Report: Performance Reporting And Cost Disclosure

Prepared for:

Canadian Securities Administrators

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The Brondesbury Group

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0. EXECUTIVE SUMMARY

- The aim of this project is "to obtain information on retail investors' understanding and expectations in the areas of cost disclosure and performance reporting by registrants." The Brondesbury Group was contracted by the Ontario Securities Commission (OSC) on behalf of the Canadian Securities Administrators (CSA) to help achieve the project aims.

- Results presented here are based on a representative sample of some 2000 Canadian households that currently invest. Households were qualified to exclude those in the bottom quartile of household income.

- The survey was a 15-20 minute internet survey administered by The Logit Group. Respondents were free to respond in the official language of their choice. All survey responses were subsequently analyzed by The Brondesbury Group.

- Survey findings on investor knowledge strongly support the notion of different tiers of investors based on the amount invested, especially a top tier of 'accredited investors'. Within the study, that group would best be defined as individuals with at least $500,000 in investments and savings.

- Investors with at least $500k in savings are better educated and more capable of understanding both cost and performance disclosure information. At the same time, there is clear evidence that they both over-estimate and over-state their mastery of investment-related information. This can easily lead to misunderstandings between an investor and their advisor.

- There is strong evidence that small investors, those with no more than $50k in investments and savings, lack a good understanding of investment and performance terms.

- Only two common investment terms are understood well by more than 2/3 of investors, namely, 'rate of return' and 'Term deposit/GIC interest'. Understanding drops off quickly to the 4 out of 10 level when we talk about synthetic measures like market indices or 'benchmark funds'. Terms like 'Management Expense Ratio' are understood by less than 1/3 of investors.

- Even when people say they understand a term, we cannot assume that their understanding is at the level that a regulator might desire. Using the principle of risk-return as an example, we found that most people said they understood the term well, but few applied the principle successfully.

- When we look at how investors assess the performance of their portfolio, we find that most people simply assess the amount of money they gained or lost since their last account statement. The use of market indices and benchmark performance is most common among those with the most money invested.

- Besides performance expectations, actual performance over one and five-year time horizons influence the choices of at least three-quarters of investors. The cost of buying and selling the fund and the number of times that the fund lost money over the past five years are close behind. The MER has far less influence on buying than one-time costs.

- Straight commission and account fees are understood by two-thirds of investors. More complex information like deferred sales commissions are understood by only 4 out of 10. Trailer fees and wrap fees are understood even less commonly. Even so, there is clear evidence that understanding of common cost terms is over-stated.

- The type of advisor relationship shapes the nature and source of information used. Understanding of common cost terms increases as the amount of money invested increases. The most moneyed investors said they understood every term better, but evidence suggests that the most moneyed investors are prone to over-stating their knowledge. There is a real risk that even accredited investors know far less than they purport to know.

- Half of all investors discussed mutual fund costs with an advisor. The number rises to two-thirds among those with their own advisor. Account statements are common for those who have an advisor acting on their behalf. For those without an advisor, online information prior to execution is most common.

- Only 1 out of 6 get cost information about a mutual fund by reading the prospectus. This rises to only 1 out of 3 for the top tier of investors. Based on prior research, we note that most investors ignore the prospectus because the information is too hard to understand. As well, understanding what information is most critical is often unclear. Just like a layman looking at any lengthy legal document concludes, only the professionals really know which information is critical and what it means. Critical information needs to be summarized in one page at the front of a prospectus, if the aim is to ensure it is used.

- For gauging performance of mutual funds, some 77% of investors find dollar values useful versus 62% for the traditional percentage method. Dollar values are more appealing regardless of amount invested suggesting they should be more widely used.

- When assessing how well a fund performed, there was a very small preference for using a benchmark of comparable funds (67%) rather than GIC returns (62%). The preference increased as the amount of money invested increased, echoing our earlier finding that more sophisticated investors are more capable of using more complex methods.

- The majority of investors (62%) want to get their fund performance information as part of their regular account statement. Just under one-third prefer to get a separate report from each fund, suggesting that this should be an “opt-in” choice rather than a default.

- Looking at portfolio reporting, responses reflect a great deal of uncertainty about the treatment of costs, especially at lower levels of investment. But even at higher levels, the complete lack of agreement tells us that certainty of treatment is seldom truly known. Responses suggest that reporting practices should be standardized, but regardless of whether they are or not, they should be clearly disclosed.

- More than half of those wanting more detailed information are willing to pay for it. Two-thirds of those willing to pay for more detailed information would not pay more than $50, in fact, most would pay $25 or less. By contrast, two-thirds of those wanting more frequent reporting are unwilling to pay.

- More detailed reporting is of far greater interest to investors than more frequent reporting. Perhaps greater detail can provide the means of showing performance in more ways that investors find useful. Regardless, it is clear that performance reporting must clearly disclose how costs and fees are treated when reporting investment costs and portfolio performance.

1. INTRODUCTION

1.1 Background

"The Canadian Securities Administrators (CSA), together with the Investment Industry Regulatory Organization of Canada and Mutual Fund Dealers Association of Canada (the latter two, the "SROs"), have strived to create harmonized requirements in a number of key areas related to the client relationship between retail investors and their dealers, advisers and investment fund managers (registrants). The development of these requirements is referred to as the Client Relationship Model ("CRM") Project, and several of its elements were included in NI 31-103. NI 31-103 came into force on September 28, 2009 and includes harmonized requirements in the areas of relationship disclosure information and conflict of interest requirements. The two remaining CRM components that have not yet been addressed in detail in NI 31-103 consist of the development and implementation of requirements for cost disclosure and performance reporting by registrants to retail investors ("CRM Phase II"). " (excerpt from RFP).

The aim of this project is "to obtain information on retail investors' understanding and expectations in the areas of cost disclosure and performance reporting by registrants." The Brondesbury Group was contracted by the OSC on behalf of the CSA to help achieve the project aims. Starting with an initial survey, The Brondesbury Group identified topics of importance related to cost disclosure and performance reporting. These topics were reorganized and used to develop a new survey questionnaire. The new survey is designed to be easily answered by knowledgeable retail investors. Within possible limits, it reduces jargon and sentence complexity to a minimum. The survey also includes 'social desirability' questions designed to detect over-statement of knowledge or capability in key areas. These changes strengthen the integrity of survey results.

1.2 Method

The project is conducted in three phases: development, execution and reporting. The steps in the development phase were:

1. Start-up meeting – OSC and TBG met to confirm the approach, aims and priorities;
2. The Brondesbury Group (TBG) prepared a detailed outline of the survey topics to give you a clear understanding of the headings in your final report;
3. The OSC responded to the outline making suggested changes;
4. TBG created questions based on the revised outline;
5. OSC and TBG met to discuss/finalize questions and proposed sampling;
6. Questions were amended and finalized in English, then sent for translation;
7. The Autorité des marchés financiers reviews final French version of the questions prior to field testing.

The Logit Group, under the direction of TBG, was responsible for survey execution. The survey was 15-20 minutes in length and it was administered to a representative group of respondents using an internet survey panel. The sample consisted of some 2,000 respondents from across Canada. All respondents had incomes above the bottom quartile, as well as having ownership experience with stocks, bonds, mutual funds and/or complex investments. There were both provincial quotas and gender quotas on participation to ensure a representative sample.

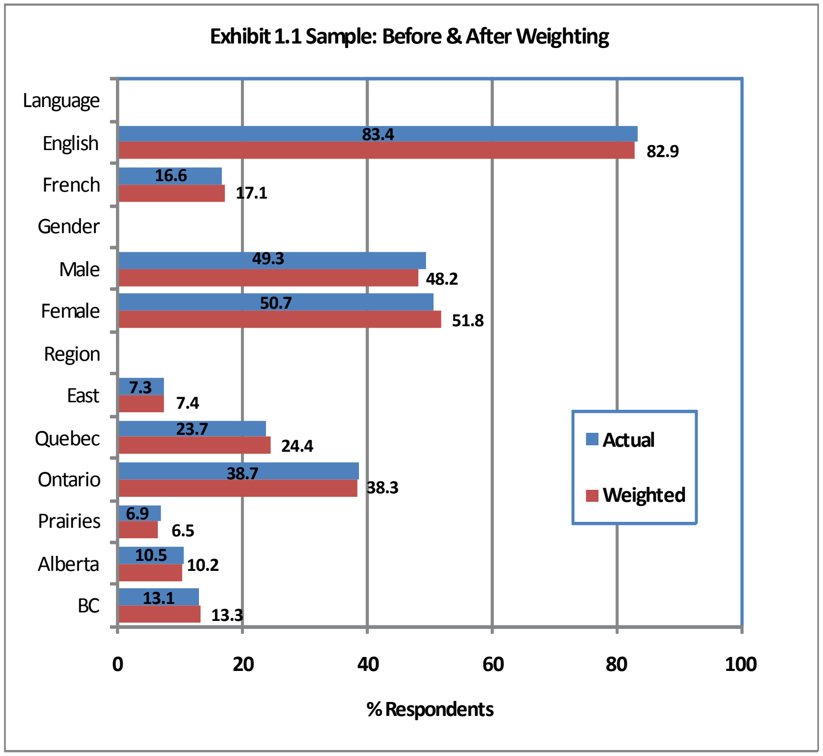
The Logit Group provided a data file to TBG, who subsequently analyzed the survey responses and interpreted the results in this report.

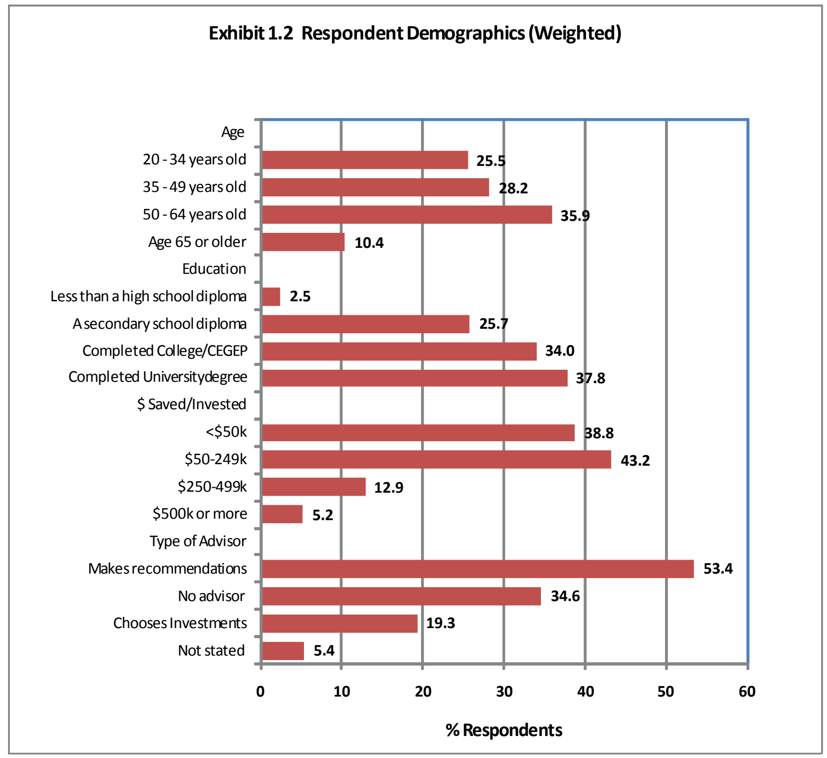
The Sample

Exhibit 1.1 shows the weighted and actual sample of respondents for the survey. The weighted sample represents the proportion of people that should be in each category based on the latest census results. What you should note is that the actual sample is quite close to the weighted sample implying that there are virtually no instances where a very small number of respondents can unduly influence results.

The proportion of males and females, as well as the proportion of people from each province, is based on weighting to national norms. The proportion of English and French speakers reflects the proportion of qualified investors in the respective groups rather than population weightings.

Similarly, **Exhibit 1.2** reflects the proportion of qualified investors in each demographic category. With age groups broken into 15-year groupings, we note that the 50-64 year old group is the largest, which is consistent with other research our firm has done.



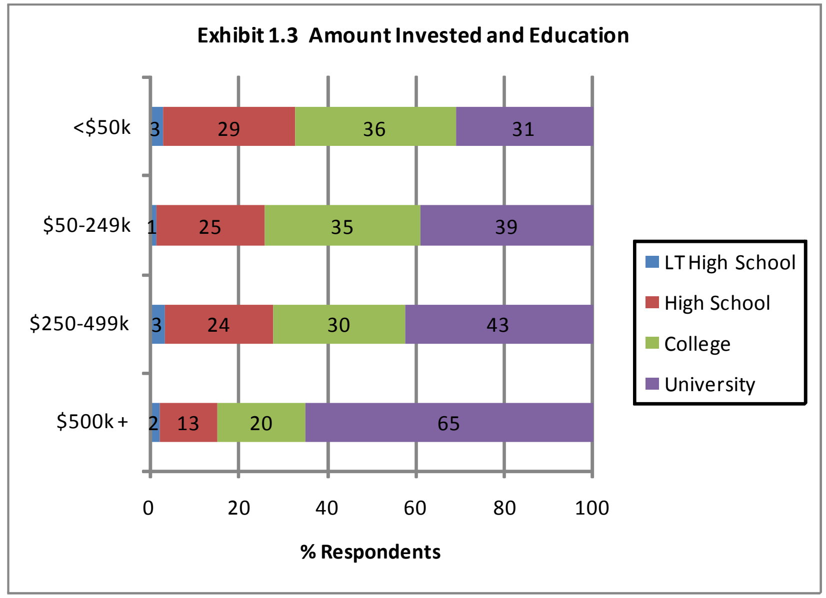


Turning to education, the sample is skewed to better educated people. Those without a high school diploma are only 2.5% of the sample versus 1 out of 6 people in the Canadian population. Similarly, college and university graduates are over-represented. It is a well-educated sample.

In terms of the amount of money that people have saved or invested, virtually 4 out of 10 have less than $50k accumulated. Another 4 out of 10 have a sum between $50k and $250k accumulated. Fewer than 2 out of 10 have $250,000 or more in savings and/or investment. While not shown here, the amount of money invested increases with age, and at the same age, people with more education typically have more money invested because they have higher incomes.

Over half of respondents have an advisor who makes recommendations for what to buy, while 2 out of 10 have an advisor who chooses investments on their behalf and buys them. About one-third of investors have no advisor at all. A very small proportion, roughly 1 out of 6, has more than one type of relationship.

As we move through the presentation of results, you will find that several times we highlight findings according to either the education of the investor or the amount they have invested. We choose these two variables (rather than region, language, age, gender) because they reflect the most differentiated responses among group members. **Exhibit 1.3** shows the relationship between education and amount invested. As you can see, the proportion of university graduates rises steadily with the amount invested from 31% at less than $50k invested to 65% of those with over $500k in savings. Correspondingly, the proportion of investors with a high school education or less drops from 33% to 15% as we move up through the amount invested.

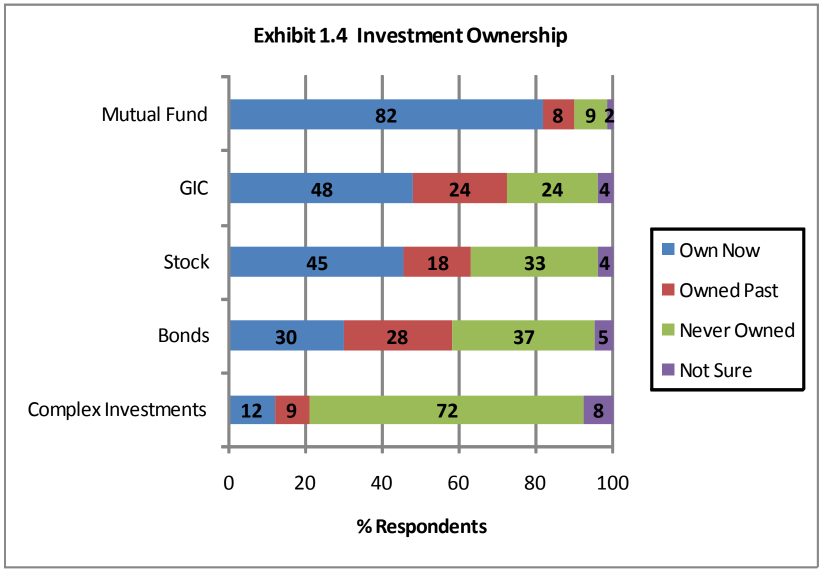


Investment Ownership

Exhibit 1.4 shows the major investments owned by the investors responding to this survey. With the exception of term deposits, ownership of one of the remaining investments was a requirement for participation. As you will see, our selection method was quite successful at identifying investors since 90% either now own or have owned a mutual fund, while nearly two-thirds either have owned or now own stocks. The average investor in this survey currently owns at least two of these products.

Ownership of mutual funds, stocks and GICs doesn't vary systematically with age, but ownership of bonds rises with age while complex investments are less common. Men are also more likely to own stocks than women (50% versus 40%) but comparable for other investments.

Ownership of stocks, bonds and complex investments rises with level of education, while amount invested increases ownership of all products.



1.3 Structure of the Report

This report consists of an Executive Summary, five chapters of content, and an appendix. The appendix provides a copy of the English questionnaire, although since it was administered online this is not how the respondent actually saw it. In any case, the five chapters of the report consist of this Introduction plus four additional chapters:

- Chapter 2 – Understanding Performance: This chapter looks at how well people understand performance information and the aspects of performance that guide their decision-making;
- Chapter 3 – Cost disclosure: This investigates how familiar people are with the costs of investing and which aspects of cost affect their judgment of performance and decision-making;
- Chapter 4 – Performance Reporting: This presents investor views on how they would like performance reported to them including method, content, format and frequency of reporting. Willingness to pay for additional reporting is also assessed;
- Chapter 5 – Summary and Conclusions: This summarizes key findings in other chapters and identifies both implications and issues for further consideration.

In the results chapters, you will see results presented in different ways. Sometimes you will only see a single set of results describing the entire set of investors. At other times, we will show you how responses differ by amount invested or by level of education.

Regardless of what is presented, we have analyzed all responses by language of respondent, region, age, education, gender and amount invested. The choice about what sub-groups to show in the graphs reflects an informed professional judgment about which differences are material to accurately representing the results.

You should be aware that even if the graphics do not show all of the material findings, we will identify them in the text accompanying the graphic. The absence of either commentary or graphic representation indicates that the differences observed were not material to interpretation.

Now, let us look at the results.

2. UNDERSTANDING PERFORMANCE

Highlights

- Only two common investment terms are understood well by more than 2/3 of investors, namely, 'rate of return' and 'Term deposit/GIC interest'.

- Only 4 out of 10 understood the notion of a 'benchmark of comparable funds' or the 'S&P/TSX composite index' suggesting that people are better at understanding the simpler forms of performance reporting rather than those relying on a comparison to some mix of investments. 'Management expense ratio' is only understood by 3 out of 10.

- Responses suggest that while people may say they understand 'risk-return', but most do not apply their knowledge.

- Common investment terms are better understood by people who have more money invested. Differences in understanding based on assets reinforce the notion of the accredited investor, as well as suggesting different necessities for performance reporting at different levels of investment.

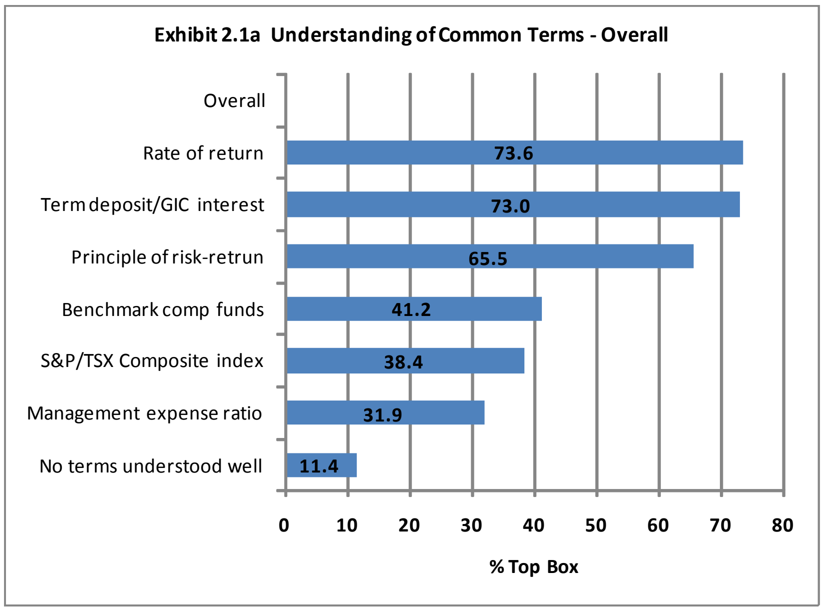
- When we look at how investors assess the performance of their portfolio, we find that most people simply assess the amount of money they gained or lost since their last account statement. The use of market indices and benchmark performance is most common among those with the most money invested.

- Responses indicate that both expectations and performance over recent (1 year) and long-term (5 year) time horizons influence the choices of at least three-quarters of investors. The cost of buying and selling the fund is not far behind nor is the number of times that the fund lost money over the past five years. While the one-time costs of buying and selling are relatively prominent, the ongoing cost (MER) is far less influential.

- Overall, it is safe to say that social desirability plays a big role when investors rate their own level knowledge. Investor over-statement has the potential to create misunderstandings between an investor and their advisor.

2.1 Understanding Common Terms

In order to know what performance information should be reported, it is useful to know what types of information people are likely to understand. Investors were asked to rate their understanding of common terms (see **Exhibit 2.1a)** using a 5-point scale ranging from 1 (Don't understand at all) to 5 (Understand very well). The exhibit shows the proportion of people who rated their understanding of the term a '4' or '5' ("top box"), which is the same as people who say they understand the terms.



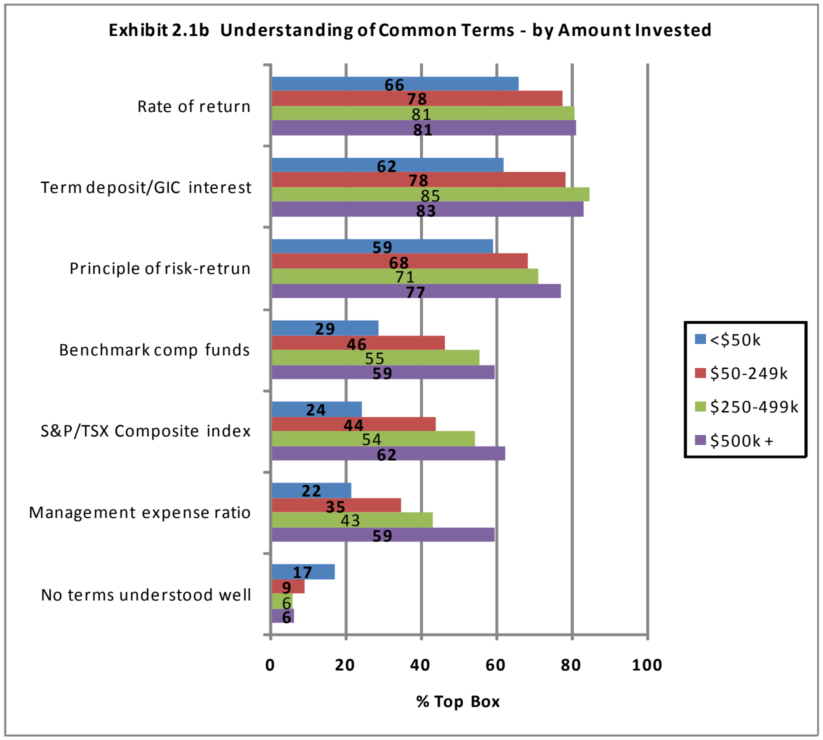
The six terms shown in the exhibit are listed in descending order of understanding. The final bar also shows us that 1 out of 10 investors don't understand any of these terms. **The only two terms understood well by more than 2/3 of investors are 'rate of return' and 'Term deposit/GIC interest'.**

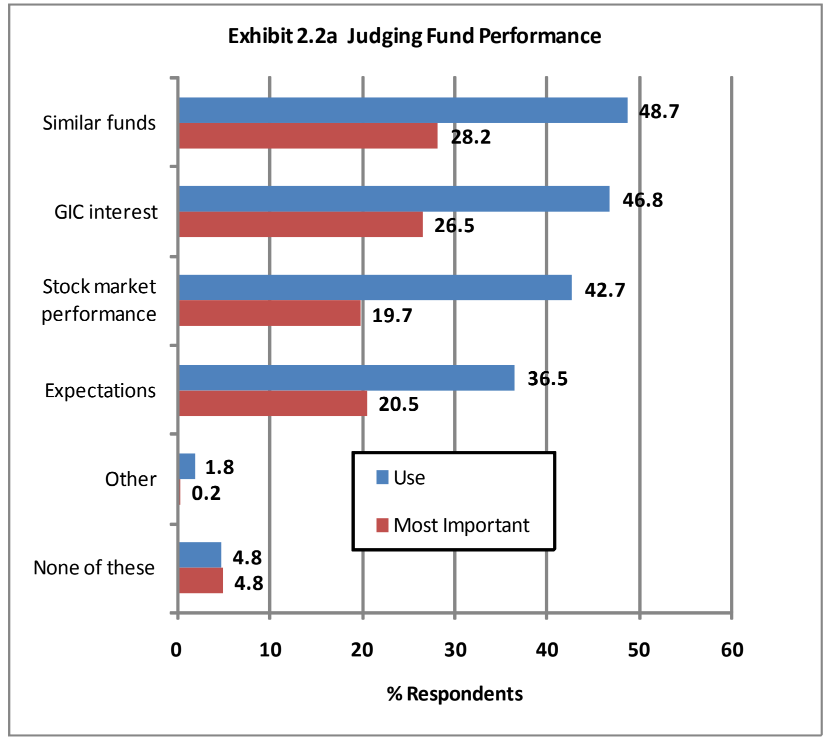
Only 4 out of 10 understood the notion of a 'benchmark of comparable funds' or the 'S&P/TSX composite index' suggesting that people are better at understanding the simpler forms of performance reporting rather than those relying on a comparison to some mix of investments. 'Management expense ratio' is only understood by 3 out of 10.

In a separate question, almost two-thirds of investors said that they understood the principle of risk-return. When we asked them which of a group of comparable funds had the lowest risk, however, some 6 out of 10 chose the fund with the highest return and the greatest variability over a five-year span. The **evidence suggests that people may say they understand 'risk-return', but most do not apply their knowledge.**

Exhibit 2.1b illustrates that **common investment terms are better understood by people who have more money invested.** This is true for every term. The difference in understanding is especially pronounced for the three terms which are least well understood. For these three terms, the difference in understanding between the investment groups is 30% or more. It is only among those with at least $500k invested, where we find that every term is understood by more than half of the investors.

In our view, these differences in understanding based on assets reinforce the notion of the accredited investor, as well as suggesting different necessities for performance reporting at different levels of investment.





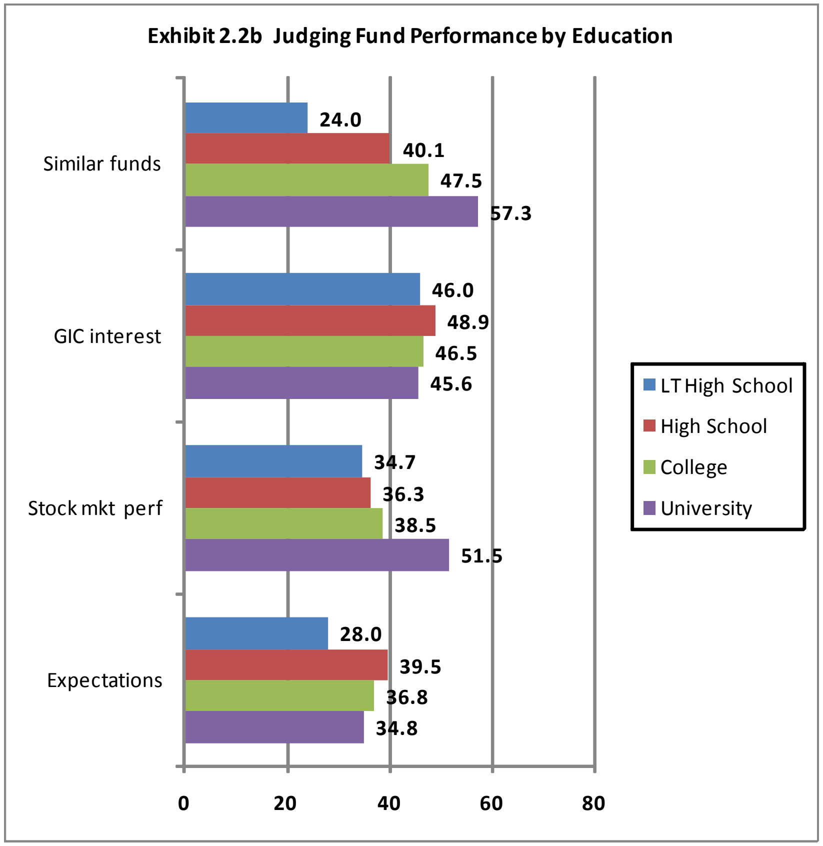
2.2 Judging Investment Performance

The second approach took a more investor-centered view and asked people what information they used to judge mutual fund performance. The answers are not totally consistent with what they understand, but they are revealing. Two questions were asked, essentially, what information is used to judge fund performance and what information is most useful. Most people judged fund performance by two methods, as you can see in **Exhibit 2.2a**.

Some 5 out of 10 investors judge fund performance on two criteria: the performance of similar funds; and how the fund performance compared to what they could earn on a GIC. Bear in mind that many of the mutual fund investors are likely to have money market funds, although we did not specifically ask about that.

Some 4 out of 10 investors judged their fund performance against the performance of the stock market overall, but we should not assume that they understand the TSX index even if they do so. Judging performance by what the investor expected to earn is only slightly less common. The most useful judgment method echoes the overall results for usefulness.

Looking at the methods for judging fund performance at different levels of education is informative. As you can see in **Exhibit 2.2b**, more complex comparisons (benchmark of similar funds, stock market performance) are more common as education rises. The patterns are consistent with findings in investor literacy studies.



When we look at how investors assess the performance of their portfolio, a slightly different picture emerges as you can see in **Exhibit 2.3a**. With the added complexity of different types of investments that may need to be judged in different ways, most people simply assess the amount of money they gained or lost since their last account statement. The use of market indices is comparable to what we saw for funds, but the importance of GIC interest drops dramatically as less suitable. So too, does the likelihood of judging the performance of similar investments when an entire portfolio is involved.

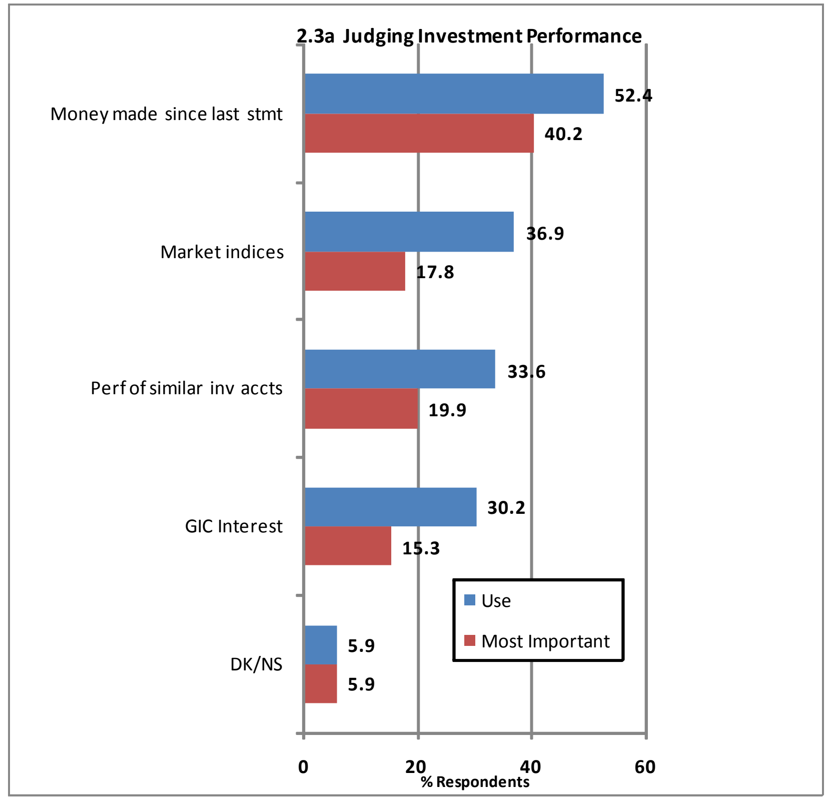
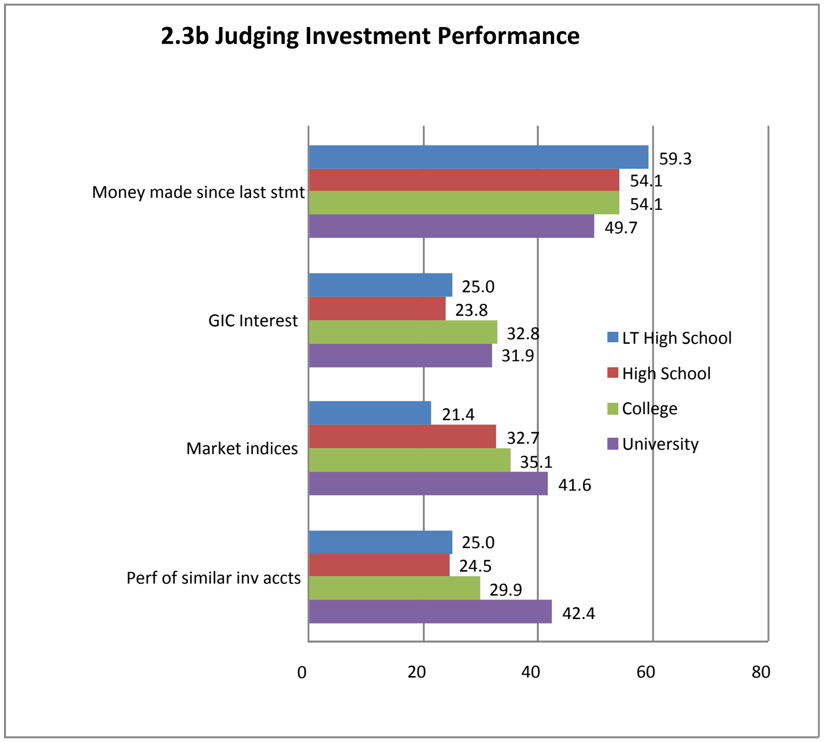
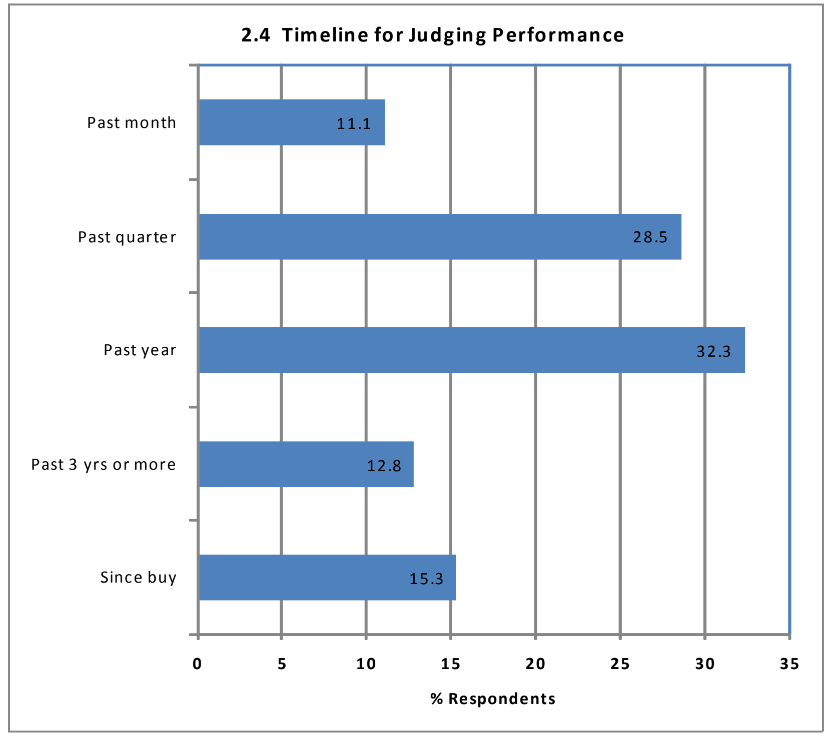


Exhibit 2.3b reinforces the notion that more complex judgments are made by those with higher levels of education. As you will recall, this typically corresponds to greater amounts invested





Only 13% of investors consistently look at time periods in excess of one year, when judging the performance of their portfolio. Many instead judge an investment from the time of purchase to the present. As **Exhibit 2.4** shows, one year is the most common period for judging gains and losses, followed by the past one quarter. While most investors look at how much they made or lost since their last statement (see 2.3b), the real judgment of performance is a somewhat longer term process. We note that the length of time for judging performance increases with age of the investor. A 3-year time horizon is far more likely for someone investing at least $500k than it is for others.

2.3 What Influences Fund Buying

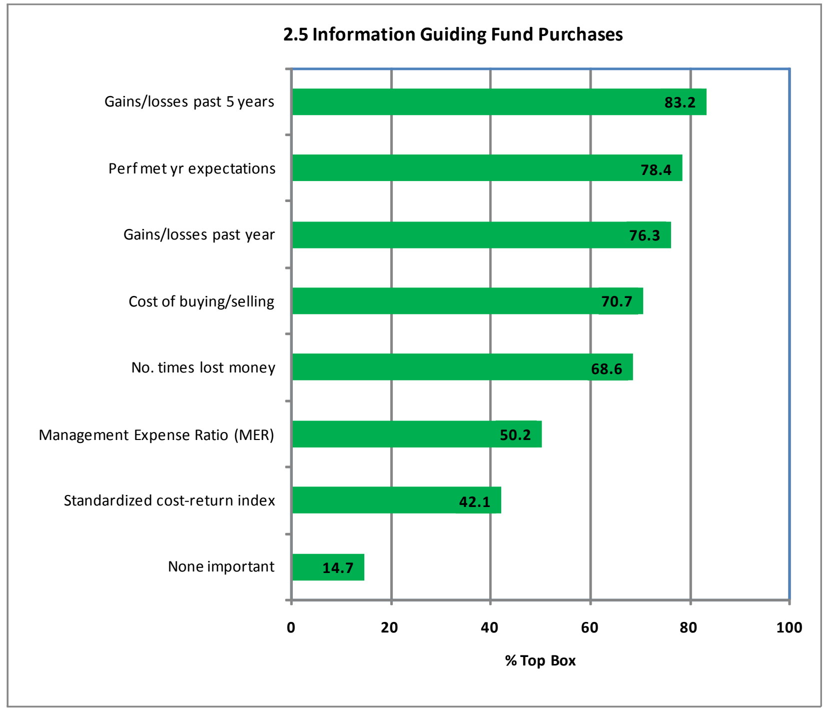
Having looked at what performance means to investors and the kinds of information they used to judge their ongoing investments, we also wanted to understand what information people used when deciding to buy an investment. We used mutual funds to look at buying decisions, since information about mutual funds is relatively standardized.

Investors were asked to rate the importance of seven kinds of information on the choice of a mutual fund to buy. Importance was rated on a 5-point scale from 1 (Not important at all) to 5 (Extremely important). Those rating each type of information as 'important' (4 or 5) are shown in **Exhibit 2.5**.

Responses indicate that both expectations and performance over recent (1 year) and long-term (5 year) time horizons influence the choices of at least three-quarters investors. The cost of buying and selling the funds is not far behind nor is the number of times that the fund lost money over the past five years.

While the one-time costs of buying and selling are relatively prominent, the ongoing cost (MER) is far less influential at 50%. In fact, evidence suggests that the importance of MER is over-rated here. Only 31% clearly understand what MER means.

The final item on the list is the 'standardized cost-return index', which was important to the decisions of 42% of investors. This is a problem. There is no such information. This was a question meant to detect people giving 'socially desirable' answers. The score for this is quite high, and as such, it indicates that **the influence of much of this information is over-stated. This is likely to be most true for information that is poorly understood like MER**, but it also implies caution when interpreting all of the results.



We note that Quebeckers chose 'standardized cost-return index' more than others, suggesting that differences in translation may be a factor. Excluding Quebec, however, we still find that one-third of investors said it was important. Those with the most money invested were more likely to say they used this (as well as the most educated), suggesting that these groups may be more prone to over-stating their knowledge. While men were also somewhat more likely than women to over-state their knowledge, the 5% difference was not too large. Overall, it is safe to say that **social desirability plays a big role when investors rate their own level knowledge. Investor over-statement has the potential to create misunderstandings between an investor and their advisor.**

3. UNDERSTANDING COSTS

Highlights

- Straight commission and account fees are understood by two-thirds of investors. More complex information like deferred sales commissions are understood by only 4 out of 10. Trailer fees and wrap fees are understood even less commonly. Even so, there is clear evidence that understanding of common cost terms is over-stated.

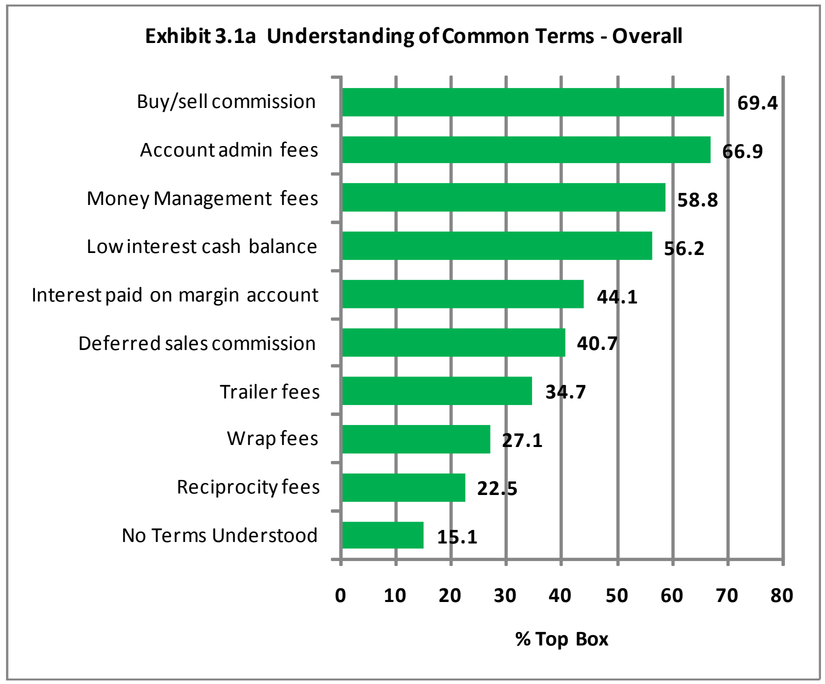
- Understanding of common cost terms increases as the amount of money invested increases. The most moneyed investors said they understood every term better, but evidence suggests that the most moneyed investors are prone to over-stating their knowledge. There is a real risk that even accredited investors know far less than they purport to know.

- Half of investors discussed costs with their advisor. The number rises to two-thirds among those with an advisor. Account statements and online information prior to execution are common, respectively for those who have an advisor acting on their behalf and those without an advisor. The likelihood of getting information from a prospectus increases with the amount invested.

- All in all, learning about costs presents a logical picture. The type of advisor relationship shapes the nature and source of information. Results for desired methods of learning are largely as one would expect. Notwithstanding that fact, we must be mindful that not all cost information will be fully understood. What are most easily understood are straight commission and administration fees.

3.1 Understanding common terms

This chapter focuses on the disclosure of costs, so as with performance, we start by looking at how well investors understand different common terms that refer to costs. As in previous exhibits, **Exhibit 3.1a** shows the top box score (4+5 on a 1-5 scale), reflecting the proportion of investors who understand each term. Cost terms are listed in descending order of understanding. Perhaps the most significant finding is the bottom line, which says that **15% of investors don't understand any of these terms well.**



Straight commission and account fees are understood by two-thirds of investors. More complex information like deferred sales commissions are understood by only 4 out of 10. Only 44% understood 'low interest paid on margin account', but the problem may be their understanding of margin accounts rather than fees. Trailer fees and wrap fees are understood even less commonly.

Once again, we added a 'social desirability' check on understanding in the form of a made-up term we called 'reciprocity fees'. Some 22.5% said they understood this term well, which is clearly over-statement since the term doesn't exist. Age 20-34 (36%) were far more likely to say they understood 'reciprocity fees' than the oldest investors (9%) and men stated they understood more often than women (27% versus 16%). These are quite typical patterns, but more pronounced here than in the preceding chapter.

Exhibit 3.1b shows that **understanding of terms increases as the amount of money invested increases.** The most moneyed investors said they understood every term better, including 'reciprocity fees'. As with performance, this suggests that **the most moneyed investors are prone to over-stating their knowledge**. As we see it, there is a real risk that even accredited investors know far less than they purport to know.

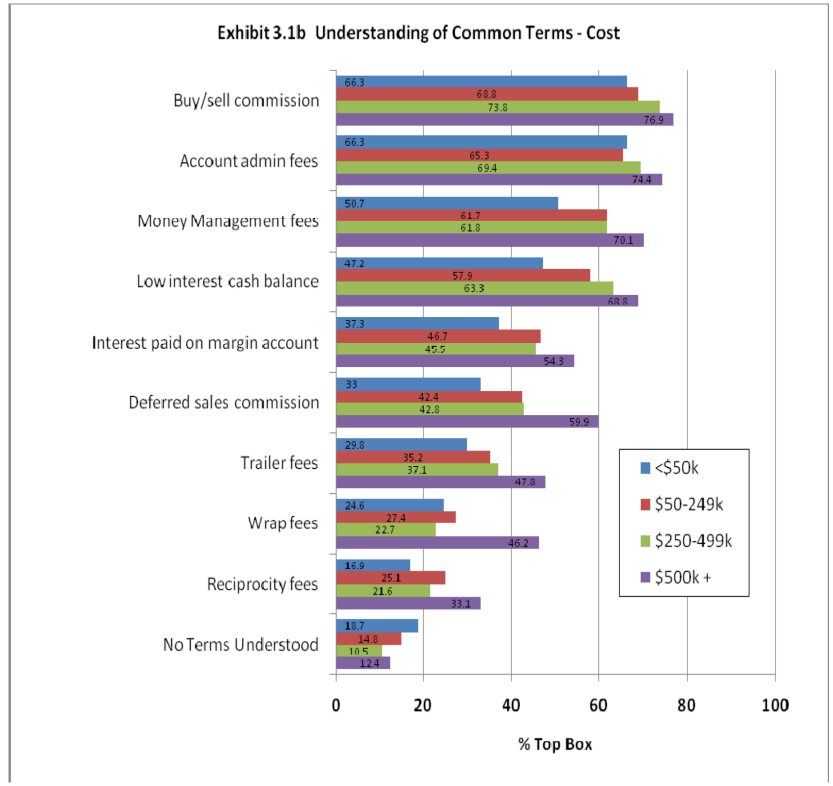
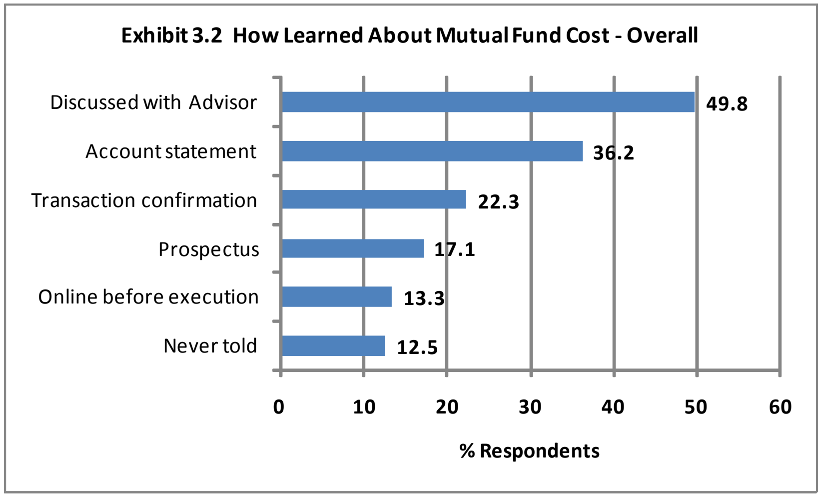


Exhibit 3.1b Understanding of Common Terms - Cost

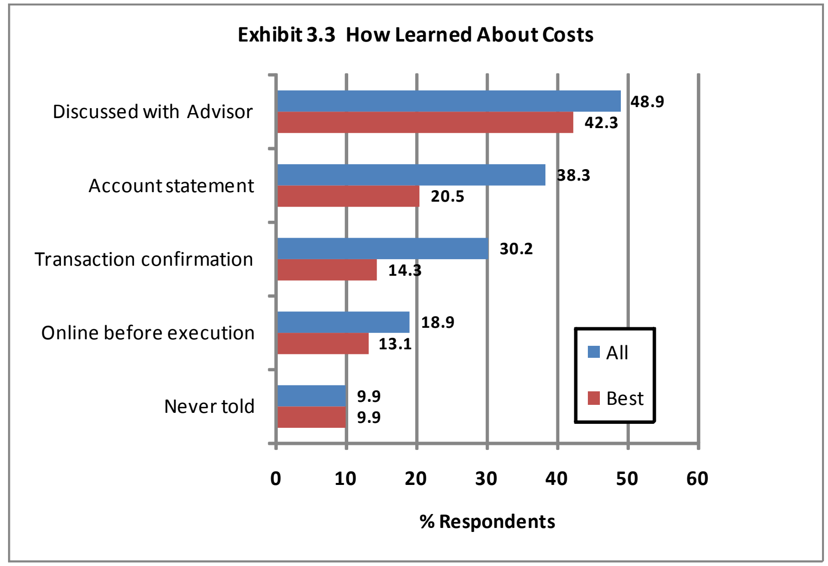
3.2 Learning About Costs

Exhibit 3.2 shows that half of investors discussed <u>mutual fund</u> costs with their advisor. The number rises to two-thirds among those with an advisor. While some 12.5% say they were 'never told', this group is disproportionately accounts with 'no advisor', suggesting that these investors did not seek out or remember information available to them.

While not shown, we note that getting cost information from a mutual fund prospectus increases with amount invested from 13% (under $50k invested) to 32% ($500k or more), reflecting the sophistication of these investors. To a lesser extent, transaction confirmations and online before execution increase with amount invested as well.



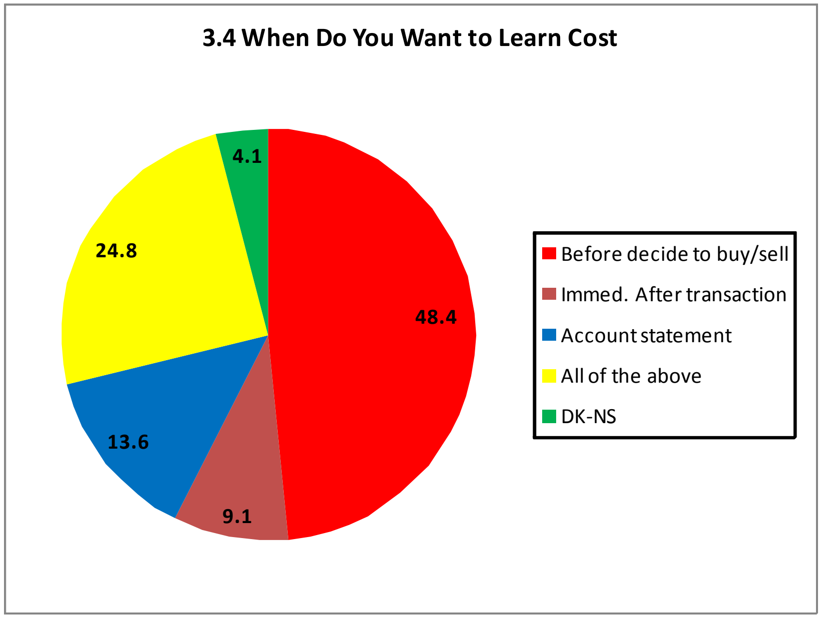
When we look at getting cost information about a more diverse portfolio of assets, the advisor still plays the primary role (see **Exhibit 3.3**). In fact, the numbers are quite comparable to the mutual fund exhibit, which is a good cross-check since these questions were five minutes apart in the survey.



What this exhibit adds to our understanding is the investors' notion of which method of learning about costs they like best. Clearly, the advisor is the source they most want to rely on followed by account statements. Transaction confirmations and online cost information are equal to one another, but lag the top two choices.

For those with an advisor who makes recommendations, 61% choose their advisor as the most desired source of information. For others, account statements become more important. For those without an advisor, online information prior to execution is paramount.

As a final step in understanding cost disclosure, we asked people when they wanted to know about the costs of their investment (see **Exhibit 3.4**). **Three-quarters want to know their cost prior to execution.** This includes the one-quarter who want to know the cost, before and after execution, as well as seeing this confirmed on their account statement. Among the one-quarter who don't want prior cost information, most prefer to see it in an account statement. This is particularly true of those who have an advisor who decides on investments for them.



All in all, learning about costs presents a logical picture. The type of advisor relationship shapes the nature and source of information. Results are largely as one would expect. Notwithstanding that fact, we must be mindful that not all cost information will be fully understood. What are most easily understood are straight commission and administration fees.

4. Reporting to Investors

Highlights

- For gauging performance of mutual funds, some 77% of investors find dollar values useful versus 62% for the traditional percentage method. Dollar values are more appealing regardless of amount invested suggesting they should be more widely used.

- When assessing how well a fund performed, there was a very small preference for using a benchmark of comparable funds (67%) rather than GIC returns (62%). The preference increased as the amount of money invested increased, echoing our earlier finding that more sophisticated investors are more capable of using more complex methods.

- The majority of investors (62%) want to get their fund performance information as part of their regular account statement. Just under one-third prefer to get a separate report from each fund, suggesting that this should be an "opt-in" choice rather than a default.

- Looking at portfolio reporting, responses reflect a great deal of uncertainty about the treatment of costs, especially at lower levels of investment. But even at higher levels, the complete lack of agreement tells us that certainty of treatment is seldom truly known. Responses suggest that reporting practices should be standardized, but regardless of whether they are or not, they should be clearly disclosed.

- More than half of those wanting more detailed information are willing to pay for it. Two-thirds of those willing to pay for more detailed information would not pay more than $50, in fact, most would pay $25 or less. By contrast, two-thirds of those wanting more frequent reporting are unwilling to pay.

- More detailed reporting is of far greater interest to investors than more frequent reporting. Perhaps greater detail can provide the means of showing performance in more ways that investors find useful. Regardless, it is clear that performance reporting must clearly disclose how costs and fees are treated when reporting investment costs and portfolio performance.

4.1 Mutual Fund Reporting

Investor literacy work indicates that some people have difficulty understanding complex information about funds. To get a better understanding of what would make it easier for investors to understand fund performance, we asked them to choose between alternative forms of reporting (see Exhibit 4.1).

The first contrast looked at reporting performance changes in dollars (green report) versus reporting changing performance in percentage terms (blue report).

(Blue Report) Monthly Performance: **Percent change** in value of investments for each month

Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	**Year**
1.29%	6.51%	-2.33%	-0.04%	3.12%	1.82%	2.33%	1.08%	2.15%	-5.14%	4.97%	1.70%	**18.33%**

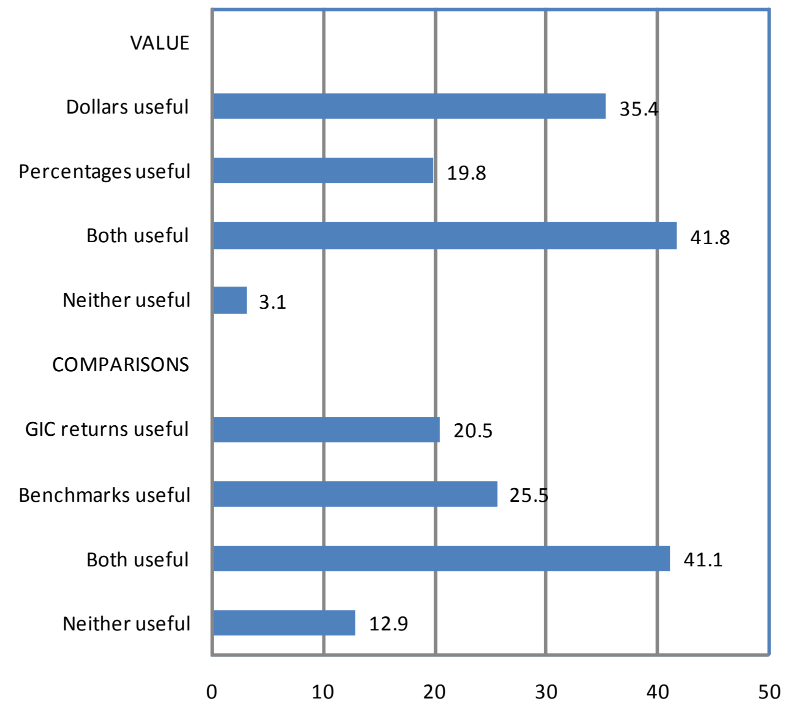
(Green Report) Monthly Performance: **Dollar value** at the end of each month for $10,000 invested on January 1st.

Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	**Year**
$10,129	$10,788	$10,537	$10,533	$10,861	$11,059	$11,317	$11,439	$11,685	$11,084	$11,635	$11,833	**$11,833**

Adding in investors who find both approaches helpful**, Exhibit 4.1** shows that 77% find the dollar presentation useful versus 62% for the traditional percentage method. **Dollar values are more appealing regardless of amount invested** suggesting they should be more widely used, but the difference gets smaller as the amount of investment increases.

The second contrast used the standard percentage approach but changed the comparison information given to help assess fund performance. While both comparisons showed the market index, one included the GIC interest rate and the second showed the performance of a benchmark of comparable funds *(see Appendix I for illustration)*.

4.1 Fund Performance Report Preferences

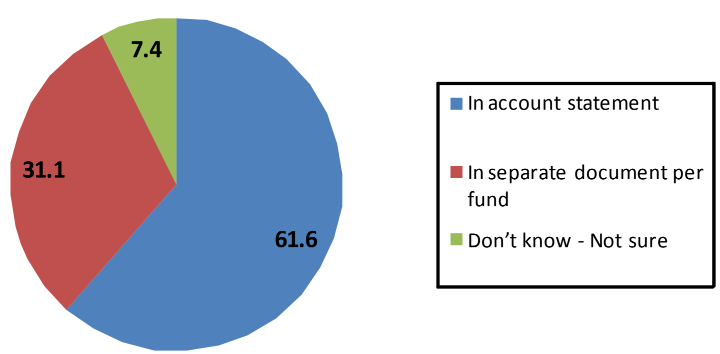


Differences in preference between the benchmark of comparable funds (67%) and using GIC returns (62%) increasingly favoured the benchmark of comparable funds as the amount of money invested increased, echoing our earlier finding that more sophisticated investors are more capable of using more complex methods. In addition, we speculate that GIC returns may have appealed to the many investors who primarily buy money market funds, but we did not identify them in the research so we cannot verify this.

Looking to the future, we asked investors about how they want to get information about the performance of their funds (**Exhibit 4.2a**) and how often they wanted to get this information (**Exhibit 4.2b**).

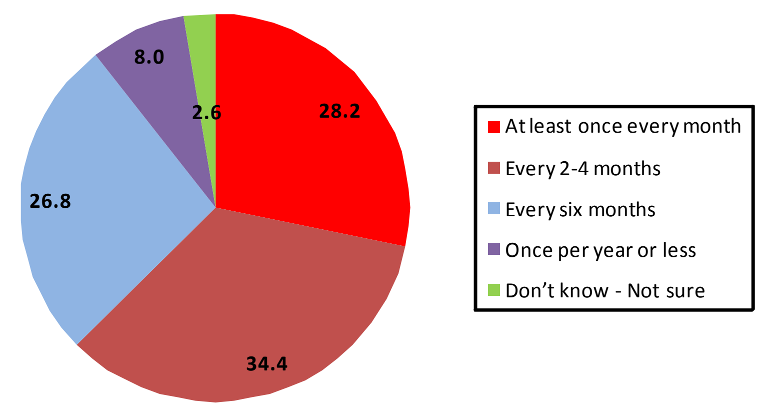
The overwhelming majority of investors (62%) want to get their fund performance information as part of their regular account statement. Just under one-third prefer to get a separate report from each fund, suggesting that this should be an "opt-in" choice rather than a default. Preference for separate performance reports was unrelated to amount invested.

Exhibit 4.2a Mutual Fund Reports - Delivery Wanted



Turning to frequency of reporting, some 3 out of 10 prefer monthly performance information and another 3 out of 10 want it at least quarterly. Another 3 out of 10 are satisfied with semi-annual reporting. Only 1 out of 10 considers annual reporting to be sufficient.

Exhibit 4.2b Mutual Fund Reports - Frequency Wanted



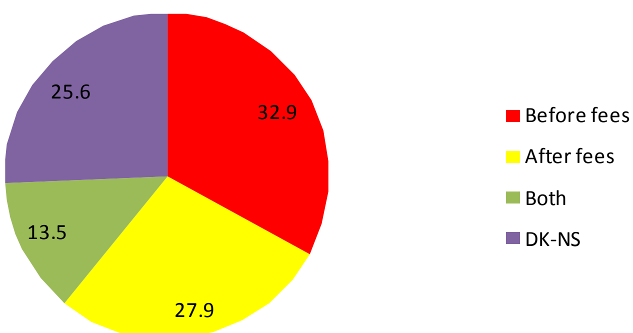
Not surprisingly, **a higher frequency of reporting is desired increasingly as the amount of money invested increases.** Working on the assumption that most of these investors will get regular account statements, we suspect that this should prove sufficient for their needs.

4.2 Investment Portfolio Reporting

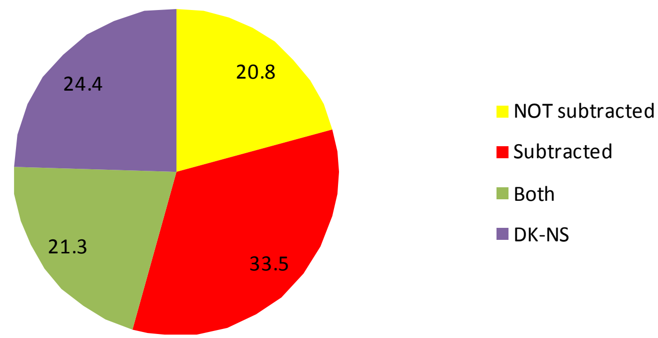
We start our comments on investment portfolio reporting with some indications of what people understand about the reports they get. One of the key issues is whether the cost of investments shown on an account statement is before or after commissions and fees (see **Exhibit 4.3a)**, and similarly, whether investment returns have had all the fees and costs subtracted prior to showing the return on investment (see Exhibit **4.3b**).

One-third of investors believe that commissions and fees are identified separately from investment costs. This rises to nearly half among those with $500k invested. Just over one-quarter believe that the investment cost already builds in associated commissions and fees. Only 15% say that both methods are used and it depends on the investment. A full one-quarter just don't know, although this varies with amount invested (34% at less than $50k, 13% at $500k+)

4.3a Investment cost Reporting



4.3b Performance Reporting and Costs



For investment performance, one-third believes that performance is shown after all costs are subtracted from earnings, while 2 out of 10 believe performance is shown prior to costs being subtracted. Another 2 out of 10 say both methods are used. Again one-quarter say they simply don't know.

As we see it, **responses reflect a great deal of uncertainty, especially at lower levels of investment. But even at higher levels, the complete lack of agreement tells us that certainty of treatment is seldom truly known. Responses suggest that practices should be standardized, but regardless of whether they are or not, they should be clearly disclosed.**

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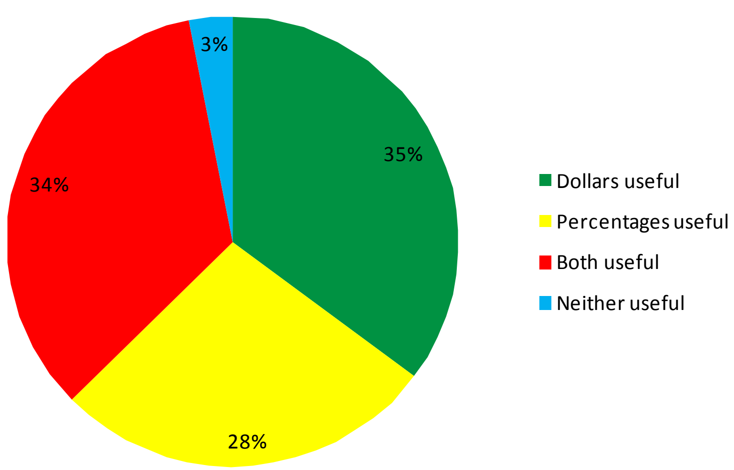
Portfolio Report Preferences

As with mutual fund reporting, we provided investors with two simplified reports to gauge their preferences. One report showed everything in total dollar amounts including performance changes. The second showed unit costs and percentage changes *(shown in Appendix I)*. Once again, we asked people to compare the two approaches and tell us which they found most useful **(see Exhibit 4.4)**.

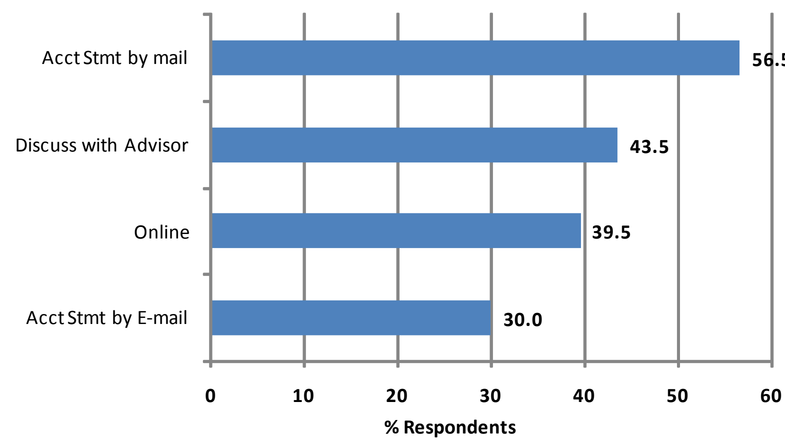
About one-third of investors found both approaches useful, which means the dollar-based approach (69%) had only a modest advantage over the traditional unit cost and percentage approach (62%). Preferences were unrelated to the amount invested.

Exhibit 4.4 Portfolio Report Preferences



When it comes to delivery of performance information, account statements remain the primary vehicle but investors also want regular discussions with their advisor (see **Exhibit 4.5a**). We can also see that taking the initiative and getting information on online is nearly equal to an advisor discussion these days. By contrast, E-mail account statements lag mail account statements by a considerable amount. **Of course, most people would like to get information in more than one way.**

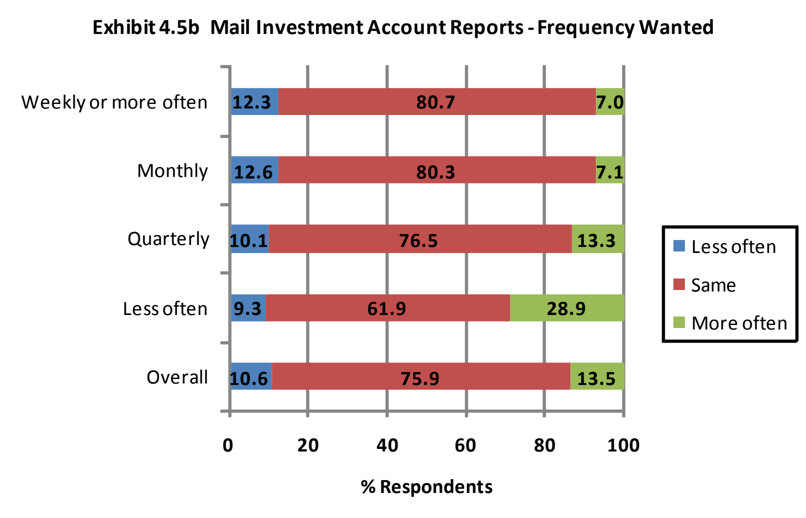
Exhibit 4.5a Investment Performance Information - Delivery Method



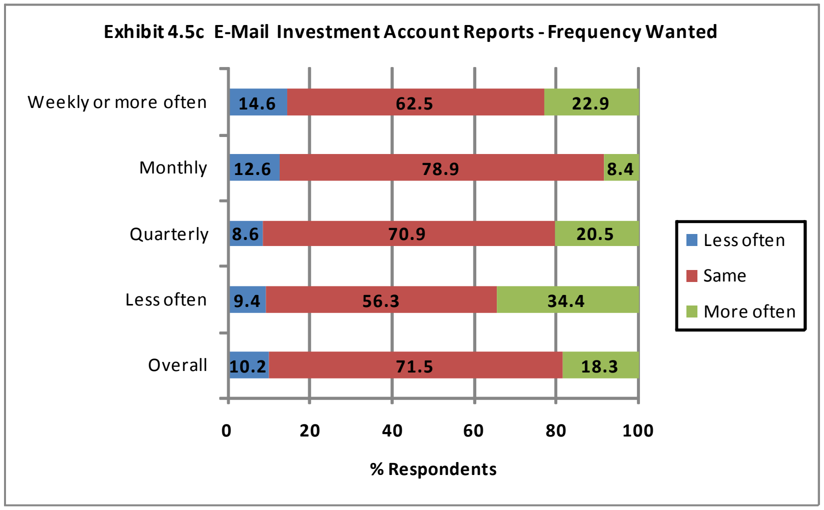
Preferences among these delivery methods is not related to amount invested, but it is related to the type of advisor used. The biggest difference is for those with no advisor. They clearly prefer to go online and get information when they need it (54%). And while they are more interested in e-mail account statements than others, they still prefer an account statement sent by regular mail.

Obviously, frequency of reporting via online access is on an "as desired" basis. The same is largely true of discussions with an advisor. Whether e-mail or regular mail, it is account statements where frequency is an issue. **Exhibits 4.5b and 4.5c** show the desired frequency of account statements for regular mail and e-mail respectively. Desired frequency is shown in relation to how often the investor gets these statements now.

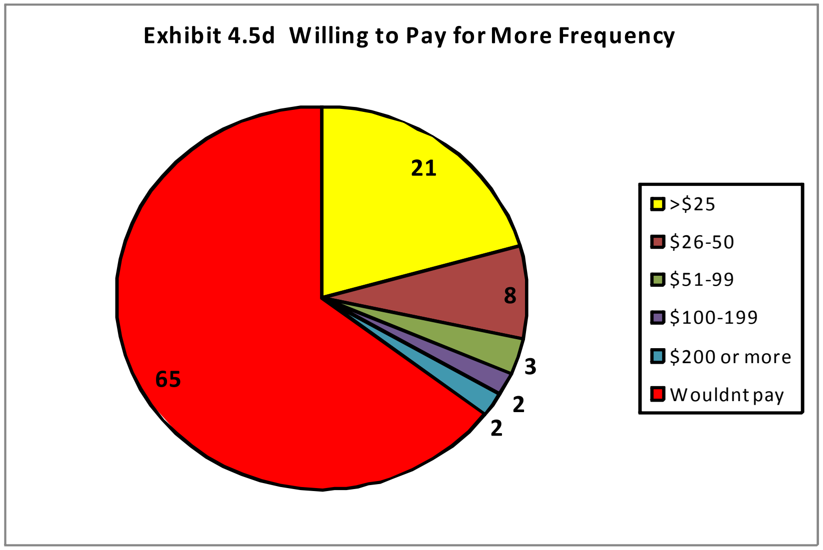
For those getting monthly or weekly reports now, less than 1 out of 10 want reports more often. This rises as the frequency of reports diminishes, such that many of those (29%) who get reports less often than quarterly are likely to want more frequent reporting.



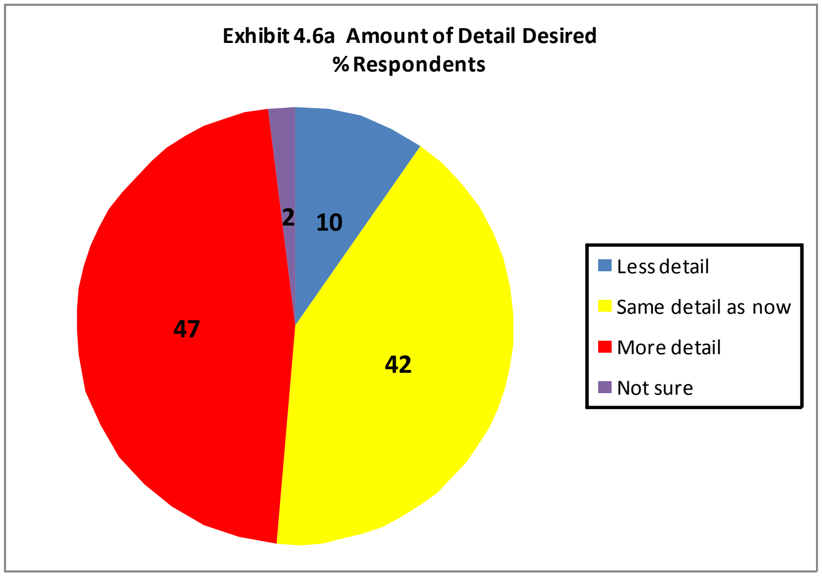
For those getting e-mail account statements, the results suggest that whatever the frequency, there will be a substantial proportion of people (~20%) who want more frequent reporting. As is often the case with online-oriented investors, the closer you get to real-time on-demand reporting, the happier they are.



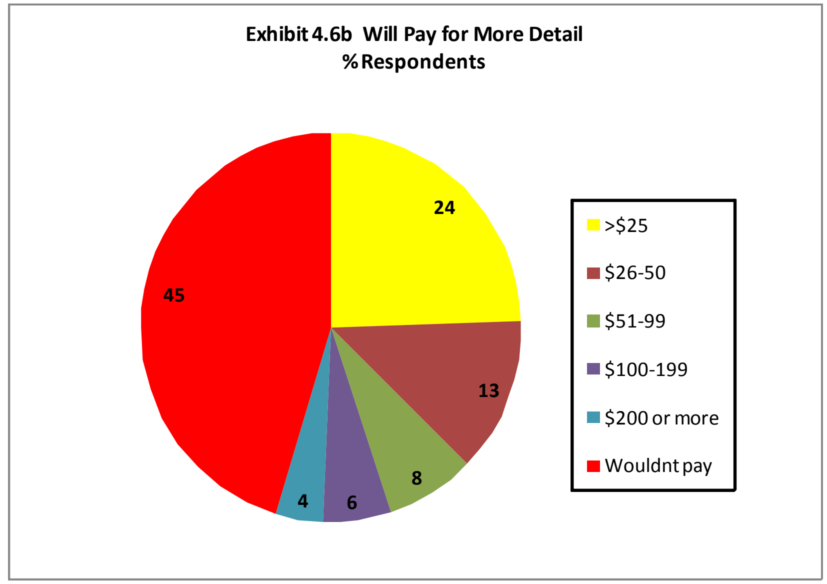
While 1 out of 6 might want more frequent account statements, results in **Exhibit 4.5d** suggest that **most (65%) aren't willing to pay for more frequency.** The bulk of the remainder would pay no more than $50.



More detailed reporting is of far more interest to investors than more frequent reporting. As you can see in **Exhibit 4.6a**, **nearly half of investors (47%) would like more detailed reports than they get now**. The desire for more information is not related to amount invested, but we do note that the desire for more information increases with educational attainment.



More than half of those wanting more detailed information (55%) are willing to pay for it. Two-thirds of those willing to pay for more detailed information would not pay more than $50, in fact, most would pay $25 or less (see Exhibit 4.6b). Willingness to pay is more closely related to education than anything else, but we do note that those with over $500k invested are willing to pay a bit more than most others.



More detailed reporting is of far greater interest to investors than more frequent reporting. Perhaps greater detail can provide the means of showing performance in both ways that investors find useful. Regardless, it is clear that performance reporting must clearly disclose how costs and fees are treated when reporting investment costs and portfolio performance.

5. SUMMARY AND CONCLUSIONS

In this chapter we summarize our findings under four headings. Within each summary we also provide our interpretation of the evidence. Where appropriate, we suggest remedial action.

Tiering of Investors

- Survey findings on investor knowledge strongly support the notion of different tiers of investors based on the amount invested, especially a top tier of 'accredited investors'. Within the study, that group would best be defined as individuals with at least $500,000 in investments and savings.

- Investors with at least $500k in savings are better educated and more capable of understanding both cost and performance disclosure information. At the same time, there is clear evidence that they both over-estimate and over-state their mastery of investment-related information. This can easily lead to misunderstandings between an investor and their advisor.

- There is strong evidence that small investors, those with no more than $50k in investments and savings, lack a good understanding of investment and performance terms. Based on financial literacy research, we suggest providing these investors with highly simplified information that is easy to understand (e.g., everything in dollar values). One can always provide additional detail on request.

- Regardless of amount invested, simple information is desired and understood by most people. Even when more complex information is available, we suggest that most investors would benefit from a simple presentation first and then a more complex view.

Performance Disclosure

- Only two common investment terms are understood well by more than 2/3 of investors, namely, 'rate of return' and 'Term deposit/GIC interest'. Understanding drops off quickly to the 4 out of 10 level when we talk about synthetic measures like market indices or 'benchmark funds'. Terms like 'Management Expense Ratio' are understood by less than 1/3 of investors.

- Even when people say they understand a term, we cannot assume that their understanding is at the level that a regulator might desire. Furthermore, as any educator will tell you, knowledge of a term does not guarantee the ability to apply it. Using the principle of risk-return as an example, we found that most people said the terms well, but few applied the principle successfully to choosing among a small set of funds.

- In a similar vein, when we look at how investors assess the performance of their portfolio, we find that most people simply assess the amount of money they gained or lost since their last account statement. The use of market indices and benchmark performance is most common among those with the most money invested.

- Responses indicate that besides performance expectations, actual performance over recent (1 year) and long-term (5 year) time horizons influence the choices of at least three-quarters of investors. The cost of buying and selling the fund is not far behind nor is the number of times that the fund lost money over the past five years.

- The ongoing cost (MER) of operating a mutual fund has far less influence on buying than one-time costs. Some 45% said they were influenced by it, even though 60% said that it mattered what fund costs were even if they got the same return. With fewer than one-third of investors having a good understanding of MER, it appears that most investors don't have the information they need to make an informed judgment. Showing information in technical terms is often the same as not showing it at all for retail investors. It would be better to use a phrase like 'the total cost of operating the fund (MER)' for disclosure purposes, so that more people will understand the information.

Cost Disclosure

- Straight commission and account fees are understood by two-thirds of investors. More complex information like deferred sales commissions are understood by only 4 out of 10. Trailer fees and wrap fees are understood even less commonly. Even so, there is clear evidence that understanding of common cost terms is over-stated.

- The type of advisor relationship shapes the nature and source of information used. Understanding of common cost terms increases as the amount of money invested increases. The most moneyed investors said they understood every term better, but evidence suggests that the most moneyed investors are prone to over-stating their knowledge. There is a real risk that even accredited investors know far less than they purport to know.

- Half of all investors discussed mutual fund costs with an advisor. The number rises to two-thirds among those with their own advisor. Account statements are common for those who have an advisor acting on their behalf. For those without an advisor, online information prior to execution is most common.

- Only 1 out of 6 get cost information about a mutual fund by reading the prospectus. This rises to only 1 out of 3 for the top tier of investors. Based on prior research, we note that most investors ignore the prospectus because the information is too hard to understand. As well, understanding what information is most critical is often unclear. Just like a layman looking at any lengthy legal document concludes, only the professionals really know which information is critical and what it means. Critical information needs to be summarized in one page at the front of a prospectus, if the aim is to ensure it is used.

Reporting Preferences

- For gauging performance of mutual funds, dollar values are more useful than percentages (77% versus 62% useful) regardless of amount invested suggesting they should be more widely used.

- There was a very small preference for using a benchmark of comparable funds rather than GIC returns (67% versus 62%) for fund performance. The preference increased as the amount of money invested increased, echoing our earlier finding that more sophisticated investors are more capable of using more complex methods.

- The majority of investors (62%) want to get their fund performance information as part of their regular account statement. Just under one-third prefer to get a separate report from each fund, suggesting that this should be an "opt-in" choice rather than a default.

- Looking at portfolio reporting, responses reflect a great deal of uncertainty about the treatment of costs like transaction fees when reporting investment costs and performance, especially at lower levels of investment. But even at higher levels of financial assets, the complete lack of agreement about how costs are treated tells us that certainty of treatment is seldom truly known. Responses suggest that reporting practices should be standardized, but regardless of whether they are or not, they should be clearly disclosed.

- More than half of those wanting more detailed information are willing to pay for it. Two-thirds of those willing to pay for more detailed information would not pay more than $50, in fact, most would pay $25 or less. By contrast, two-thirds of those wanting more frequent reporting are unwilling to pay.

- More detailed reporting is of far greater interest to investors than more frequent reporting. Perhaps greater detail can provide the means of showing performance in more ways that investors find useful. Regardless, it is clear that performance reporting must clearly disclose how costs and fees are treated when reporting investment costs and portfolio performance. Performance reporting should also be reported at different levels of complexity commensurate with the capability of the investor, bearing in mind that the capability of the investor is likely over-stated when talking to their advisor.

Benchmarking

- The survey did not ask about specific benchmarks, but did look at three kinds of indicators: GIC rates, market indices, and performance of similar funds/portfolios. Findings suggest that more complex measures than these are seldom used. **People primarily judge cash returns regardless of how much they have invested.** Past research has shown that the vast majority of people do not wish to spend much time on their investments and how much they made or lost is what matters most to them.

- There is no group of investors that considers benchmarks as important as the dollar amount they made or lost, but cumulatively some 69% of portfolio investors and 84% of mutual fund investors do use at least one comparison measure besides cash earnings.

- One-third of investors use "comparisons with a similar mix of investments" (36%) and one-third (33%) use market indices to judge portfolio performance. GIC rates are only slightly lower (30%) incidence as a basis for comparison. The amount of money made/lost since the last statement (40%) is cited as the most useful measure of performance twice as often as benchmarks (20%), market indices (18%) and GIC rates (15%). These findings do not differ much according to amount invested, except for market indices, which are considerably more important to those with over $500k invested.

- When it comes to mutual funds, half of investors ($\pm$5%) look at how other similar funds performed, 46% look at GIC rates and about 43% look at appropriate market indices. The use of market indices rises with amount invested from 37% (<$50k invested) to 58% (>$500k). Less than 1% talked about using more complex measures to gauge fund performance.

- At a practical level, we note that only 40% of people said they understood what it meant to look at "a benchmark of comparable funds". This should be viewed as an upper limit on those capable of using a benchmark, but you should be aware that understanding is provably over-stated and the proportion who can actually use such benchmarks will be lower. Understanding "a benchmark of comparable funds" increases dramatically with amount invested from 29% (<$50k) to 60% ($500k+), but we note that understanding is increasingly over-stated as amount invested increases too.

- While nearly half of investors (47%) would like more detailed information, we do not specifically know what information they want. Given the upper limits on understanding of benchmarking, this is unlikely to be a primary desire for more information. To find out more about this, it would be best to use open-ended methods. Selecting among pre-identified answers would lead to an over-statement of their importance. Past research suggests that most people don't know what additional information they want. They just want to understand performance better, but without investing the time to learn more about it.

- As an alternative to complex benchmarks, we would suggest that the most useful comparisons would be broad asset class indices and the comparable performance in the investor's portfolio. There are two tiers of investor knowledge to deal with. At the lowest tier, portfolio return is best compared to GIC returns for the same time period. For the more sophisticated investor, you might have 4-5 broad asset classes with well-defined indices (S&P/TSX, DJIA, MCSI, etc.) and compare their performance to the index (in % terms). If not everything is covered by these broad asset classes, that is not a problem since the most important measure overall is dollars made or lost.

- As a final word on benchmarking, we want to emphasize that a simple understandable but imperfect benchmark will help investors more than a complex perfect benchmark that they don't understand.

APPENDIX I: Survey Questions (English version)

Cost and Performance Disclosure (19-Jul-10)

Language
- English
- French

Region
- East
- Quebec
- Ontario
- Prairies
- Alberta
- BC

A. SCREENER - SOPHISTICATION

1. What is your current age? Is it….?
   - 1 Less than 20 years old [Terminate survey]
   - 2 20 – 34 years old
   - 3 35 – 49 years old
   - 4 50 – 64 years old
   - 5 Age 65 or older

2a. Is your personal income at least $15,000?
   - 1 Yes [Skip to A-3]
   - 2 No
   - 3 Don't know/Refuse

2b. Is your family or household income at least $25,000?
   - 1 Yes
   - 2 No [Terminate the interview]
   - 9 Don't know/ No answer [Terminate the interview]

3. Are you… ? [No gender should exceed 55% of the sample]
   - 1 Male
   - 2 Female

4. What is the highest level of education that you completed? Is it…?
   - 1 Less than a high school diploma
   - 2 A secondary school diploma
   - 3 Completed College/CEGEP
   - 4 Completed University/Postgraduate degree

5. Please indicate which of the following financial products you own now including products inside an RRSP. If you don't own the product now, please indicate if you have owned this financial product in the past five years <rotate order of first 4 products>?

Own Now	Owned Past	Never Owned	Not Sure	
___	____	____	___	Mutual funds (or other investment funds)
___	____	____	___	Stocks (equities) not in a mutual fund
___	____	____	___	Government or corporate bonds (excluding Canada Savings Bonds)
___	____	____	___	Complex investments like derivatives, hedge funds or limited partnership units

<Terminate if they don't own any of these products, else continue>

Own Now	Owned Past	Never Owned	Not Sure	
___	____	____	___	Term deposit / GIC

6. Thinking about the amount of money you have saved or invested including in an RRSP or company pension plan, would you say that the total amount you have invested is roughly….
   - 1 Less than $50,000
   - 2 At least $50,000 but less than $250,000
   - 3 At least $250,000 but less than $500,000
   - 4 More than $500,000
   - 9 Not sure/Don't know

7. Many people have an investment advisor or financial planner to help them with investments. Which of the following advisor relationships do you have? Please indicate all that apply.

1 An advisor who makes recommendations which you consider and then decide what to do
2 An advisor who chooses investments and buys them on your behalf without having to ask permission each time
4 An investment account with no advisor at all such as a discount brokerage account or an RRSP account with an employer or bank
5 Other (specify ________________)
9 Not sure/Don't know

B. PERFORMANCE REPORTING (Mutual Funds)

These questions look at how mutual funds tell you about their performance and their practices. We would like to get your opinion on what works best.

B-1. There are many ways of telling people how a mutual fund performed. Below are two simplified reports showing how a mutual fund performed in the past year. Please look at both of these reports carefully and tell us which you find most useful.

1 Green report is more useful
2 Blue report is more useful
3 Both are equally useful
4 Neither report is very useful

(Blue Report) Monthly Performance: **Percent change** in value of investments for each month

Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Year
1.29%	6.51%	-2.33%	-0.04%	3.12%	1.82%	2.33%	1.08%	2.15%	-5.14%	4.97%	1.70%	**18.33%**

(Green Report) Monthly Performance: **Dollar value** at the end of each month for $10,000 invested on January 1st.

Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Year
$10,129	$10,788	$10,537	$10,533	$10,861	$11,059	$11,317	$11,439	$11,685	$11,084	$11,635	$11,833	**$11,833**

B-2. Below are two simplified reports showing how XYZ mutual fund performed over the past five years. Please look carefully at both of these reports and tell us which one is more useful. Would you say… ?

1 Blue report is more useful
2 Green report is more useful
3 Both are equally useful
4 Neither report is very useful

(Green Report) Investment Performance -- Calendar Year Returns

	3 months	1 year	3 years	5 years
XYZ fund	15.00%	-37.03%	-4.92%	5.53%
S&P/TSX composite	19.97%	-25.69%	-0.90%	6.58%
GIC returns	0.25%	0.65%	2.82%	3.14%

(Blue Report) Investment Performance -- Calendar Year Returns

	3 months	1 year	3 years	5 years
XYZ fund	15.00%	-37.03%	-4.92%	5.53%
Benchmark of comparable funds	17.50%	-31.45%	-1.16%	5.97%
S&P/TSX composite	19.97%	-25.69%	-0.90%	6.58%

B-3a. There are several terms used in mutual fund reports that not everyone knows or understands. Using a 1-5 scale where 1 means "You don't understand it at all" and 5 means "You understand it very well", please rate how well you understand each of the following terms <rotate order>.

_____ Rate of return
_____ S&P/TSX Composite Index
_____ Term deposit/GIC interest
_____ Benchmark of comparable funds
_____ Management Expense Ratio (MER)

B-4a. Which of the following comparisons do you find useful for judging the performance of a mutual fund? Is it the amount of money you made or lost **compared to…** (check all that apply)? <Rotate order >

B-4b. And which one comparison do you find most useful?

B-4c. And which one comparison do you find least useful?

All	Most	Least	
1	1	1	What you expected to make
2	2	2	Performance of other similar funds
3	3	3	Interest earned on a term deposit or GIC
4	4	4	Performance of the stock market overall (S&P/TSX index)
5	5	5	Some other comparison (specify__________________)
6	x	x	None of these are useful

B-5a. How often do you want to get information about the performance of your mutual funds? Would you say …

1 At least once every month
2 Every 2-4 months
3 Every six months
4 Once per year
5 Once every few years or more
6 Not sure/Don't know

B-5b. Would you prefer to get this performance information about each mutual fund…?

1 As part of your regular account statement
2 In a separate document for each mutual fund
3 Not sure / don't know

B-6. Please think about the last time you bought a mutual fund and why you bought it. Using a 1-5 scale where 1 means "Not important at all" and 5 means "Extremely important", please rate how important each of the following types of information was for deciding which fund to buy. If you don't know what the question means, say "don't know". If you know what the question means but didn't think about the information, then say "Not important at all". <rotate>

_____ The amount of money the fund made or lost over the past 3-12 months
_____ The Management Expense Ratio
_____ The amount you would have to pay to buy or sell the fund
_____ The amount of money the fund made or lost over that past five years or more
_____ The Standardized cost-return index
_____ How consistently the fund did at least as well as you would expect
_____ How many times the fund lost money

B-7a. Mutual Funds A and B both pay the same amount of money into your account. Mutual Fund A costs more to operate than Fund B. How important is it to you that Fund A costs more to operate? Please rate using a 1-5 scale where 1 means "Not important at all" and 5 means "Extremely important".

_____ Different cost but Same after-cost return

B-7b. The chart below shows the performance of three mutual funds over the past five years. Suppose you want to invest your money for five years. If NOT losing any of your money is much more important to you than how much you make, which fund would you choose?

1 Fund "ABC"
2 Fund "MNO"
3 Fund "XYZ"
9 Don't know / Not sure

	Annual Return on Investment		
	1 year	3years	5years
Fund ABC	4.00%	1.50%	5.00%
Fund MNO	8.00%	3.00%	10.00%
Fund XYZ	6.00%	2.25%	7.50%

B-7c. The principle of “risk-return” says that when you choose investments that can potentially give you big returns, you have more risk of losing some of your money. On a scale of 1-5 where 1 means “you don’t understand it at all” and 5 means “you understand it very well”, how well do you understand the principle of “risk-return”?

_____ Understand the principle of risk-return

B-8. Thinking about the last time that you bought or sold a mutual fund, how did you learn about the charges for the transaction? Please choose all that apply?

1 Advisor told me
2 Shown on my account statement
3 Shown on my transaction confirmation
4 Informed online before completing the transaction
5 Fees were in the prospectus I got
6 I was never told about the charges

C. PERFORMANCE REPORTING (Investment Account)

<Ask C, only if (1) A-6=3; **OR** (2) owns any of stocks, bonds, or complex investments in A-5>

The following questions talk about account statements that your financial institution sends to you. We would like to get your opinions on what works best for you.

C-1. There are many ways of telling people how their investments performed. Below are two simplified account statements describing the investments you own and their recent performance. Please look at both of these statements carefully and tell us which you find more useful. <rotate order>.

Would you say….

1 Blue report is more useful
2 Green report is more useful
3 Both are equally useful
4 Neither report is very useful

(Green Report) YOUR PORTFOLIO

			Price			% change	% Gain/loss
		Qty.	Avg. cost	This month	Last month	Past month	Since buy
BCE	BCE Inc	1000	24.30	27.92	25.89	7.84%	14.91%
BNS	Bank of Nova Scotia	500	47.50	45.25	44.83	0.94%	-4.03%
SU	Suncor	500	61.22	37.9	35.92	5.51%	-38.09%
TRP	TransCanada Pipeline	1000	21.59	34.13	33.16	2.93%	58.06%
CYB	Cymbria Corp.	1000	11.25	12.55	12.3	2.03%	11.56%
EDG188	Edgepoint Cdn Growth	1000	12.56	13.595	13.268	2.46%	8.23%
XRE	Index Cdn REIT	500	11.17	10.860	10.720	1.31%	-2.87%
BMO146	BMO Dividend Fund	1000	45.48	40.320	38.851	3.78%	-11.10%
	TD BK CB17 5.763%18D	100,000	0.842	106.45	105.34	1.05%	26.43%

(Blue Report) YOUR PORTFOLIO

			Price			$ change	$ Gain/loss
		Qty.	Avg. cost	This month	Last month	Past month	Since buy
BCE	BCE Inc	1000	$24,300.00	$27,920.00	$25,890.00	$2,030.00	$3,620.00
BNS	Bank of Nova Scotia	500	$23,750.00	$22,625.00	$22,415.00	$210.00	-$1,125.00
SU	Suncor	500	$30,610.00	$18,950.00	$17,960.00	$990.00	-$11,660.00
TRP	TransCanada Pipeline	1000	$21,590.00	$34,130.00	$33,160.00	$970.00	$12,540.00
CYB	Cymbria Corp.	1000	$11,250.00	$12,550.00	$12,300.00	$250.00	$1,300.00
EDG188	Edgepoint Cdn Growth	1000	$12,560.00	$13,595.00	$13,268.00	$327.00	$1,035.00
XRE	Index Cdn REIT	500	$5,585.00	$5,430.00	$5,360.00	$70.00	-$155.00
BMO146	BMO Dividend Fund	1000	$45,480.00	$40,320.00	$38,851.00	$1,469.00	-$5,160.00
	TD BK CB17 5.763%18D	100,000	$84,200.00	$106,450.00	$105,340.00	$1,110.00	$22,250.00

C-2. When you look at how well your investments performed, which timing best describes how you judge recent performance? Is it how much you have gained or lost…?

1 In the past month
2 In the past quarter
3 In the past year
4 In the past three years or more
6 Since buying the investment
9 Don’t know / Not sure

C-3a. Which of the following comparisons would you find most useful for judging the performance of the investments you own. Is it the amount of money you made or lost **compared to** (choose all that apply) …? <Rotate order >

C-3b. And which one comparison would be most useful to you?

C-3c. And which one comparison would be least useful?

All	Most	Least	
1	1	1	How much money you had on your last statement
2	2	2	Performance of other accounts with a mix of investments like yours
3	3	3	Interest earned on a term deposit or GIC
4	4	4	Performance of the stock or bond market
5	5	5	Some other comparison (specify___________________)
9	x	x	Don't know/Not sure

C-4. There are several potential types of costs and fees that apply to investments and accounts. Using a 1-5 scale where 1 means "You don't understand it at all" and 5 means "You understand it very well", please rate how well you understand each of the following terms <rotate order>.

_____ Account administration fees
_____ Commission/fees for buying and selling investments
_____ Wrap fees
_____ Deferred sales commissions
_____ Low interest on cash balances
_____ Reciprocity fees
_____ Trailer fees
_____ Interest payable on margin accounts
_____ Money management fees

C-5a. Thinking about the last time that you bought or sold stocks or bonds, how did you learn about the costs for the transaction? Please choose all that apply?

C-5b. Which one method of learning about costs do you like best?

1	1	Discussed with my Advisor
2	2	Shown on my account statement
3	3	Shown on my transaction confirmation
4	4	Informed online before completing the transaction
5	x	I was never told about the costs

C-6. When would you like to learn about the costs of buying and selling investments, as well as the costs associated with your investment account?

1 Immediately before agreeing to buy/sell an investment or pay for a service
2 Immediately after buying/selling an investment or paying for a service
3 Whenever I get my account statement
4 All of the above
9 Don't know/Not sure

C-7a. When the cost of an investment is reported on your account statement, does the cost include the commission or other fees paid to the advisor or are they separately identified?

1 Fees and commission are included in the cost of the investment
2 Fees and commissions are identified separately from the cost of the investment itself
3 Sometimes they are included in the cost, sometimes not
9 Don't know/Not sure

C-7b. Is the performance of your investments (return on investment) reported to you…. ?

1 Before all the fees and costs are subtracted from your earnings
2 After all the fees and costs are subtracted from your earnings
3 It is done both ways for different investments
9 Don't know/Not sure

D. INVESTMENT STATEMENTS

Our final few questions ask about how often you would like to get information about your investments and in what form.

D-1. How would you like to get information about the performance of your investments and the costs of buying, selling and owning them? Please choose all that apply.

1 Regular discussions with your account advisor
2 Account statement sent by mail
3 Account statement sent by e-mail
4 Go online and get information whenever desired

<Ask only if D1=2,3; else skip to D-3>

D-2a. How often do you get performance reports by regular mail or e-mail? Would you say…?

1 Weekly or more often
2 Monthly
3 Quarterly
4 1-3 times per year

D-2b. In the future, would you like to get performance reports….?

1 As often as you get them now
2 Less often than you get them now
3 More often

<Ask only if D-2a>1 and D-2b=3; else skip to D-3>

D-2c. How much would you be willing to pay each year to get more information about your investments, including their performance and their cost? Would you be willing to pay ?

1 Less than $25 per year
2 $26-50 per year
3 $51-99 per year
4 $100 -199 per year
5 $200 or more per year
6 Wouldn't pay for more information

D-3a. Some people prefer just a minimum amount of information on their account statement, while others want all of the detail they can get. Using a 1-5 scale, please rate how much detail you would like. Use a "1" to mean a minimum amount of information like the change in the amount of money you have since your last account statement. A "3" means that you would get all of the information you get now. A "5" means that you can get all of the detailed breakdowns you might want by time, type of investment, comparison group and more. How would you rate the amount of detail you want?

____ Amount of detail desired (1-5)

<Ask only if D-3a is "4 or above">

D-3b. How much would you be willing to pay each year to get all of the information you want about your investments, including their performance against selected benchmarks and their cost? Would you be willing to pay… ?

1 Less than $25 per year
2 $26-50 per year
3 $51-99 per year
4 $100 -199 per year
5 $200 or more per year
6 Wouldn't pay for more information

THANK YOU FOR TAKING PART IN THE SURVEY. YOUR OPINIONS WILL HELP YOU AND OTHER INVESTORS GET THE KIND OF INFORMATION YOU NEED IN FUTURE YEARS.