

Our 2nd survey on advisors' use of Fund Facts

Most advisors feel that Fund Facts have the appropriate amount of information, with only 3% suggesting they have too little and 3% suggesting they have too much.

InvestorPOS™ offers the only industry repository that lets financial advisors search all Fund Facts disclosure documents from over 120 fund companies and deliver them electronically or by print/mail to their investors in a simple, secure, compliant manner.

In our survey 91% of financial advisors said they would continue to use the InvestorPOS™ repository, 69% agreed it saved them time relative to other web sites.

InvestorPOS™

Advisor Survey on Fund Facts

November 2012

 **Investor | POS**

Simple. Compliant. Point of Sale.

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Introduction

In October 2011, InvestorPOS™ launched an industry repository (<https://ffxpress.investorpos.com/>) of mutual fund 'Fund Facts' documents in response to the Canadian Securities Administrators' (CSA) three stage Point of Sale compliance requirement for mutual fund disclosure (National Instrument 81-101). Stage 1 required mutual fund companies to create and file the 2-page disclosure documents for each of their mutual funds and post the most recently filed document on their respective web sites with an aim to provide clear, objective disclosure for Canadian investors. Stage 2 (to be imposed next) will require dealers and their advisors to deliver the Fund Facts to investors in lieu of the prospectus document after the mutual fund purchase, whereas stage 3 will require delivery of the document at or prior to the point of sale.

InvestorPOS™ launched its repository in order to provide a single source for all Fund Facts documents and to assist the estimated 97,000¹ Canadian financial advisors and their clients with the disclosure process. Integrated with the System for Electronic Document Analysis and Retrieval (SEDAR), the InvestorPOS™ repository is free to advisors and contains nearly 25,000 Fund Facts documents updated in real time from 120 Canadian fund managers. Advisors from across Canada have been using the repository to search for, order and deliver Fund Facts to their investors through electronic and print/mail channels. These advisors are providing some very positive feedback about the value of Fund Facts to their investors and the impact that the InvestorPOS™ repository is having on their client service and prospecting activities.

InvestorPOS™ conducted its first wave of advisor research in December 2011, just 60 days after the launch of the repository. Fifty of the heaviest InvestorPOS™ repository users were asked questions like "What do investors think about the Fund Facts document?", "How are advisors using the Fund Facts?" and "What are the most important factors in searching for Fund Facts?"

In September 2012, an online survey was sent to registered advisors across Canada to answer these and new questions surrounding the use of the Fund Facts and advisor perceptions concerning stages 2 and 3 of the POS regulation. This report provides these survey results as well as a snapshot of the Fund Facts transactions completed in the first year of advisor usage of the InvestorPOS™ repository.

Methodology

For this wave of research, an online survey was sent to 1,000 financial advisors who had registered and used the InvestorPOS repository to place at least 2 Fund Facts orders electronically or printed/mailed in the last year. The survey was in the field for two weeks from September 17, 2012 to October 1, 2012. In total, 187 completed responses were received (a 19% response rate).

¹ Investment Funds Institute of Canada (IFIC), 2012 annual report



Summary of Activity – Advisors and Transactions

Since its launch in October 2011, InvestorPOS™ has garnered significant attention within the financial advisor community and in the media. Word-of-mouth referral among advisors and integration with Morningstar’s PALTrak® application for advisors, have seen registrations increase and web site traffic grow steadily. Summarized below is the advisor and transaction activity that we have seen in the 12 months since the launch of the InvestorPOS™ repository.

Who is using the InvestorPOS™ repository?

Following is a partial list of IIROC and MFDA dealers represented by the 1,737 advisors currently registered on the InvestorPOS™ repository. Bank-owned IIROC dealers, independent MFDA dealers and other organizations are represented by advisors interested in using the Fund Facts as a new investor communication and disclosure document. More than 50% of transaction activity has come from the MFDA channel.

		InvestorPOS™ Repository – Who’s using it?
Altimum Mutuals Inc.	Global Maxfin Investments Inc.	PEAK Investment Services Inc.
Argosy Securities Inc.	GMP Securities L.P.	Pewter Financial Limited
Armstrong & Quaille Assoc Inc.	GP Wealth Management Corporation	PFSL Investments Canada Ltd.
Assante Capital Management Ltd.	Groupe Cloutier Investissements Inc.	Pinnacle Correspondent Services
ATB Securities Inc.	Guardian Group Of Funds Ltd.	Pinnacle/Credential
Berkshire Securities Inc.	Haywood Securities Inc.	Portfolio Strategies Corp
Blackmont Capital Inc.	HSBC Securities (Canada) Inc.	Promutuel Capital cabinet de serv. fin.
BMO Nesbitt Burns Inc.	Independent Planning Group Inc.	Qtrade Asset Management Inc.
Brownstone Investment Planning Inc.	Industrial-Alliance Pacific Life Ins. Co.	Qtrade Securities Inc.
Canaccord	Integral Wealth Securities Limited	Quadrus Investment Services Ltd.
Canfin Magellan Investments Inc.	Interglobe Financial Services	Queensbury Strategies Inc.
Carte Wealth Management Inc.	Invesco Canada	Raymond James Ltd.
Cartier Partners Fin. Ser. Inc.	Investia	RBC Dominion Securities Inc.
CI Fund Services Inc.	Investissements Excel Inc.	Research Capital Corporation
CIBC Investors Edge	Investors Group Financial Services	Royal Mutual Funds Inc.
CIBC Securities Inc.	IPC Investment Corporation	Scotia Capital Inc.
CIBC World Markets Inc.	IQON Financial Inc.	Scotia Securities Inc.
Credential Asset Management Inc.	JM Charter Securities Corp.	ScotiaMcLeod
De Thomas Financial Corporation	Loring Ward Investment Counsel Ltd.	Sentinel Financial Mgmt Corp.
Desjardins Cabinet de services financier	Mackenzie Group of Funds	SERVICES FINANCIERS PENSON CANADA INC.
DFS Investments	Macquarie Private Wealth Inc.	SLF Investment Services
Doheny Securities Limited	Manulife Securities Int'l Ltd	Sterling Mutuals Inc.
Dundee Private Investors Inc.	Merici Services Financiers Inc.	Superstar Investment Corp.
Dundee Securities Corporation	MGI Financial Inc.	TD Waterhouse Canada Inc.
Educators Financial Group Inc.	Monarch Wealth Corporation	Ten Star Financial Inc.
Edward Jones	Moss Lawson & Co. Limited	Union Securities Limited
Equity Associates Inc.	NATIONAL BANK FINANCIAL LTD.	Valeurs Mobilieres Desjardins
Fidelity Investments	NATIONAL LIFE	W H Stuart Mutuals Limited
Fidelity Limited Partnership	NBCN	Wellington West Financial Services Inc.
First Canadian Funds Inc.	Networth Financial Corp.	WFG Operations
FundEX Investments Inc.	Partners In Planning	Worldsource Financial Management Inc.

Figure 1 – Dealers represented by registered advisors on InvestorPOS™



What provinces are advisors from?

The advisors that are using the InvestorPOS™ Fund Facts repository are well represented across Canada as illustrated in Figure 2. The majority of InvestorPOS™ promotional activity has been focused in the Ontario market which explains why advisor adoption has been highest in this region. However, we are seeing a significant amount of advisor-advisor referrals across the country and increasing media coverage which is driving broader geographic adoption. The use of the repository in Quebec has increased from the first days after launch, following the introduction of a French version of the site (That is, a French user interface; French Fund Facts documents have been in the repository since the original launch) in June 2012.

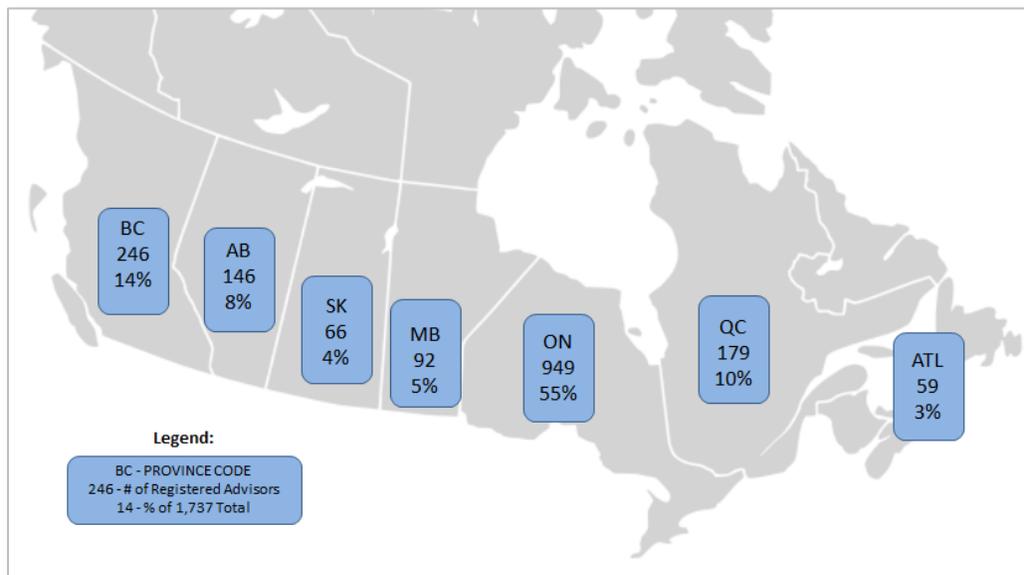


Figure 2 – Geographic distribution of InvestorPOS™ users

How many Fund Facts are ordered by advisors?

The average number of unique Fund Facts contained in each advisor order is 3. The breakdown of unique Fund Facts in each order is summarized in the table below:

FF/order	% of orders
1 Fund Facts	52%
2 Fund Facts	16%
3 Fund Facts	22%
4 Fund Facts	2%
5 Fund Facts	3%
6+ Fund Facts	5%



What distribution channels are advisors requesting?

InvestorPOS™ supports two distribution channels for Fund Facts; electronic (email sent to the investor directing them to a secure download centre) or via print/mail. Transaction activity suggests a strong preference for e-delivery with approximately 93% of all Fund Facts orders being delivered electronically to either the advisor or the investor.

The dominance of the e-delivery channel is consistent with advisor/investor feedback regarding channel preferences and other independent research. The growing trend for electronic delivery is driven in part by the increased awareness of environmental sustainability (through the reduction of paper and postal delivery) and the consumer's desire to receive information immediately. The investment industry is starting to move towards a broader acceptance of electronic delivery, partly supported by recent amendments to National Policy 11-201, *Delivery of Documents by Electronic Means*. With focused marketing efforts, results in the financial services industry are moving beyond the organic growth barrier of 10% towards the 30% to 40% range.²

Electronic delivery is one of the leading principles in the design of the InvestorPOS™ repository. Our solution was developed with the regulators' stage 3 vision of delivery at or prior to the point of sale in mind, where electronic fulfillment is the most feasible delivery channel in all respects. We believe that the investor should make the ultimate channel choice; however, and our platform supports both investor preference and compliant e-delivery.

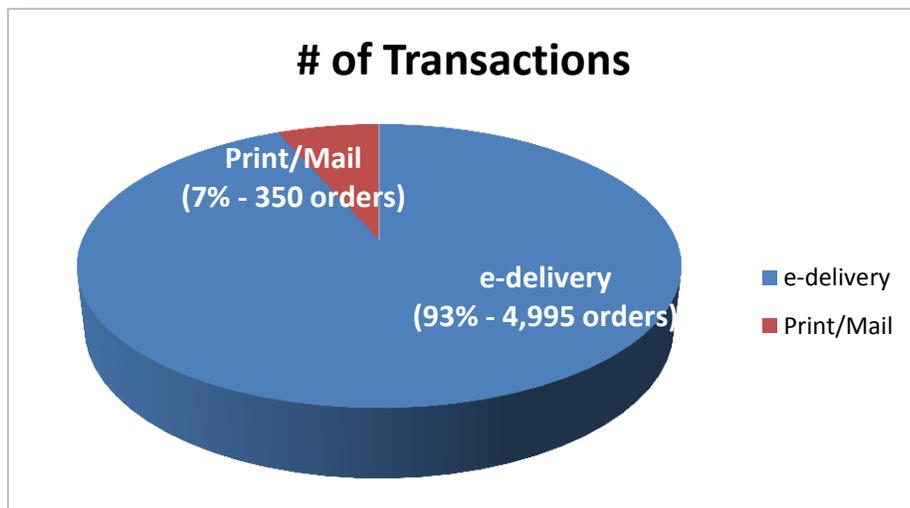


Figure 3 – Fund Facts order distribution by delivery channel

² Dalbar: The 2011 e-delivery benchmark study

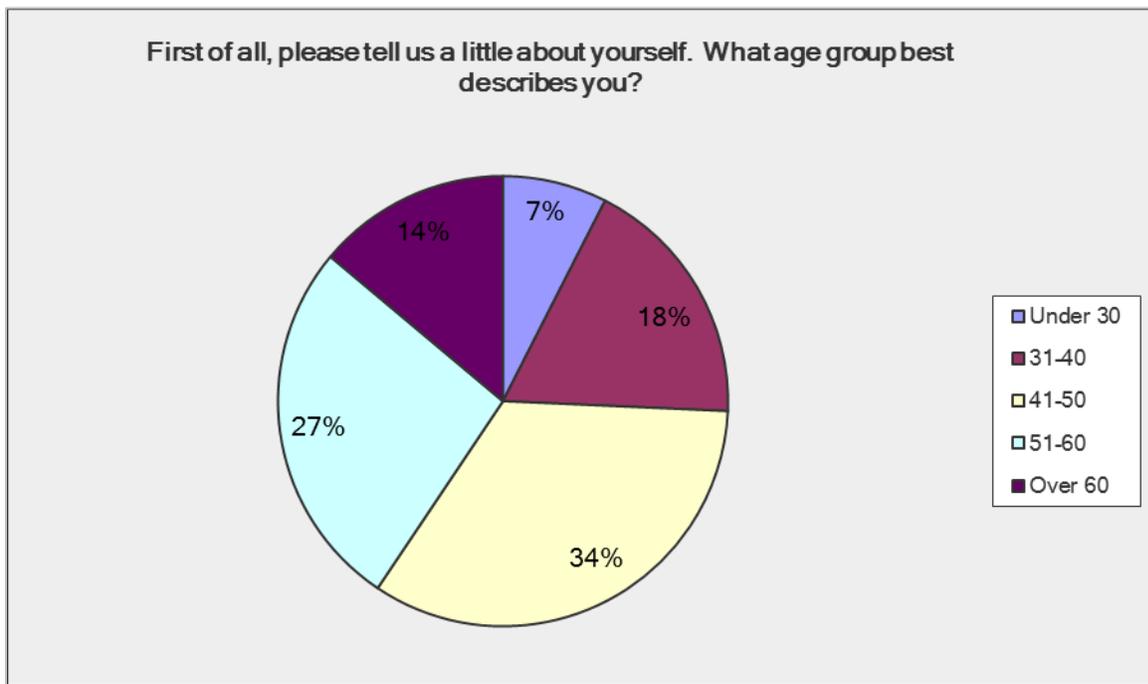


Advisor Survey

Survey responses encompassing feedback on advisor and investor views of the Fund Facts document and the InvestorPOS™ repository were tabulated below. The first series of questions dealt with advisors and their perceptions of the Fund Facts document, whereas the second series of questions centered on their use of the InvestorPOS™ repository.

Q1 – What age group best describes you?

According to our survey, 41% of advisors using our repository are 51 years of age or older, with 75% over 41 years of age. Only 7% of users are under 30 years of age. This is consistent with other industry research that points to an aging demographic within the financial advisory profession as well as increasing internet adoption by older Canadians.

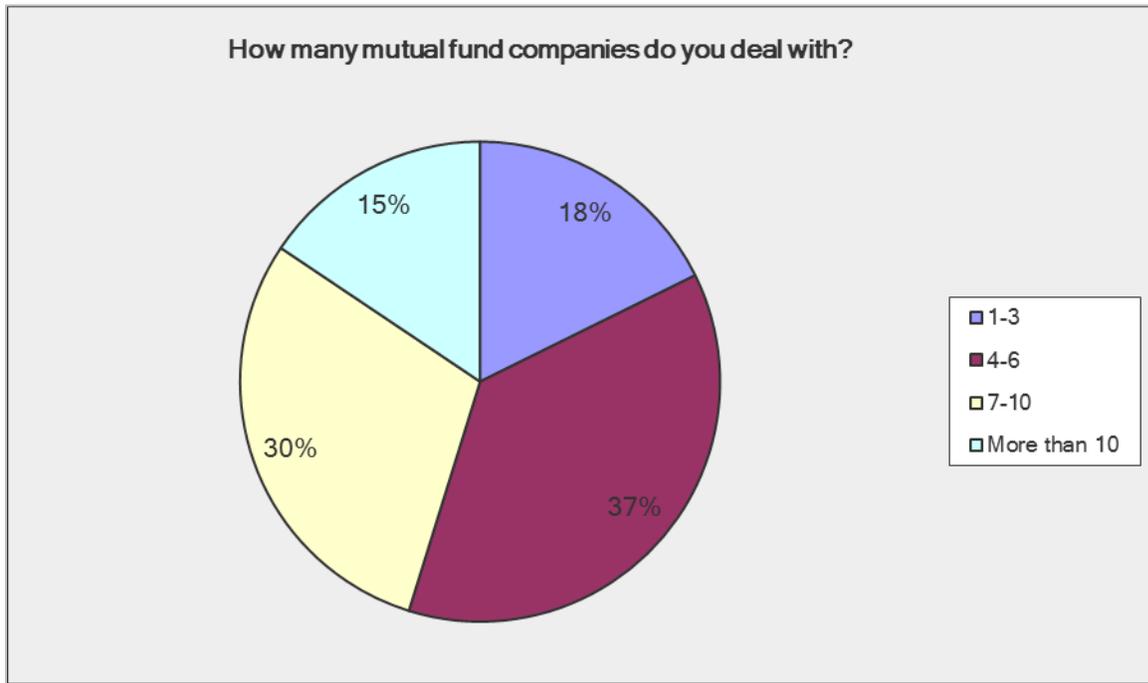


Question 1 – What age group best describes you?



Q2 - How many fund companies do you deal with?

The largest share of advisors (37%) deal with 4-6 mutual fund companies whereas 45% of advisors deal with more than 7 fund companies. The ability to locate the Fund Facts from all fund managers in one place is clearly of benefit to advisors.

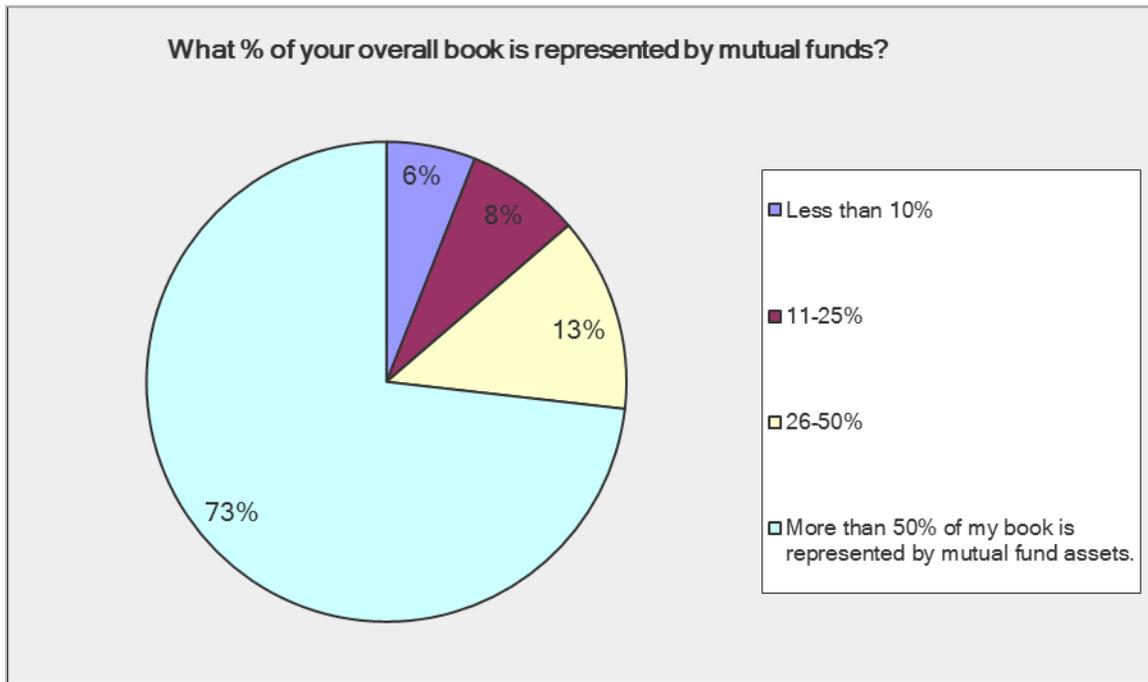


Question 2 – How many mutual fund companies do you deal with?



Q3 – What percent of your overall book is represented by mutual funds?

Not surprisingly, advisors who use Fund Facts documents in their practice currently, have the majority of their book based in mutual fund products. Over 73% of advisors have more than 50% of their book represented by mutual fund assets.

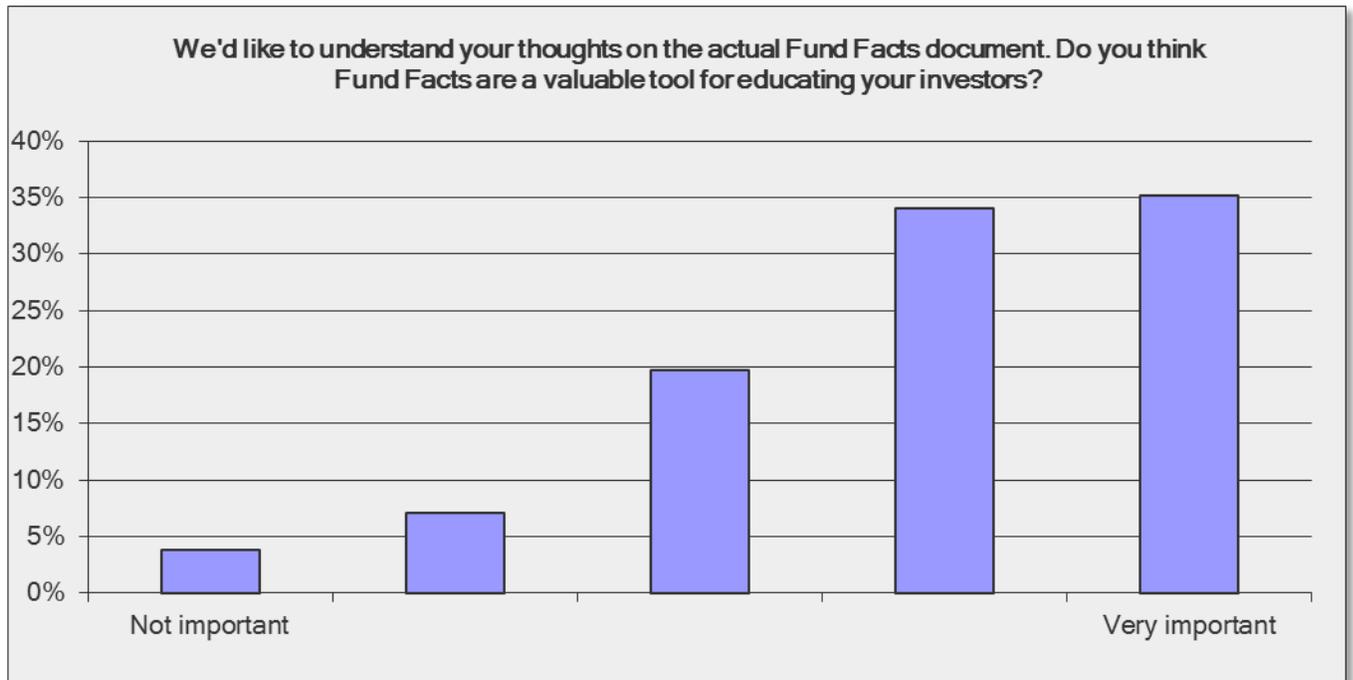


Question 3 – What percent of your overall book is represented by mutual funds?



Q4 – Do you think Fund Facts are a valuable tool for educating your investors?

Over 69% of advisors think Fund Facts are an “Important” or “Very Important” tool for educating investors. Only 4% of advisors think Fund Facts are “Not Important”. Combined with the overwhelmingly positive feedback contained in the verbatim comments received to the open-ended question of what advisors think of the Stage 2 requirement to deliver Fund Facts to investors in lieu of the prospectus (Question 8 below), the Fund Facts document is being well received.

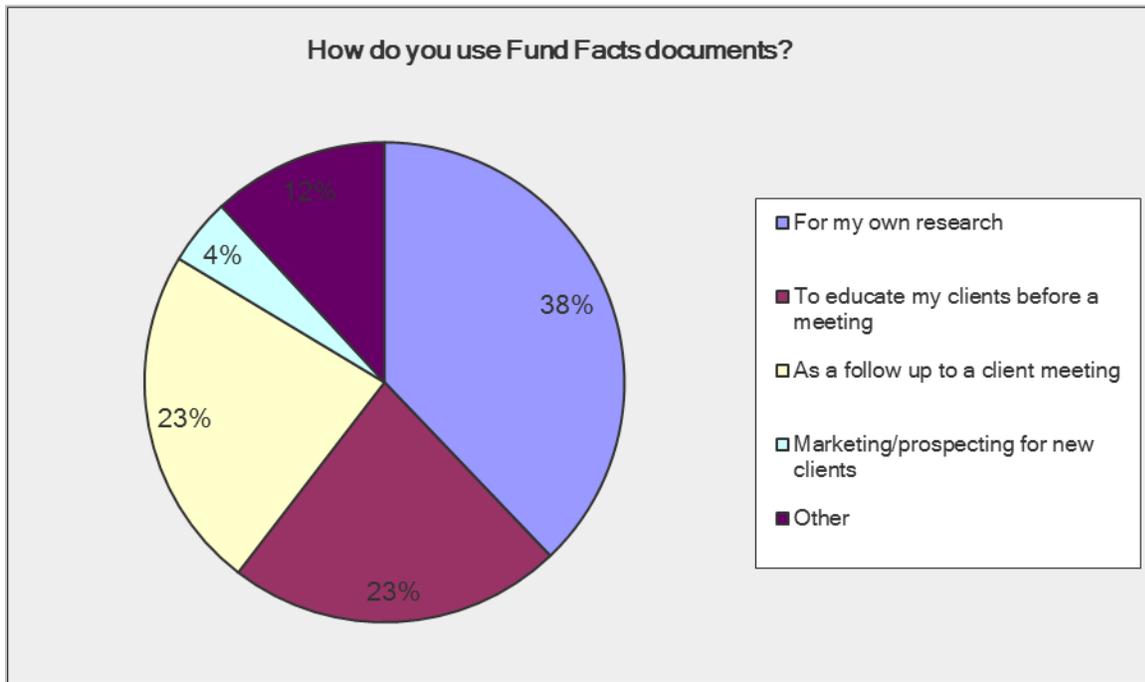


Question 4 – Do you think Fund Facts are a valuable tool for educating your investors?



Q5 – How do you use Fund Facts documents?

Currently, nearly 38% of advisors are using Fund Facts for their own research, while nearly 23% of advisors are using the documents to educate their clients before a meeting. Once Stage 2 of the Point of Sale regulation is enforced, Fund Facts must be delivered to investors after the mutual fund purchase. Until such time and while Stage 1 is in force, advisors are using the document for marketing or education purposes on an elective basis only.

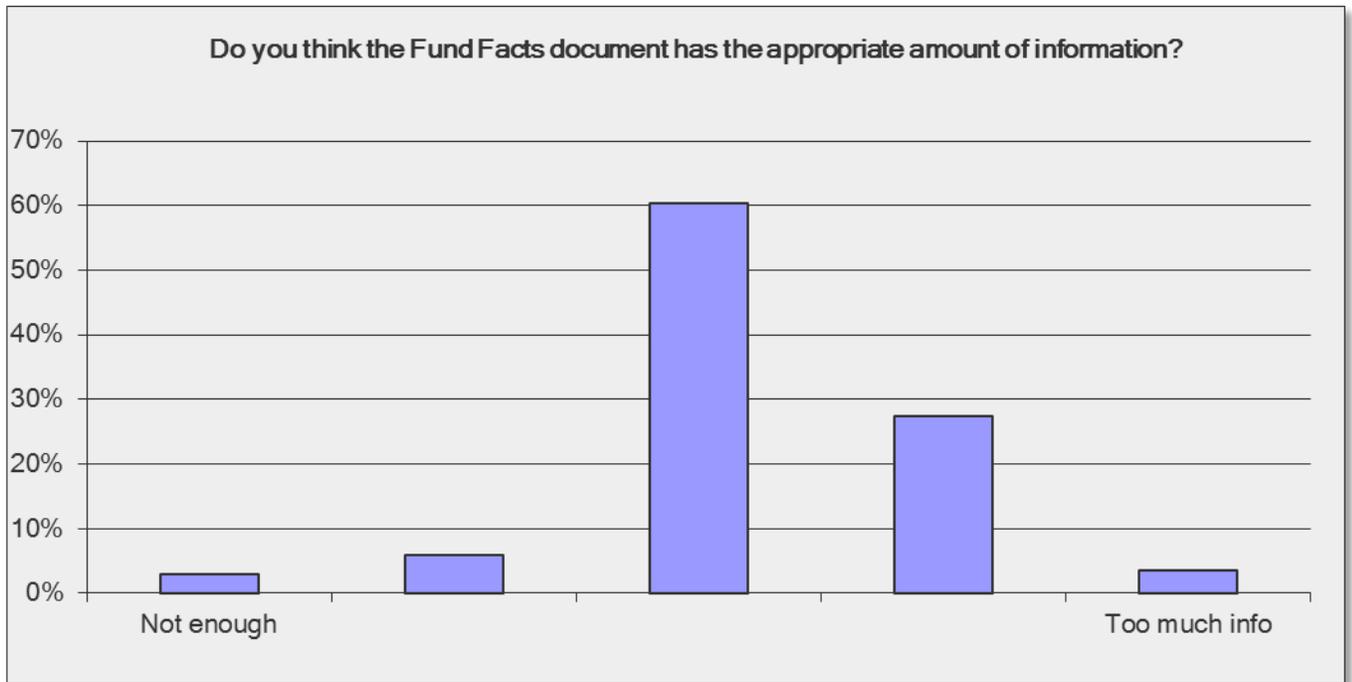


Question 5 – How do you use Fund Facts?



Q6 – Do you think the Fund Facts document has the appropriate amount of information?

60% of advisors feel Fund Facts have the appropriate amount of information, with only 3% thinking the document has either “Not enough” or “Too much” information. From an advisor’s perspective, the temptation to add more information to the document in the interest of greater disclosure should be managed (see advisor comments in Question 8 below).

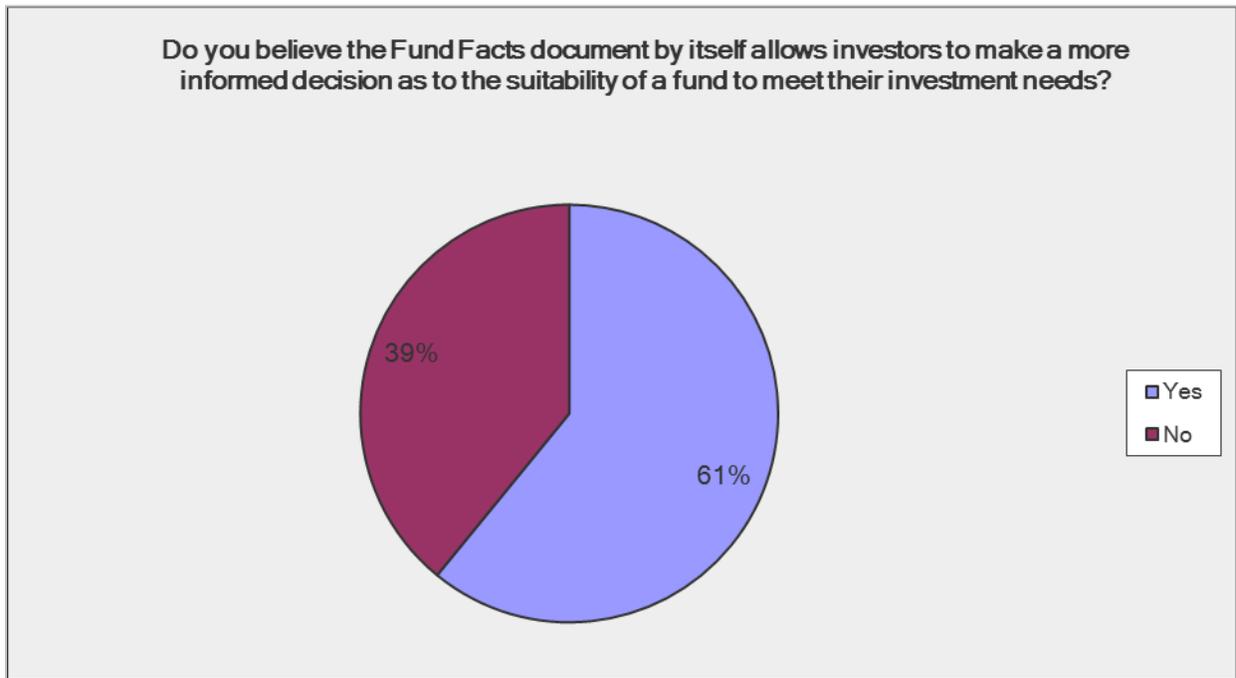


Question 6 – Do you think the Fund Facts document has the appropriate amount of information?



Q7 – Do you believe the Fund Facts document by itself allows investors to make a more informed decision as to the suitability of a fund to meet their investment needs?

Nearly 61% of the 187 advisor respondents suggest that the Fund Facts document on its own is sufficient information for allowing investors to make an informed decision. This is a relatively high number as the question does not acknowledge the advice that is often provided to the investor by the financial advisor and might accompany the Fund Facts disclosure document as part of the sales process. Independent research suggests that more than 85% of mutual funds are sold through a financial advisor, as opposed to being purchased directly by an investor³. For 61% of advisors to indicate the Fund Facts provides sufficient information as a standalone document, there must be a relatively strong perception by advisors that it is an effective disclosure document for investors to determine the suitability of their investment.



Question 7 – Do you believe the Fund Facts document by itself allows investors to make a more informed decision as to the suitability of a fund to meet their investment needs?

³ “Canadian Investors’ Perceptions of Mutual Funds and the Mutual Fund Industry”, Pollara 2012



Q8 – Stage 2 of the new Point of Sale regulation will require dealers and fund managers to send Fund Facts documents to investors instead of the prospectus. What do you think of this plan?

There was an overwhelming consensus that the new Fund Facts document offers better disclosure information to investors and that they will be more inclined to read the document instead of the prospectus. Negative feedback dealt with concerns over the dated information which is updated in the Fund Facts only once per year, and the bias of the disclosure information. Following are sample verbatim comments from advisors:

- I agree. The prospectus has so much information that it can be overwhelming for an investor to read. The Fund Facts focuses on the elements that are likely most relevant to the investor and aid them in making a decision.
- Good step forward
- way out dated so not really useful why only up to 2010 and we are 2012, nearly 2 yrs behind
- I like it. This is a document an investor might actually read - nobody reads the prospectus
- better but not best. most investors do not read or are simply confused by the prospectus so an alternative is necessary, but the fund facts in not the full answer.
- This is preferable to prospectus. Clients do not like / understand the prospectuses and can get online if they wish. Tremendous waste of money / resources and clients see that. They would rather have lower MERs.
- ok if can be accommodated in such a way as to not hold up investments and does not increase costs
- It is start in the right direction although, I don't believe they will bother looking at the Fund Facts any more than they look at the prospectus.
- Nobody reads the prospectus and there is a much better chance they will look at the Fund Facts. I approve.
- I think that a dealer sending to a client automatically helps the advisor compliance wise, and simplifies my personal process. I still use the information with them, but knowing that it is sent is good business, and good compliance.
- I think the fund company should send out the particulars of the funds bought with the confirmation of the sale documents.
- good, industry needs to be transparent
- Excellent since the amount of paperwork sent has been an ongoing client concern



- As long as investors still have the option of the prospectus. My concern is new funds that lack track record.
- Only if they are updated more frequently. In this day a fact sheet with year old data can be meaningless. Performance data and holdings should be updated quarterly on Fund Fact
- I will do it because I must. I expect the Fund Facts will end up being as large as the prospectus is now. I remember when they were only a few pages long.
- While I agree that clients require streamlined and simplified information to make informed decisions, the proposal for new information to be contained in fund facts as part of phase 2 goes overboard. Things like comparing the performance of a precious metals fund to a one year GIC, highlighting the worst 3 month return when clients should be focused on investing for the long term and commenting on the conflict of interest around trailing commissions etc is more misleading to clients than it is informative and puts mutual funds at a disadvantage when compared to disclosure requirements of other investments. Furthermore, the new binding requirements will make it more difficult for advisors to do business, particularly in phase 3 when fund facts are required to be delivered at point of sale.
- Saves trees
- Awesome idea, should have done that years ago. How many clients do you think actually read a prospectus? Zero.
- I think that both documents are valuable. The more sophisticated investor will likely prefer the prospectus, while the less sophisticated investor will likely prefer the POS due to its simplicity.
- SHOULD CUT PRINTING COSTS FOR COMPANIES. NO SENSE SENDING OUT A COMPLETE PROSPECTUS WHEN IT IS ONLY NEEDED FRO ONE FUND.
- a good idea if the document is up-to-date
- Less paper, good for the green
- Good idea, less info (KISS)
- I'm in favour of this plan, assuming standardized participation is mandated to all fund companies for all funds. Sending by email makes the most sense.
- I think it's a good idea - the prospectus is pretty much gibberish to the average investor and the Fund Facts provide a reasonable amount of info. in more "Average Joe" terms.

Question 8 – Stage 2 of the new Point of Sale regulation will require dealers and fund managers to send Fund Facts documents to investors instead of the prospectus. What do you think of this plan?

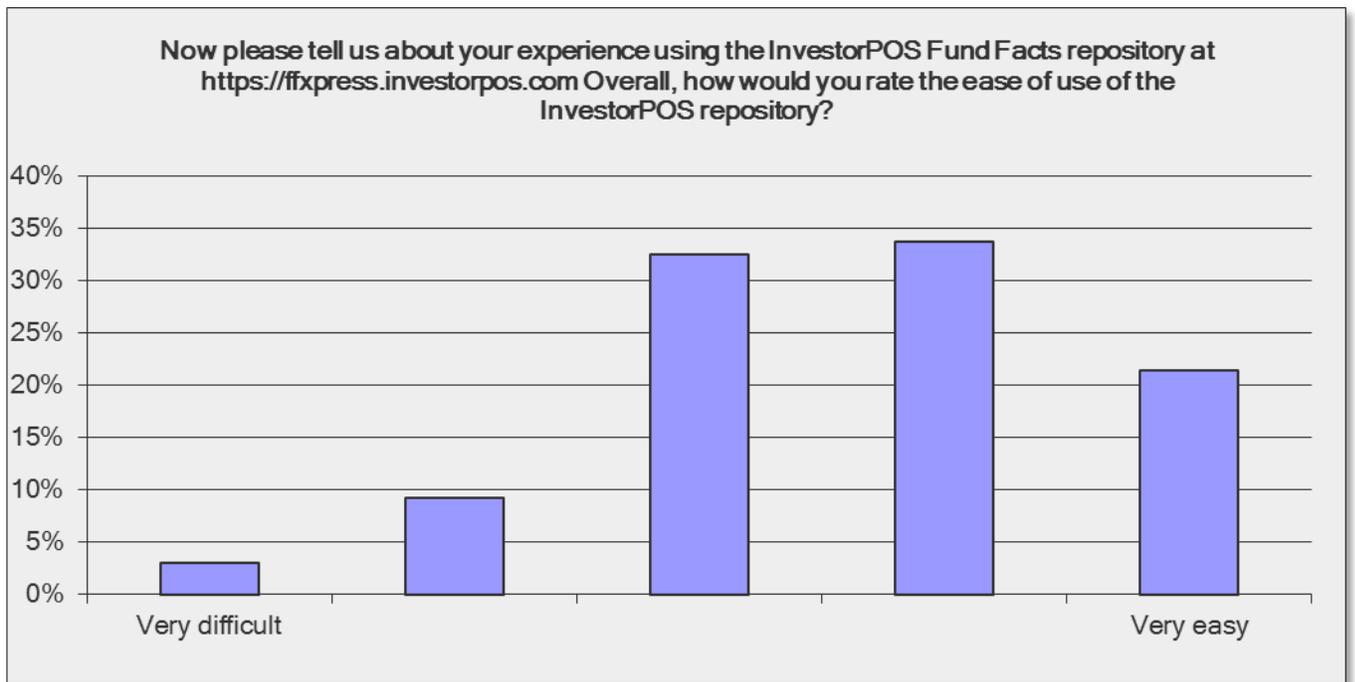


The InvestorPOS™ Repository

The following questions focus on advisors' use of the InvestorPOS™ repository.

Q9 – Overall, how would you rate the ease of use of the InvestorPOS™ repository?

Over 88% of advisors (top 3 box scores) felt that the InvestorPOS™ repository is easy to use, with only 3% indicating it was very difficult to use. While the ease of use is acceptable, responses indicate that there is room for improvement with the solution and usability enhancements are scheduled for Q1 2013 release.

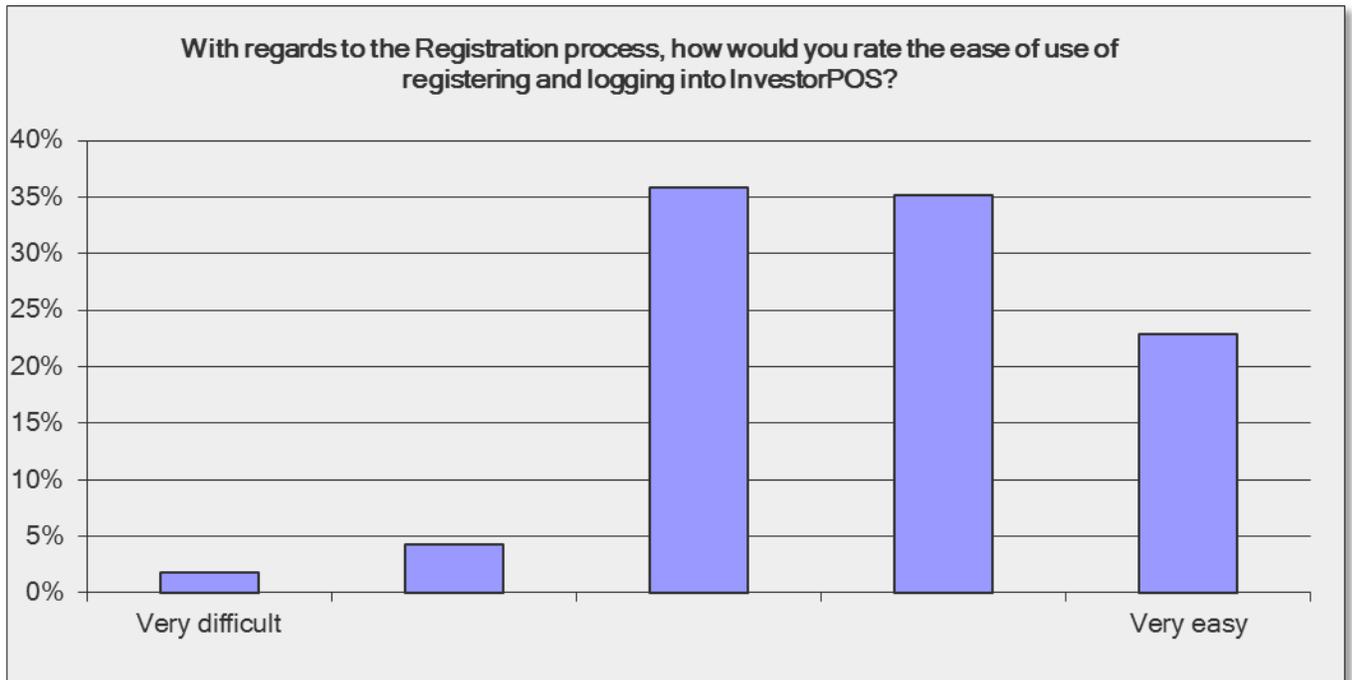


Question 9 – How would you rate the ease of use of the InvestorPOS™ repository?



Q10 – With regards to the registration process, how would you rate the ease of use of registering and logging into InvestorPOS™?

The vast majority of respondents (84%) found the repository easy to register and login into. Minimal user information is required to register on the site and once registered, advisors are able to send Fund Facts to their investors, as well as make use of a 'Quick List' of frequently sent Fund Facts for greater productivity.

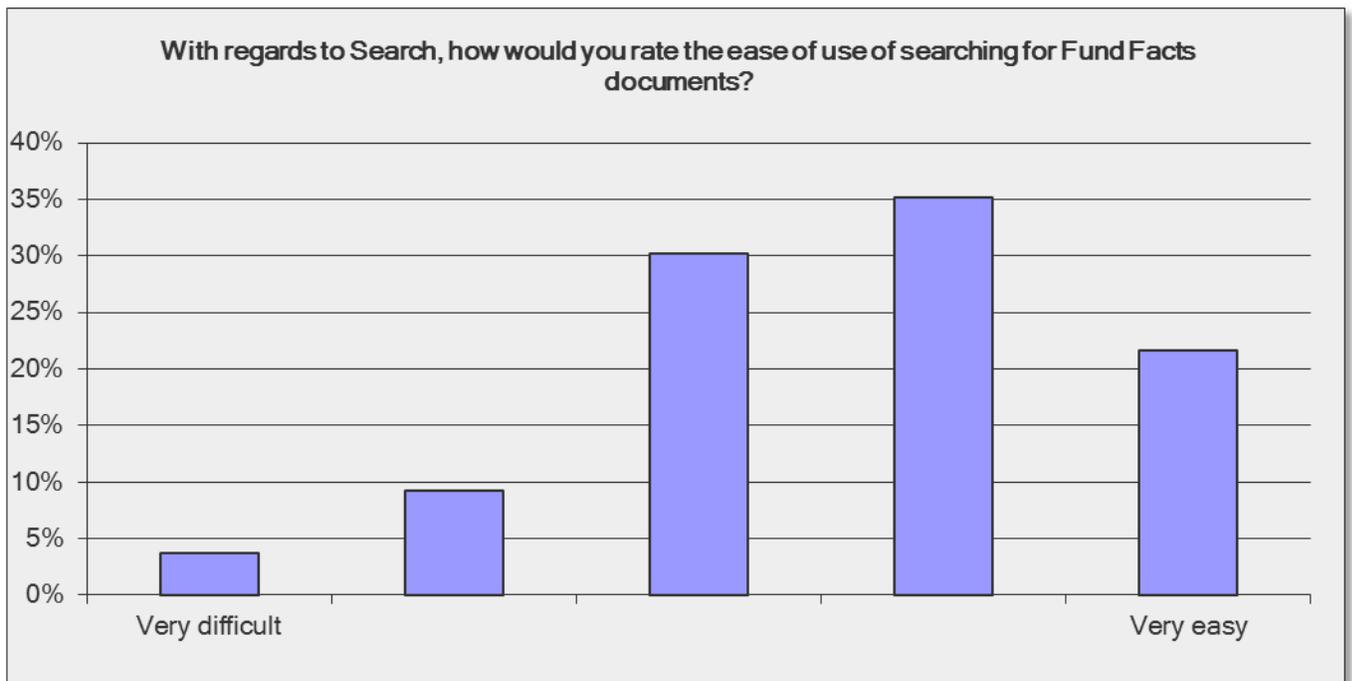


Question 10 – How would you rate the ease of use of registering and logging into InvestorPOS™?



Q11 – With regards to Search, how would you rate the ease of use of searching for Fund Facts documents?

87% of advisors found the repository easy to search for Fund Facts documents. Advanced search criteria currently include fund manager, fund name, asset class and FundSERV code, and a future release will provide additional search capabilities.

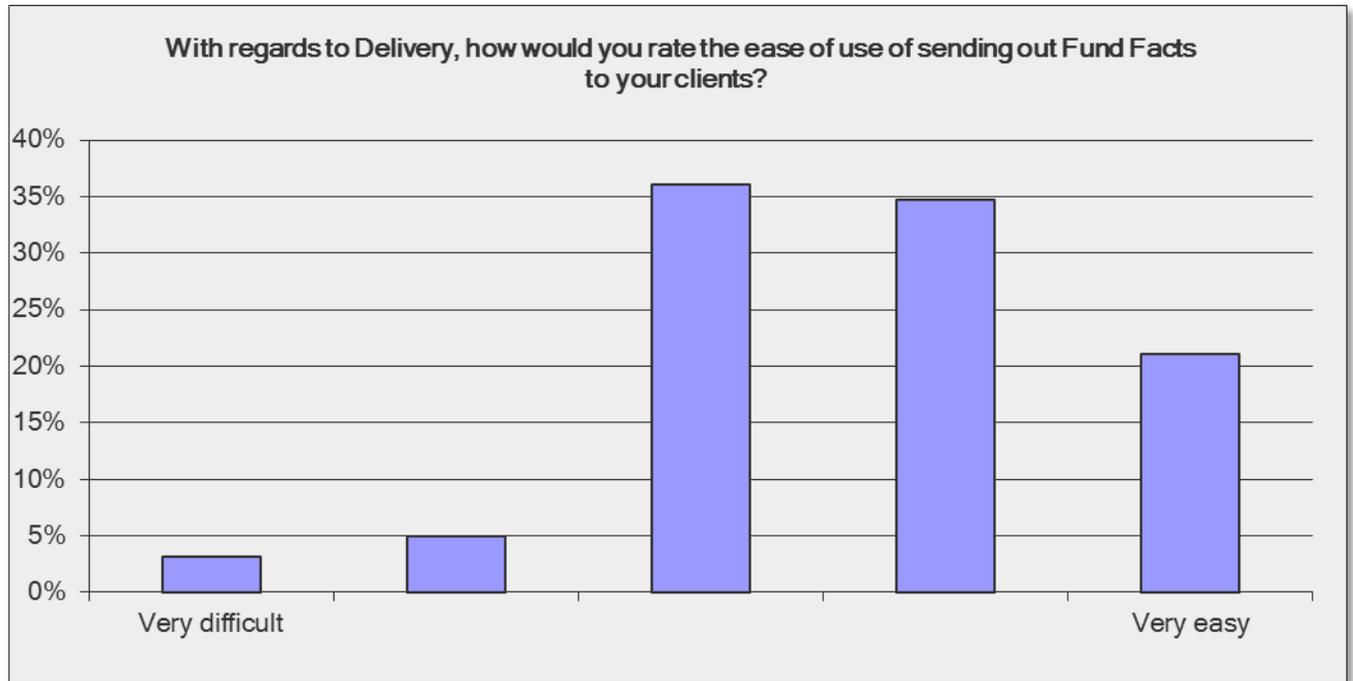


Question 11 – How would you rate the ease of use of searching for Fund Facts documents?



Q12 – With regards to Delivery, how would you rate the ease of use of sending out Fund Facts to your clients?

93% of advisors responded that it is easy to send Fund Facts to their investors. During Stage 1 of the POS regulation, registered advisors are able to search the entire universe of Fund Facts and send them either electronically or printed/mailed to their clients.

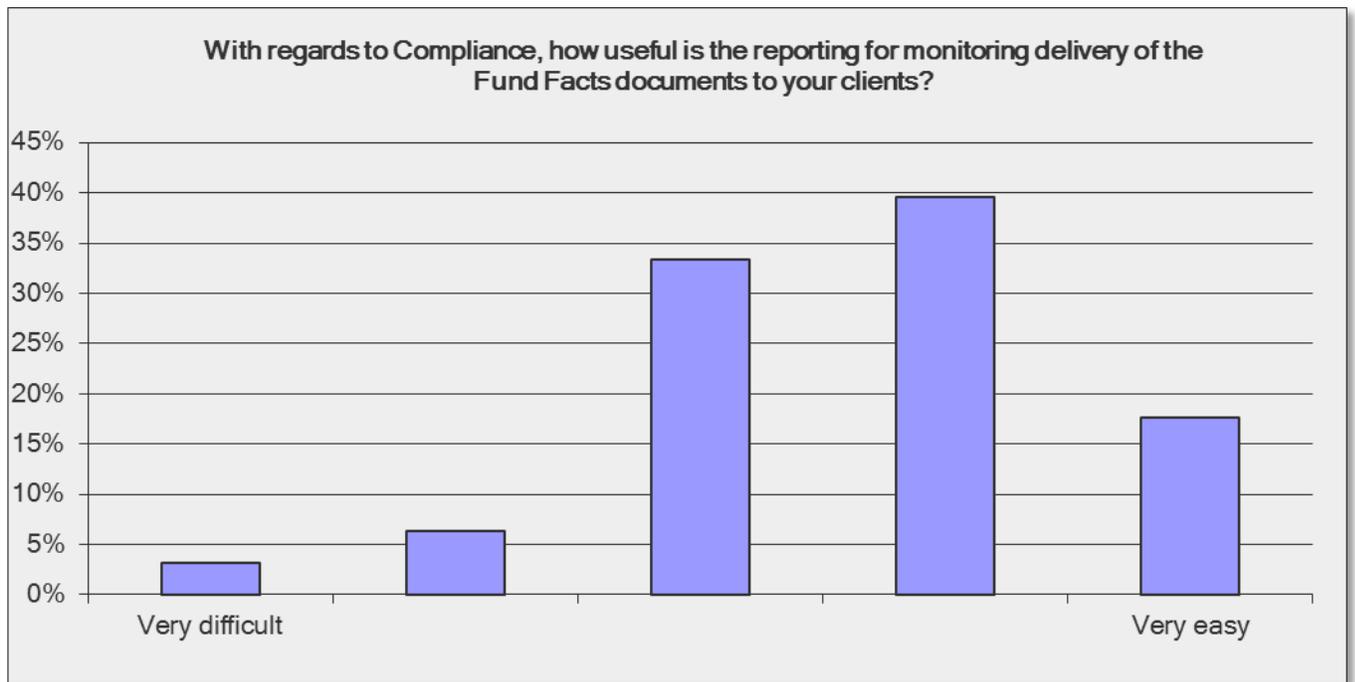


Question 12 – How would you rate the ease of use of sending out Fund Facts to your clients?



Q13 – With regards to Compliance, how easy is the reporting for monitoring delivery of the Fund Facts documents to your clients?

91% of respondents felt the compliance reporting for monitoring delivery of documents was easy to use. Advisors are able to view which documents have been delivered to their clients electronically and printed/mailed, and in the case of electronic delivery, which Fund Facts have been “opened” online. When the Fund Facts delivery requirement is imposed as part of Stages 2 and 3 of the POS regulation, advisors and dealers will be able to license use of the InvestorPOS™ repository and generate delivery reports for compliance purposes.



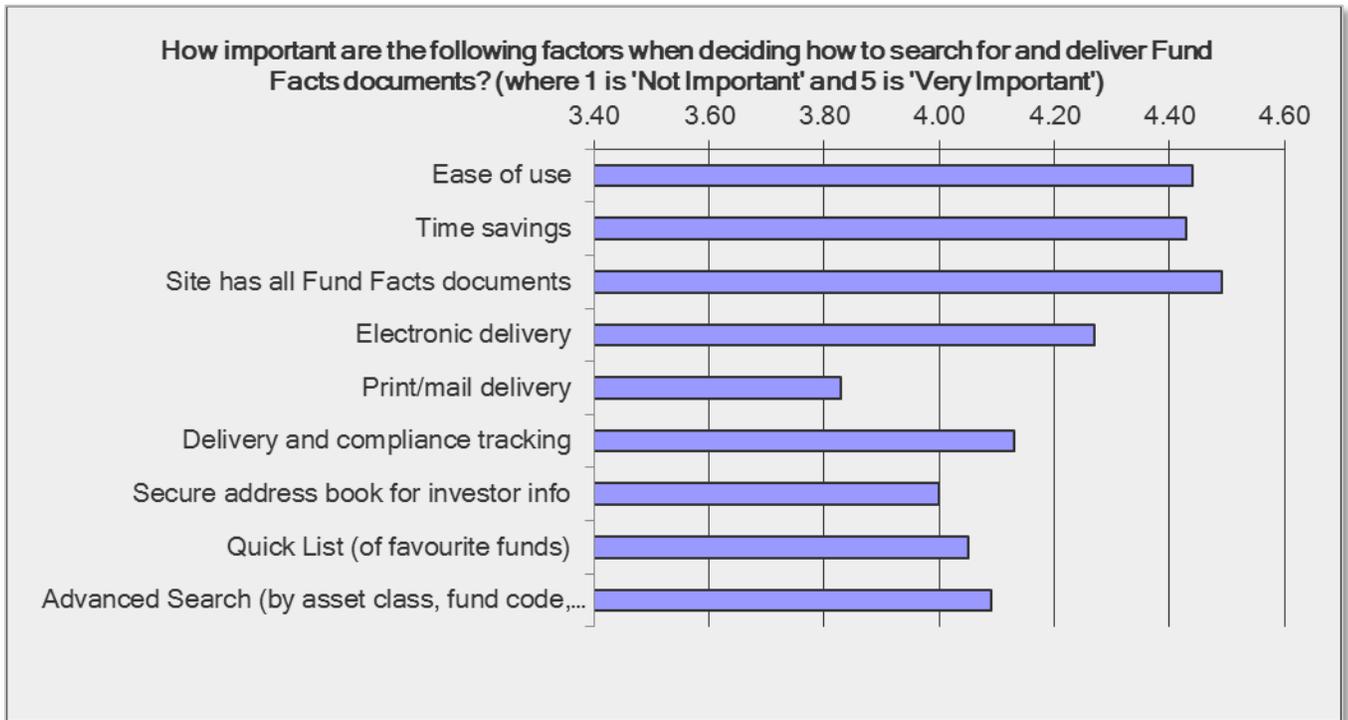
Question 13 – How easy is the reporting for monitoring delivery of the Fund Facts documents to your clients?



Q14 - How important are the following factors when deciding how to search for and deliver Fund Facts documents?

When asked which factors were most important to advisors when searching for and sending Fund Facts, their top 4 rankings were as follows. These features are the hallmark of the InvestorPOS™ repository and will continually be enhanced to meet advisors’ needs:

1. “Site has all the Fund Facts documents”
2. “Ease of use”
3. “Time savings”
4. “Electronic delivery”

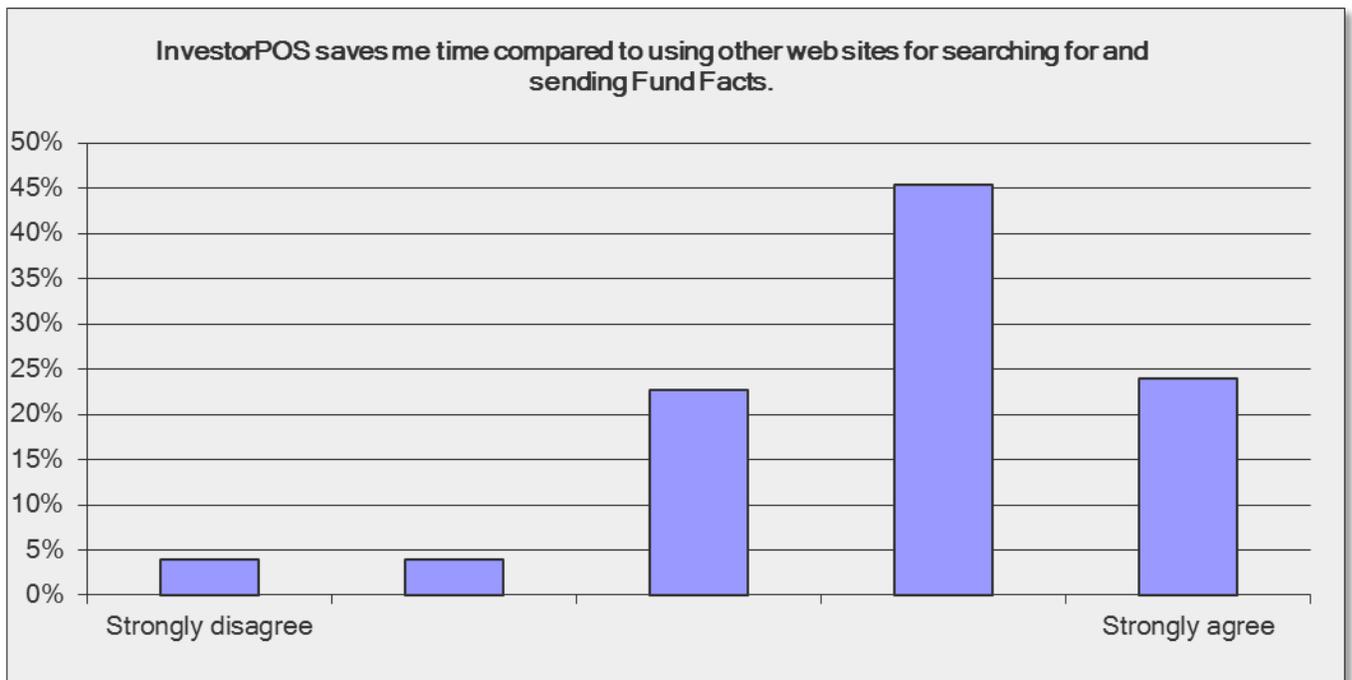


Question 14 – How important are the following factors when deciding how to search for and deliver Fund Facts documents?



Q15 – InvestorPOS™ saves me time compared to using other web sites for searching for and sending Fund Facts?

92% of advisors felt the InvestorPOS™ repository saved them time when searching for Fund Facts vs. using other sites. InvestorPOS™ is the only repository to contain the complete universe of SEDAR-filed and receipted Fund Facts, and unlike other repositories that are populated on an elective basis where fund managers must upload their own documents, or on individual fund managers’ web sites where advisors must visit multiple sites and contend with varying web site layouts and navigation, InvestorPOS™ offers advisors “one stop” at which they can locate and send the most recent Canadian Fund Facts from more than 120 fund managers.

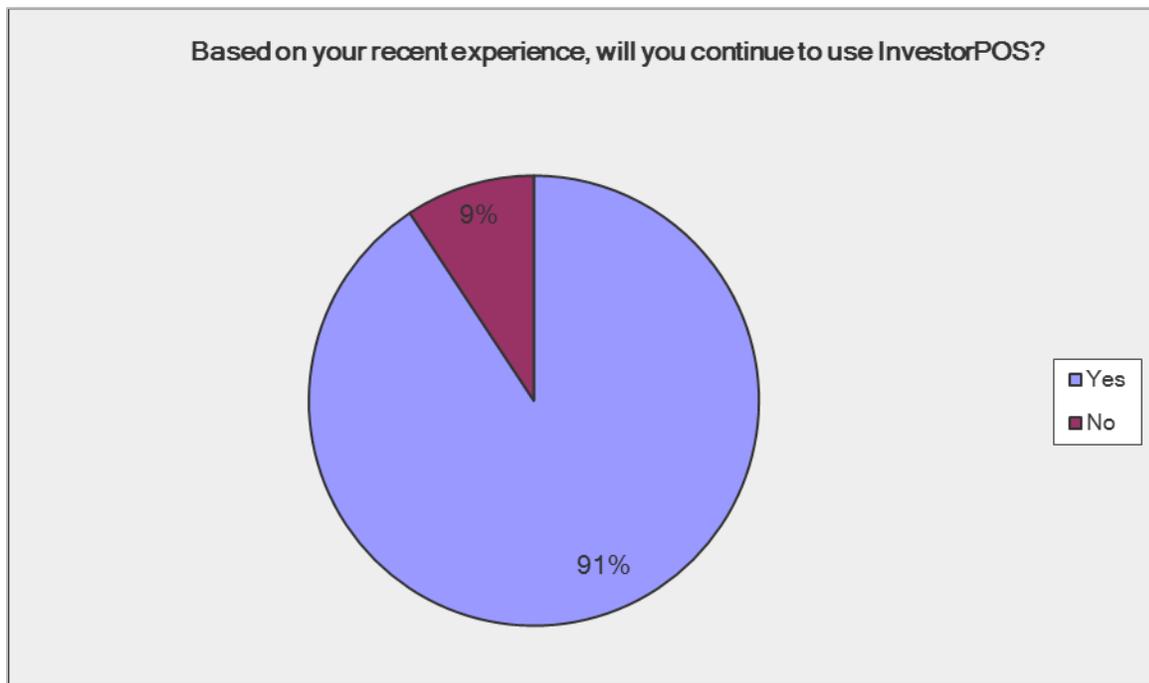


Question 15 – InvestorPOS™ saves me time compared to using other web sites for searching for and sending Fund Facts?



Q16 – Based on your recent experience, will you continue to use InvestorPOS™?

Advisors recognize the value of the InvestorPOS™ repository. Of 187 advisor respondents, 91% said they would continue to use the InvestorPOS™ repository to search for and send Fund Facts documents to their clients.



Question 16 – Based on your recent experience, will you continue to use InvestorPOS™?



ABOUT INVESTORPOS™

InvestorPOS™ is a hosted, Software-as-a-Service (SaaS) solution and suite of modules that allows fund managers and dealers to efficiently create and deliver Fund Facts and other disclosure documents to investors. InvestorPOS™ Inc. is jointly owned by VAULT Solutions Inc. and Distributech Inc. VAULT Solutions is a dynamic technology firm focused on creating customer-facing web solutions for the financial services industry. For over 10 years, VAULT has provided innovative web solutions to Canada's leading asset managers and investment dealers. Distributech provides a range of multi-channel communications solutions to the financial services industry and has a 20-year history of building long-term outsourcing relationships with many leading Canadian financial institutions. Visit www.investorpos.com for more information.

