



June 12, 2013

BY ELECTRONIC MAIL:

Mr. William S. Rice  
Chair and Chief Executive Officer  
Alberta Securities Commission

Ms. Brenda Leong  
Chair and Chief Executive Officer  
British Columbia Securities Commission

Mr. Dave Wild  
Chair  
Financial and Consumer Affairs  
Authority of Saskatchewan

Mr. Don Murray  
Chair  
Manitoba Securities Commission

Honourable Howard I. Wetston  
Chair and Chief Executive Officer  
Ontario Securities Commission

Monsieur Mario Albert  
Président-directeur général  
Autorité des marchés financiers

Mr. David G. Barry  
Chair and Chief Executive Officer  
New Brunswick Securities Commission

Ms. Sarah P. Bradley  
Chair and Chief Executive Officer  
Nova Scotia Securities Commission

Ms. Katharine Tummon  
Superintendent of Securities  
Consumer, Corporate and Insurance Services  
Office of the Attorney General  
Prince Edward Island

Mr. Douglas J. Connolly  
Superintendent of Securities  
Newfoundland and Labrador

Mr. Gary MacDougall  
Superintendent of Securities  
Department of Justice  
Government of Northwest Territories

Mr. Fred Pretorius  
Superintendent of Securities  
Yukon

Mr. Louis Arki  
Superintendent of Securities  
Nunavut

Dear Sirs and Madams:

**Re: Request to Use Time-Weighted Performance Reporting under National Instrument 31-103**

On March 28, 2013, the finalized amendments to NI 31-103 regarding Cost Disclosure, Performance Reporting and Client Statements were released.

We are writing specifically with respect to the decision of the CSA to retain the money-weighted rate of return rather than the time-weighted rate of return.

We do not support the CSA's initiative to mandate registrants to use the money-weighted rate of return method in calculating the performance return.

The money-weighted rate of return is sensitive to the size and timing of external cash flows to and from a client account, while the time-weighted rate of return is unaffected by these flows. In most situations, an investment advisor or a portfolio manager have little or no control over the size and timing of external cash flows into or out of their client accounts. Therefore, in evaluating an investment advisor or an investment firm, the effect of such contributions and withdrawals should be removed from the return calculation because the timing and amount of external cash flows are typically controlled not by the investment advisor or the firm but by the client.

Most investment managers prefer a rate of return measure that is not sensitive to cash flows if they want to evaluate how an advisor's investment actions have affected the account's value. This consideration has led the Bank Administration Institute to recommend that the time-weighted rate of return be adopted as the appropriate measure of account performance. That recommendation has received almost universal acceptance. Also, the Global Investment Performance Standards (GIPS) require a time-weighted rate of return methodology. The GIPS standards were created and are administered by CFA institute. The mission of the GIPS standards is to build a level field of comparison by standardizing the way investment managers calculate and present performance to clients. The standards are based on the fundamental principles of full disclosure and fair representation of investment performance results. Global standardization of investment performance reporting gives investors around the world the additional transparency they need to compare and evaluate investment advisors and investment managers. Most industry benchmarks also use the time-weighted rate of return.

We believe that only the time-weighted methodology will allow the clients to evaluate the quality of the services provided by its investment advisor and to compare the quality of the work with industry benchmarks, other financial service providers and other entities, professional and self-governing bodies which rely on and acknowledge the time-weighted approach.

Also, forcing registrants to change the performance reporting methodology from time-weighted rate of return to money-weighted rate of return will require significant investments in money,

time and energy without creating any benefit or added value to the investors. Most of our systems (including systems from our third party vendors) will need to be substantially modified.

We have always been supportive of the CSA's objective to provide investors with relevant information and disclosure; however the CSA should also be mindful that their regulatory initiatives do not unnecessarily burden the industry with extensive additional technology requirements.

As such, on behalf of National Bank Financial, National Bank direct Brokerage and National Bank Correspondent Network, we request the ability to continue using time-weighted rate of return and we support the industry's request to provide an option between using money-weighted rate of return and time-weighted rate of return.

Yours sincerely,

A handwritten signature in black ink, reading "Martin Lavigne". The signature is fluid and cursive, with the first name "Martin" and last name "Lavigne" clearly distinguishable.

Martin Lavigne  
President  
National Bank Financial  
Wealth Management

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