SIPA
SMALL INVESTOR PROTECTION ASSOCIATION

A Voice for Small Investors
Seeking Truth and Justice

January 7, 2016

CSA Mutual Fund Risk Classification Methodology for Use in Fund Facts (FF) and ETF Facts - Proposed Amendments to NI 81-102 Investment Funds and Related Consequential Amendments
https://www.osc.gov.on.ca/en/SecuritiesLaw_ni_20151210_81-102_mutual-fund-risk-classification-methodology.htm

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The Small Investor Protection Association (SIPA www.sipa.ca) was founded in 1998 and is registered in Ontario as a national non-profit organization. Its mission is to aid public awareness and to advocate improved regulation and enforcement. SIPA acts as a voice for small investors.

The opportunity to again comment on the mutual fund risk rating methodology is appreciated. This Consultation is regarded as one of the most important of recent years. As the CSA is no doubt aware, retail mutual fund investors encounter a fair number of problems with mutual fund risk disclosures. Over the years we have reported multiple issues regarding unsuitable investments regarding these disclosures. Most have at their root, excessive exposure to market, fund design and sales practice risk.

SIPA's Advisory Committee has developed this submission drawing upon the five members of the SIPA Advisory Committee as well as other supporters and members. It is hoped that our submission will be received as an indication of SIPA's commitment to work with regulators and others to develop a better investment environment so that the trust investors place in the regulators and the industry will help to spur the leaders to take action to make regulators and industry worthy of that trust.

Preamble

The sentence in FF's "Before you invest in any fund, consider how the fund would work with other investments and your tolerance for risk" may be fine for the experienced DIY investor. For the vast majority of retail fund investors it is an impossible dream. What we have in this consultation is an argument about dessert when we have not even decided where to eat. By the time you get to the simple 2 page snapshot of the fund and the point of sale, the investor should know much more about risk in general and, in general terms, how everything fits together within a portfolio structure. The profile of each transaction is obviously important but, in isolation and without the backing of process and structure, of dubious practical relevance to the individual investor. Thus when attaching importance to POS documentation the primary issues of relevance are the rationale for the portfolio and for the fund within it.

The CSA should not be thinking what a POS should look like unless they are crystal clear on the process underlying the recommendation of the fund itself. This should be clear to all. This is why SIPA believes that simplified disclosure can be helpful at the margin but that the core investor protection issue is the nature of the advisory standard and the processes applied in constructing a cost-effective tailored portfolio.

Introduction and Overview

This consultation is related solely to the administrative details of Fund Facts (FF) risk rating, now extended, despite the critical commentary by the advocacy community, to ETF Facts as well. SIPA however believe that comments must relate to more than just the mechanics of calculating a risk rating. It must include how the rating is positioned, how it is communicated to investors, its legal standing, and its link to KYC and how it fits into the client-representative relationship

The most important issue is the relationship surrounding the disclosure. In a Best interests relationship the disclosure is merely a communication of summary information on fund recommendations with the wider investment planning construct holding the more vital risk and investment planning issues. In a transaction relationship, the FF is quite different and assumes tremendous importance. As long as we have a distribution system reliant on the transaction and remuneration from the transaction, any attempt to improve information flow and education and service outcome is going to be squashed into this small space, the point of sale. We do not believe that the investor after receiving and reading the proposed risk disclosure can reasonably be assumed to have taken ownership of the investment decision.

In any event, this methodology should be restricted to F class funds (and maybe D class) but certainly not to A class funds with an implied service and advice guarantee which is separately charged (via embedded trailers) and paid for by the investor. The guarantee includes a commitment that the investor will be provided advice and that the investment advice is suitable, consistent with the client's KYC/risk profile.

If the CSA insist on using this methodology for A class funds, the warning about representative risk must be strengthened to definitively refer to a conflict-of-interest that exists. It is important to understand that it is the circumstance itself that creates a conflict; there is no such thing as a "potential" conflict. The conflict either exists or it doesn't; whether a conflicted party's conduct changes as a result of the conflict is a separate matter. A large number of independent research reports including the latest one from the CSA, the "Cummings Report", have provided unambiguous evidence of trailer-derived mis-selling that the CSA cannot ignore when exposing investors to Fund Facts.

This Comment letter is based solely on the use of the standard deviation (SD) –based risk rating as it applies to mutual funds. Our comment letter on ETF Facts still is applicable today backed up by even more solid research that the CSA, OSC, OSC-IAP and others have released. A whole added set of issues relates to ETF's. We note that the OSC's own Investor Advisory Panel has provided critical commentary on the issues surrounding ETF Facts. It is surprising that the FF risk rating methodology is now proposed for ETF Facts before a full assessment of Fund Facts investor protection effectiveness has been completed. Some ETFs like reverse and leveraged ETFs do not seem to be suitable to the proposed methodology – they truly have unique structural risks not captured by SD. It is disappointing to see the CSA expanding this controversial methodology to ETF's.

Our documented concerns with the methodology

This is a summary of our concerns regarding the methodology as regards mutual funds:

(a) Volatility is not understood by retail investors; basic literacy is at grade 6 level; financial literacy is also questionable. [Ref According to a May 2011 Ipsos Reid poll Seven in Ten (72%) Canadians are Not Fully Confident Their Math and Money Management Skills Will Help them Plan for a Secure Financial Future http://abclifeliteracy.ca/files/Financial_Literacy_Research-2011.pdf]

(b) The disclosure does not actually disclose the risks of owning the fund. Retail investors will not understand that "Medium" risk can mean a loss of 40% - no rating system should be allowed to mislead and cause harm. Using a word such as "Medium" implies that this is the typical comfort level of an individual investor and conveys very little useful information.

(c) Low volatility mutual funds and ETF's exist that outperform high volatility ones so the CSA risk indicator is not robust The Low Volatility Effect should not be ignored in deciding to use Standard Deviation (SD) as a synthetic risk indicator.

(d) Using SD only and not including specific risks breaches IOSCO disclosure standards Ref http://investorcom.ca/wp-content/uploads/2014/08/IOSCO-releases-its-Principles-of-Point-of-Sale-Disclosure-Final-Report.pdf

(e) SD is really variability of returns not downside risk as commonly understood by retail investors. Volatility will not be understood by retail investors.

(f) To our knowledge, no regulator in the world uses SD as the sole means to disclose risk; the U.S. SEC requires enumeration of the principal risks of the fund/ETF and does not even permit the use of a synthetic risk indicator.

(g) The presented ratings will be based on some mix of actual and proxy figures so the rating is not really the rating of the fund. In fact, it is a misrepresentation. By substituting an index for actual fund performance, the disclosed risk of the fund may be overstated or understated and this problem will be greater the younger a fund is because the younger the fund the more years of reference index performance it will have to use. Furthermore, SD and mean are descriptive statistics of a frequency distribution that MUST be disclosed together to have meaning - FF does not provide this information.

(h) Ten year return data do not exist for most mutual funds/ETF's making the foundation of the methodology shaky as a reliable and trusted disclosure vehicle.

(i) Most common indexes are not Bell shaped; they suffer from kurtosis. The CSA risk indicator which assumes a normal distribution is not standing on a solid foundation.

(j) Many risks are not captured by volatility metric but these are not revealed as is required by ESMA and IOSCO standards. Indeed, the CSA consultation doesn't define risk at all.

FF's itself lists so many disclaimers that it is unclear why the CSA think the methodology is useful. FF's uses words like "typically", "in general " , "may change over time" and "tend to" and closes by saying that the investor will need to consult the funds Simplified Prospectus if he/she wants more information about the risk rating and specific risks that can affect the fund's returns.

Our opposition to the methodology is also backed up by some of the world's top investors based on the ideas that SD is not risk for long-term mutual fund investors. Morningstar UK is forthright about this and demonstrates it by analyzing UK funds results using the SD as the indicator (Why Volatility is Not an Accurate Measure of Risk); http://www.morningstar.co.uk/uk/news/134560/why-volatility-is-not-an-accurate-measure-of-risk.aspx#sthash.bCVr86mV.dpuf http://www.morningstar.co.uk/uk/news/134560/why-volatility-is-not-an-accurate-measure-of-risk.aspx)

Morningstar Canada has also been critical of the proposed CSA methodology. In their March 12, 2014 Comment letter they state "Morningstar believes there are risks associated with utilizing a single measure to evaluate investment risks of a fund or ETF [see opening comments]. However, should the CSA proceed with mandating a methodology for a standard risk assessment, we strongly recommend that it be based on a blend of measures that includes conditional value at risk (CVaR) and a holdings-based approach. We believe that the use of the SD measure as the sole measure of risk does not serve the best interest of the investor." They also fundamentally disagree with the CSA's decision to fix the risk-based breakpoints. SIPA regard Morningstar as a global leader in fund assessment and rating and therefore urge the CSA to consider their thoughtful input.

Our recommendations

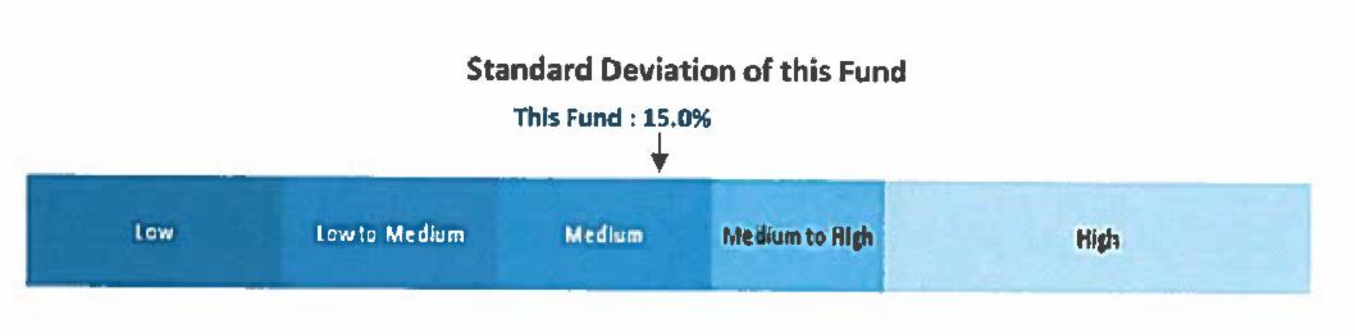
If the CSA is determined to use this methodology, we have some suggestions to improve it:

a. Change the Risk Section heading to "How volatile is it?" to avoid the issue of misrepresentation. A caution note should be added when a fund has used proxy index data to calculate SD so the investor is not deceived by the presentation.
b. All FF's should include a note revealing risks not captured by the volatility calculation as is done in Europe (ESMA Guide to calculation of volatility https://www.esma.europa.eu/sites/default/files/library/2015/11/10_673.pdf). Risks that are typically not captured by the indicator can be credit risks, liquidity risks, counterparty risks, operational risks ,risks due to shorting, currency risks and the impact of financial techniques (for example, derivative instruments) or unique terms and conditions like those found in Return of Capital (ROC) funds. Mis-selling of ROC funds has caused investors a lot of grief due to defective disclosure of the risks and product design features.

c. Specialized funds like Life Cycle Funds should use a modified calculation approach per ESMA Guidelines and disclose risks like "triggering events" not captured by the volatility indicator. Since the portfolio composition of a Life Cycle Fund changes substantially over time, it may be the case that not all of the return history of these funds is representative of their current overall risk profile. As a consequence, the ESMA guide requires that the SRRI computation methodology for life cycle funds needs to be modified to reflect the changes over time of the portfolio reference asset allocation as envisaged in their investment policies. The CSA should allow an extra sheet of text if it is necessary for effective disclosure.

d. The risk scale should be retained at six (6) bands to prevent clustering - the goal is to ensure that, for example, a Canadian equity fund would, in the normal course of events , be rated as Medium to high NOT medium (Canadians do not perceive a loss of 35-45% as Medium risk ; seniors definitely don't). The Europeans use 7 numerical risk bands compared to the CSA's proposed 5 and our proposed 6.

e. The risk scale should use numbers NOT words and the SD statistic disclosed



The word descriptors should be replaced with numeric risk levels from 1(low) - 6 (high). The dictionary defines Medium as *something that is the middle size when compared with things that are larger and smaller* which is uninformative and cannot lead to an analysis by the investor. This change will also alleviate another major concern that the words in FF's would be confused with similar or identical words in client KYC file documentation.

The actual SD number should be provided on the scale (as shown above) so at least the sales representative could interpret the meaning of the number to the client. Such a presentation is much more meaningful, quantitative and a good starting point for a discussion on risk-reward between the client and the dealer representative. It makes comparability of fund risk straightforward and provides a clear indication of the magnitude of the difference in risk between two funds. It should also assist in the construction of a suitable portfolio. Several respected industry fund companies are supportive of this as per their previous Comment letters

f. Add a forthright clarifying statement: "Historical data, such as is used in calculating the volatility of the fund may not be a reliable indication of the future risk profile of the fund" rather than the softer "It doesn't tell you how volatile the fund will be in the future".

g. A short explanation must be provided of why the fund is in a certain risk category. Example: The fund belongs to Medium to high risk category. This means that the fund is subject to higher risk in respect of rises and falls in value. It is also important to explain that the indicator is not a measure of any risk of capital loss, but rather a measure of the past increases and decreases in value of the fund.

h. The risk rating must be promptly updated in the event of significant changes in a fund's risk and reward profile, particularly where the variation in risk is related to a change in the fund's objective or investment policy or prior to major marketing efforts In these cases, the categorization should be totally revised.

i. Separately risk rate currency hedged funds. See The Investment Funds Practitioner - November 2013 http://www.osc.gov.on.ca/en/InvestmentFunds_ifunds_20131128_practitioner.htm

j. Since "highly correlated" is not a very precise term, we recommend employing the same index used to measure performance in the MRFP. Actively-managed funds are by definition not highly correlated to their indices: this is their value proposition. Also, there is no definition of “highly correlated” in the Proposal nor is there any guidance as to the meaning of this phrase offered anywhere in Canadian securities law as far as we know. We note that the phrase “highly correlated” is used in the definition of “hedging” in NI 81-102 and some fund managers interpret that as meaning a correlation as low as 50%. This is why we suggest using the manager-selected MRFP performance benchmark or the CIFSC Category data as the proxy. The CIFSC category-based benchmarks should be considered as potential proxies because they are better proxies for the investor experience than market based benchmarks. The latter would ensure greater consistency when comparing funds but we do not know whether the CSA is willing to tie a standard to a voluntary industry group.

k. Move this sentence *"The fund dropped in value in x of the 10 years*" from the performance section of FF's to “How risky is it?" Section.

L Use the best 12 best and worst 12 months instead of 3 months in the performance section. The period covered should be 10 years – if proxy data is required, either the MRFP performance index numbers (or CIFSC counterpart category numbers) should be used. Change the sentence” Consider how much of a loss you could afford to take in a short period of time” to "Consider how you would react to such a loss over the course of a year". Alternatively, use maximum Drawdown over 10-years as has been suggested by numerous commenters. The disclosure of the worst three months performance detracts from a balanced presentation and focuses instead of the worst short-term performance of the fund which is both unbalanced and out of context. This is inconsistent with the long-term perspective that mutual funds are intended to promote and can only have a negative influence on the investor behavior. In fact, the worst 12 months figure or maximum Drawdown could replace the entire section on volatility in the methodology if proxies are acceptable as backfills on missing data to obtain a 10-year metric.

m. Consider changing some the volatility related text to include more functional language e.g. *This means that a fund with a Medium risk of having unexpected average annual return of 5% may expect its returns to vary between -11% and +21% each year under normal circumstances*. We submit that this will be more easily understood by investors, allow for better comparability between funds and relates to the performance disclosure. [In our suggested approach the word Medium would be replaced by a risk level number].

n. Tighten up the sentence” Higher commissions can influence representatives to recommend one investment over another” We suggest “Your representative is in a conflict –of-interest position due to the fact that some products provide a higher paying commission than other products”. A much stronger worded warning is warranted in light of the Cummings Report findings. We recommend moving this sentence to the *More about trailing commissions* block of Fund Facts. This is further supported by investor advocate Larry Elford’s outstanding work on exposing the use of “ advisor” titles to mislead investors as to the true nature of the advisory standard employed (fiduciary vs. suitability) and the OSC’s Mystery Shopping experiment where the use of 48 different titles were utilized to confuse investors regarding representative proficiency and qualifications.

Other related recommendations for improving FF's include:

1. Add a section is to inform the unitholder of the objectives of the fund (for example, to provide a steady return on a short-term as well as a long-term basis, long-term capital growth, return in relation to a relevant index, absolute return, etc.), and how the fund management company intends to achieve these objectives .

2. If the fund invests in debt securities, information regarding the issuer and minimum credit rating should be stated. Example: The fund invests in bonds issued by companies. These companies must have a minimum credit rating of BBB on Standard & Poor’s scale.

3. A note should be added that if a front-end load charge or early redemption penalty had been paid , returns would be lower in the "How has this fund performed " section.

4. Include an abbreviated listing of the major risks of the fund in plain language .Even a simple “interest rate risk” statement is better than no disclosure at all. Readers could be referred to the Simplified Prospectus for more details.

5. A CSA Investor User Guide similar to this one used by Capita in Europe is critical.

6. Compress the section on DSC in FF’s to its bare essentials, thereby saving precious FF real estate for more important investor protection disclosures. It is not that DSC disclosure is unimportant but rather that it can be condensed with minimal impact.

7. Add a benchmark so that investors can evaluate the cost-effectiveness of active management. The fact that a Focus Group couldn’t understand benchmarks is not just reason for exclusion. Regulators should provide the information needed to make informed investment decisions. The CSA should include a benchmark section in our recommended User Guide and step up its investor protection education efforts.

8. Consider making FF’s “intelligent “by adding hyperlinks to key documents like the Simplified Prospectus and various CSA brochures and Guides .

In December, 2015 IOSCO published the results of the third annual Risk Outlook Survey. See page 22-24 of the report, in particular, which includes the risks in the area of *investor* protection with a section of Financial Risk Disclosure stating: “An overwhelming majority of respondents reported that inadequate disclosure of financial risks puts investors at risk of buying products or services that are much riskier than individual investors may be comfortable with. As such, there could be a mis-match between the risk appropriate of the investor and the risk embedded in the product.”Risk Outlook Survey: Detailed methodology and results 2015 The CSA should keep these important results in mind as it evaluates the Comment letters to this consultation.

In Summary

The problem that appears to be addressed by regulation is how to keep the transaction wheel oiled, while performing a perfunctory, but flawed, nod to informed investor decisions and investor protection. At a fundamental level we believe that the problem is more to do with the way in which the retail investor is viewed and treated. This is not about advice or responsibility, but about keeping the retail investor in a place where transactions as normal, within the current process, can continue. Note the simple fact that there is no mandated benchmark comparison in the POS Fund Facts document, and no benchmark eliminates the ability to provide effective risk as well as return comparisons.

As we have learned in past studies, moderate investors (i.e., the bulk of investors, most with under $100k in investable assets) seldom look at comparisons more complex than the typical GIC rate when they ask how well their mutual funds are doing. Past studies have shown that the question they ask about an investment is “how safe is it? It is folly to think that an answer based on volatility will be a meaningful answer to their question. The financial crisis has shown the limitations of quantitative measures of risk such as volatility, and volatility derived from past performance has a weak predictive power of future risk.

With our recommendations, we have done our best to transform the FF’s and its risk rating methodology into something investors can use as a <u>first pass review</u> to compare funds and assess appropriateness .

In 2015, "safe" preferred share funds tanked mainly impacted by nasty terms in reset preferred shares. As we enter 2016 we find billions of dollars invested in "safe" Bond funds , all rated LOW risk .Will this rating cause harm to retirees with 50- 70% in Bond funds? Would the CSA support rating bonds by historical SD?

The message that transcends all the various arguments is that risk is more complex than one indicator alone and that standards governing the current retail advisory relationship are a very large part of the risk equation, but one that appears to be ignored by regulators, apart from the two lukewarm consultations on Best interests standards and mutual fund fees.

SIPA is also concerned that pre-sale delivery of FF’s will be deemed to be in full compliance with applicable regulation and that such use offers the fund manager a full defense to any claims of misrepresentation relating to the use of risk and other disclosures. It is essential that the CSA not place small investors in this position.

With over 10 million Canadians holding $ 1.2 trillion in mutual fund savings, it is critical that Fund Facts be fit for its intended purpose especially its risk disclosure. This is particularly important given the sorry state of investor complaint handling and redress in Canada.

All stakeholders need to understand and agree that FF disclosure is but one piece of the investor protection mosaic. Initiatives related to the prohibition of embedded commissions, introduction of Best interests, improved fund sales and marketing practices, enhanced KYC and risk profiling processes , more robust fund governance and enhanced protection of seniors must continue with a sense of urgency .

The CSA must make it clear that it will be responsible for continuing "ownership" of the methodology and will review it at least annually for effectiveness, possible improvement/overhaul and to deal with new innovative fund product developments.

It is hoped this submission is helpful to the CSA in making Fund Facts a more useful document.

If there any questions please do not hesitate to contact SIPA.

Approval is granted for posting this letter on regulator websites.

Stan Buell
President

REFERENCE Documents

Financial Products and Short-Form Disclosure Documents: A Comparative Analysis of Six Jurisdictions by Andrew Godwin, Ian Ramsay: SSRN
Abstract: This article analyses the international trend towards the adoption of short-form disclosure documents for retail financial products through a comparison of six jurisdictions: the European Union, Australia, Hong Kong, Singapore, Canada and New Zealand. For the purposes of the analysis, 'short-form disclosure documents' are defined to mean disclosure documents in respect of which the maximum page length is prescribed, either on a mandatory or recommended basis. The comparative analysis suggests some important findings. These include the strong interrelationship between factors such as purpose, length, liability and language and the extent to which each of these factors, particularly purpose, influences the other factors. Each choice or setting involves certain tradeoffs and achieving a comfortable balance is not an easy task for legislators and regulators. In addition, the findings reveal the challenges that all jurisdictions have encountered in terms of incorporating the key features and risks of complex products into a short-form disclosure document. Finally, there is widespread recognition of the need to treat disclosure as part of a broader range of measures, including measures to improve the quality of financial advice and to increase investor literacy.
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2631382

Canadian Financial DIY: Risk and Complexity of Securities and Funds - a Promising Proposal
http://canadianfinancialdiy.blogspot.ca/2016/01/risk-and-complexity-of-securities-and.html

A Risk and Complexity Rating Framework for Investment Products
Abstract: While risk indicators have been developed and widely accepted by the financial industry, hitherto no metric has been developed to measure a product's complexity. In the aftermath of the 2008 global financial crisis, regulators are increasingly concerned about consumer protection. The Lehman Bonds crisis showed that many investors who bought such investments did not have a clear understanding of the product's features. Part of the

reasons is that such products are quite complex and embed features which are difficult to understand. This suggests that if the inherent risk and the complexity of a product's structure are not clearly understood by investors, they would not be in a position to make informed investment decisions. In recognizing that complexity is different from risk, some practitioners have recently attempted to calibrate product complexity. This paper proposes a simple framework to classify the risk and complexity of investment products. We propose to calibrate risk and complexity separately with a list of factors that contribute these attributes. The proposed framework is then used to calibrate a wide variety of investment products to demonstrate its simplicity and usefulness in helping investors make informed investment decisions.
http://skbi.smu.edu.sg/sites/default/files/skbife/A_Risk_and_Complexity_Rating_Framework_for_Investment_Products_July_2014_final.pdf

The Greatest Trick the Devil Ever Pulled …was convincing investors that volatility and risk were the same thing http://thereformedbroker.com/2015/05/06/the-greatest-trick-the-devil-ever-pulled-2/

Never confuse risk and volatility |*Reuters* http://www.reuters.com/article/us-saft-on-wealth-idUSKBN0H52AL20140910#864ZMketssTXUyD9.97

Is volatility risk?
http://www.schroders.com/en/SysGlobalAssets/digital/insights/pdfs/investmenthorizons-is-volatility-risk-nov2014.pdf

Risk, not volatility is the real enemy
"...You might be interested in Morningstar's series during the past week on their "Risk Management Week Homepage". One paper you might find of particular interest there is "Risk, not volatility, is the real enemy" where Christine Benz discusses some of the flaws of using risk questionnaires in general, especially when they are focused on "investor's response to short-term losses inappropriately confuses risk and volatility. Understanding the difference between the two–and focusing on the former and not the latter–is a key way to make sure your reach your financial goals." She notes that while one often sees the terms risk and volatility used as synonyms, they actually have different meanings. Volatility is a measure of price changes (up or down) over a relatively short period of time (typically "a day, a month or a year"). Whereas the "most intuitive definition of risk, by contrast, is the chance that you won't be able to meet your financial goals and obligations or that you'll have to recalibrate your goals because your investment kitty come up short". So "what might be merely volatile for another person is downright risky for you. That's because there's a real risk that you could have to sell out and realize a loss when your investment is at a low ebb. On the flip side, some of the most volatile investments (namely, stocks) may not be all that risky for you if they help you reach your long-term financial goals. And it's possible to completely avoid volatile investments but come up short in the end because your safe investments only generated small returns." (i.e. volatility might be your friend but risk is your enemy!).... "Source: RetirementAction.com

Understanding tail risk
https://www.pimco.com/resources/education/understanding-tail-risk

The Volatility Anomaly Uncovered |Swedrowe ETF.com

"..Recent academic papers have shown that low-volatility stocks have provided better returns than higher-volatility stocks. What's more, this is a global phenomenon. These findings, however, run counter to economic theory, which predicts that higher expected risk should be compensated with greater expected returns, resulting in the low-volatility anomaly. Of interest is that this finding holds true not only for stocks, but for bonds..."
http://www.etf.com/sections/index-investor-corner/swedroe-volatility-anomaly-uncovered?utm_source=newsletter&utm_medium=email&utm_campaign=dailynewsletter

Product risk disclosure needs improvement
http://www.financialobserver.com.au/articles/product-risk-disclosure-needs-improvement

Investors' perspective on disclosure streamlining
https://www.kpmg.com/US/en/IssuesAndInsights/ArticlesPublications/Documents/disclosures-white-paper-2014-toolkit-v6.pdf

THE RISK PERCEPTIONS OF INDIVIDUAL INVESTORS
For those investors who systematically perceive risk according to the same risk measure, semi-variance of returns is most popular. Semi-variance is similar to variance, but only negative deviations from the mean or another benchmark are taken into account. Stock investors implicitly choose for semi-variance as a risk measure, while bond investors favor probability of loss.
https://dspace.stir.ac.uk/bitstream/1893/335/1/the-risk-perceptions-of-individual-investors-revision-may30.pdf

The Trouble with Target-Date Funds | Canadian Investment Review
http://www.investmentreview.com/expert-opinion/the-trouble-with-target-date-funds-6531

Fees impact Bond fund risk & return « The Wealth Steward
http://thewealthsteward.com/2010/08/fees-impact-bond-risk-return/
"....Two observations. First, the MER reduces the yield-to-maturity by slightly more than the stated level. This is due to the compounding impact of fund fees, which are typically charged daily and paid monthly. Second, fees also nudge duration up because they increase the length of time before the purchase price of the bond is recouped. In other words, fees slightly increase duration risk while also slicing into returns. The result is a double-whammy impact on our risk-return ratio...."

OSC -IAP Report on Risk Profiling Current Practices for Risk Profiling in Canada and Review of Global Best Practices

Volatility Metrics for Mutual Funds https://www.dol.gov/ebsa/pdf/deloitte2009-3.pdf

The Canadian Money State of Mind Risk Survey 2014: Investor Risk, Behaviour & Beliefs The national study conducted for Investor Education Fund (IEF) by The Brondesbury Group, provides a compelling look at how Canadians handle – or *don't* handle – risk, emotion, financial loss and decision-making when it comes to their investments.
http://www.getsmarteraboutmoney.ca/en/research/Our-research/Pages/Investor-Risk-Behaviours-and-Beliefs-2014.aspx#.VoUvwvkrK71

Investor behaviour and beliefs: Advisor relationships and investor decision-making
Research reveals Canadian investors' trust in their financial advisors and confusion about the terms of their relationships.
http://www.getsmarteraboutmoney.ca/en/research/Our-research/Pages/Investor-behaviour-and-beliefs.aspx#.VoU1g6_EirU

Investor knowledge: A study of financial literacy | Our research | GetSmarterAboutMoney.ca
"..*People need to build their knowledge of investment risks and returns.* This is especially true of the prime investing group aged 50-64 and later ages. Seniors need to understand which investments are inconsistent with a capital preservation and income production strategy..."
http://www.getsmarteraboutmoney.ca/en/research/Our-research/Pages/financial-literacy-research.aspx#.VoU12a_EirU

The volatility effect: lower risk without lower return
https://www.robeco.com/en/professionals/insights/quantitative-investing/low-volatility-investing/the-volatility-effect-lower-risk-without-lower-return.jsp

Towards suitable investment decisions? Improving information disclosure for retail investors: A position paper on Key Information Documents for Investment Products: Finance Watch
http://www.finance-watch.org/xcheck.php?filename=ifile/Publications/Reports/Towards-suitable-investment-decisions-PRIPs.pdf

Sample European counterpart to Fund Facts –Key Investor Information Document Dimensional Fund USD Accumulation shares
http://eu.dimensional.com/media/documents/downloads/uk/pdf/kiid/en/Global_Core_Equity_Fund_USD_Acc_IE00B2PC0153_KIID_EN.pdf

A Review of the Historical Return-Volatility Relationship
http://www.investmentreview.com/files/2015/05/CIR_TDAM-LowVol-Paper-Final-May-2015.pdf

Fund Facts present that "empty ta da" moment! | Depth Dynamics
http://blog.moneymanagedproperly.com/?p=716 ,,,".

Point of Sale Disclosure and Regulatory Failure in Canada
Time to reread Andrew Teasdale's classic now that regulators are close to decisions on Best interests, assessment of advice and registration of "advisors". He wrote a detailed report into Canadian regulation and the new Point of Sale documentation with international comparisons in September of 2010. Point of Sale Disclosure and Regulatory Failure in Canada

Fund Facts: The answer to every Advisor's Prayer?

"..What I didn't get out of the document is any sense of how this fund compared with its peers or against the benchmark (the index). It describes the fund as "low to medium risk" and suggests it would be suitable for those who "seek income from your investment, and you are comfortable with the risks associated with equity investments." Well, that's pretty much the kind of meaningless statement you'll find in the much-aligned prospectuses.."
http://business.financialpost.com/uncategorized/fund-facts-the-answer-to-every-advisors-prayer

A Survey of Securities Market Risk Trends 2015 Methodology and detailed results
https://www.iosco.org/library/pubdocs/pdf/IOSCOPD516.pdf

Andrew Teasdale (CFA) blog on Fund Facts Risk Classification Methodology
http://blog.moneymanagedproperly.com/?p=3409

Don't get screwed by your financial advisor
Screwed! Too many investors are being poorly served by advisors. Here's how to avoid becoming the next victim
http://www.moneysense.ca/planning/dont-get-screwed-by-your-financial-advisor/