

**Mr. Robin Cornwell**  
**17567 Centreville Creek Road.**  
**Caledon, Ontario**  
**L7K 2L9**

September 14, 2011

Anne-Marie Beaudoin  
Corporate Secretary  
Autorite des marches financiers  
800 square Victoria, 22e etage  
C.P. 246, tour de la Bourse  
Montreal, Quebec  
H4Z 1G3

Attention: Anne-Marie Beaudoin

As a private investor, I would like to submit the attached comment regarding your Notice and Request for comments on "Cost Disclosure and Performance Reporting" which will change NI 31-103 and the format of statements issued to investors.

As background on myself, I have been a specialist in the Canadian Financial Services Sector for over 30 years. My work has experience has encompassed chartered banks, trust and loan companies, finance companies, mutual funds, investment counselors and selected other financial services companies in Canada.

I have acted in the capacity of Director of Research on three occasions and Director of Capital Markets on two occasions and managed several of Canada's largest financial services sector merger & acquisition assignments. I have held senior positions with Laurentian Bank Securities Inc., C.M. Oliver & Company Limited, Gordon Capital Corporation and McCarthy Securities Ltd.

I was appointed as Chief Advisor to the Government of Canada, House of Commons, Standing Committee of Finance, Trade and Economic Affairs on two occasions. The first was in 1982 in connection with the inquiry into "Bank Profits". Recommendations from this Inquiry were focused on the loan loss accounting and reporting practices of the Canadian chartered banks. Many of these recommendations were subsequently incorporated into the Bank Act. The second was in 1984 regarding the inquiry into the "Status of Foreign Banks in Canada". The latter focused on increasing the powers and status of the foreign banks in Canada.

I have a B.A., Honours Business and Economics degree and a Masters Business Administration degree, both from the Schulich School of Business, York University, Toronto.

Thank you for this opportunity.

Yours truly,

  
Robin Cornwell

REC'D, REG/11SEP/11 10:45

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**RE: Request for comments on Proposals to amend NI 31-103 Registration Requirements and Exemptions and Companion Policy 31-103 CP Registration Requirements and Exemptions.**

As a private investor, I would like to submit the following comment regarding your Notice and Request for comments on “Cost Disclosure and Performance Reporting” which will change NI 31-103 and the format of statements issued to investors.

This submission focuses on the failure to require disclosure of specific asset classes and their contribution to portfolio performance. Section 14.16 “Content of performance reports” contains a section entitled “Benchmark information reporting (“Benchmark Reporting”) which refers to major asset classes into which a client’s portfolio is divided but does not give specific guidance as to the definition of how many or specifically what the asset classes should be. Rather the proposal seems to leave it entirely up to the individual firm’s own policies and procedures. Your proposed wording states “An asset class for benchmarking purposes may be based on the type of security and geographic region. We do not expect an asset class to be determined by industry sector”.

As a private investor I believe asset allocation is vitally important and that most investment professionals should use asset allocation to achieve diversification in order to reduce risk, maximize performance, and thus responsibly manage their client’s funds.

However, the traditional view of portfolio management is to break portfolios into three asset classes, most commonly being stocks, bonds and cash, as sufficient to achieve diversification. Surprisingly the Canadian Banks Forum is an exception; it more accurately defines asset allocation as a process whereby an investor diversifies his or her portfolio with different classes of assets such as stocks, bonds, cash investments, foreign currency, real estate, collectibles, precious metals, natural resources and life settlements.

Stocks, bonds and real estate assets provide an ongoing source of value that can be determined using the present value of future cash flows. Commodities are consumed and do not provide a

source of ongoing cash flow but rather a single cash flow. Currency, fine art and collectibles are not consumed and do not generate income but do have a monetary value.

The definition of diversification maintains that an investment portfolio should have various weightings of asset classes to be properly balanced. Furthermore, modern portfolio theory tells us that having the right mix of uncorrelated assets reduces risk and improves return. If that is the accepted practice, then why for example has the most negatively correlated asset group to stocks and bonds, namely, precious metals (gold, silver and platinum), otherwise referred to as bullion, been excluded from portfolio diversification as an asset class? By bullion we are referring to physical bullion and not a bullion proxy such as the ownership of a mining stock or other alternative investment vehicles.

Over the last ten years, these three precious metals have outperformed equities by almost 4 to 1. Where traditional portfolio thinking is wrong is in the belief that commodity stocks and other alternative investment vehicles are a sufficient proxy for physical precious metals in investment portfolios. But in reality these so called proxy investments come with significant risks disassociated with the ownership and performance of bullion itself and do not necessarily provide a direct or pure asset class exposure to commodities.

I contend that these so called proxy investments add uncertainty as they expose portfolios to other variables such as financial, geographic and political risks which are then layered on top of operational and management issues. Physical bullion on the other hand provides insurance against failure of all other investments and at the same time better liquidity.

The simple reality, in my view, is that many investment professionals do not recognize precious metals as an asset class. In fact a direct physical allocation in precious metals provides an unencumbered investment with (i) no counterparty risk, (ii) sufficient liquidity even for large investors, and (iii) no dependence on management for performance.

What becomes evident is that traditional investment professionals that use only three asset categories have clearly not diversified client portfolios. I propose that the format of statements to investors should allow for a significantly broader range of asset classes such as stocks, bonds, cash investments, foreign currency, real estate, collectibles and precious metals or bullion.

Thank you for this opportunity to participate in this important issue.

Yours truly,

A handwritten signature in black ink, appearing to be 'Robin Cornwell', written over a horizontal line.

Robin Cornwell