tax plan fee

Fees may be payable to your representative or to his or her firm if you transfer an investment within a registered plan to another financial institution. None of these fees are paid to us.

Advice and/or other services fee

Series A units are available to investors who have fee-based or order execution only accounts with their representative firms. Investors may pay a fee directly to their representative firm for the purchase and sale of units, for investment advice and/or for other services.

### What if I change my mind?

Under securities law in some provinces and territories, you have the right to:

- withdraw from an agreement to buy mutual funds within two business days after you receive a simplified prospectus or Fund Facts document, or
- cancel your purchase within 48 hours after you receive confirmation of the purchase.

In some provinces and territories, you also have the right to cancel a purchase, or in some jurisdictions, claim damages, if the simplified prospectus, Fund Facts document or financial statements contain a misrepresentation. You must act within the time limit set by the securities law in your province or territory.

For more information, see the securities law of your province or territory or ask a lawyer.

### For more information

Contact Hextone Asset Management or your representative for a copy of the fund's simplified prospectus and other disclosure documents. These documents and the Fund Facts make up the fund's legal documents.

Hextone Asset Management Inc  
1234 Main Street  
Toronto, ON  
A1B 2C3

Toll-free: 1-800-555-0100

Email: [documents@broadridgehextone.ca](mailto:documents@broadridgehextone.ca)

Website: [broadridgehextonefunds.ca/regulatorydocuments](http://broadridgehextonefunds.ca/regulatorydocuments)

To learn more about investing in mutual funds, see the brochure Understanding mutual funds, which is available on the website of the Canadian Securities Administrators at [www.securities-administrators.ca](http://www.securities-administrators.ca).

**You are encouraged to review supplementary information including Management Reports of Fund Performance and financial statements at [broadridgehextonefunds.ca/pdf/mrfp/annual](http://broadridgehextonefunds.ca/pdf/mrfp/annual) and [broadridgehextonefunds.ca/pdf/fs/annual](http://broadridgehextonefunds.ca/pdf/fs/annual).**