



C Y M B R I A

Patrick Farmer
Direct: (416) 848.9797
Email: farmer@edgepointwealth.com

August 22, 2013

Delivered by email:comments@osc.gov.on.ca,
consultation-en-cours@lautorite.qc.ca

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

Attention:

Mr. John Stevenson
Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, ON M5H 3S8

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, Tour de la Bourse
Montréal (QC) H4Z 1G3

Dear Sirs and Mesdames:

Re: CSA Modernization of Investment Fund Product Regulation, Phase 2

Thank you for the opportunity to comment on the proposed amendments to National Instrument 81-102 introducing core operational requirements for non-redeemable investment funds.

I write to you as Chairman of Cymbria Corp., a non-redeemable investment fund listed on the Toronto Stock Exchange that offers the potential to build wealth faster than traditional products through its portfolio of both publicly traded global securities and private investments.

I am of the opinion that non-redeemable investment funds and mutual funds are different investment vehicles intended for very different investors with different risk profiles and investor expectations. As such, do not believe there needs to be a “level playing field” between two very different investment vehicles.



C Y M B R I A

In the interests of investor protection, I am compelled to argue against two of these proposed amendments. Specifically, the 10% concentration and 15% illiquid assets restrictions, if approved, would fundamentally change Cymbria in a negative way. Imposing a “one size fits all” operational requirement would constrain our ability to prudently allocate capital and build long-term wealth, thereby adversely affecting our shareholders.

Cymbria Corp. (CYB)

Cymbria’s investment objective is to provide shareholders with long-term capital appreciation through an actively managed portfolio comprised primarily of global equities and an investment in privately owned EdgePoint Wealth Management Inc. (EWM).

Since Cymbria’s inception in November 2008, EWM has been fortunate to experience some success and now constitutes close to 5% of Cymbria’s portfolio. Cymbria’s prospectus outlines our expectation that EWM will be a material driver of long-term wealth creation.

It is very possible that over a 10 to 30 year investment horizon, Cymbria’s EWM position will grow to such a size that it alone would violate both proposed restrictions. If this were to occur, the investment in EWM would be considered highly successful, yet the proposed limitations would require Cymbria to sell down EWM well before realizing its full value, likely against the recommendations of the investment manager, the Board of Directors and even shareholders. Decisions would be required to be made that are clearly not in shareholders’ best interests.

Furthermore, Cymbria’s stated aim as informed by industry best practice uses the term “primarily” to provide us the flexibility to invest in private companies in addition to EWM.

As Invesco’s former Head of North American Retail Investments, I was responsible for more than 100 investment professionals and approximately \$150 billion in assets under management, including several Canadian equity mandates that used the term “primarily” in their investment objective while allowing for as much as 49% in foreign securities holdings.

With a similar framework and comparable language invoked in Cymbria’s prospectus, we currently have the flexibility to invest in private companies such that we could easily violate both proposed amendments. Without this flexibility, Cymbria shareholders would be disadvantaged, as we would be unable to efficiently allocate their capital in the types of investments outlined in the prospectus.

The CSA asks what should be the permitted allocation to illiquid securities.

Cymbria’s investment managers have some 80 years of collective experience and a fiduciary responsibility to shareholders to prudently construct Cymbria’s portfolio. They allocate capital based on which investment offers the most attractive long-term return for a given level of risk. Cymbria’s shares have no annual redemption feature and pay no dividends, further decreasing the need for short-term liquidity. If the CSA deems a cap on illiquid securities necessary, it should apply to a narrower range of products and not simply to “non-redeemable investment funds”. It should drill down to those investments in which investors would truly benefit from the protection an illiquidity cap affords. Cymbria is not that type of investment.



C Y M B R I A

One way to think about investing in private companies is how Warren Buffet does with Berkshire Hathaway. Currently, 59% of Berkshire's intrinsic value is tied to publicly traded securities; the other 41%, in privately held operating companies.

I believe that Buffett's ability to influence the success of his private company holdings while controlling their cash flow may be less risky than some of his public securities, where he is a passive shareholder with no control over the cash flow of those businesses.

On the question of valuation for private companies, third-party specialists in that field are readily hireable as needed.

A final comment, the CSA concludes that since no existing fund examined currently has material exposure to illiquid assets or more than a 10% concentration in any one name, the restrictions make sense. Introducing new regulation after studying only a snapshot in time is careless.

Cymbria celebrates its 5th anniversary in November 2013. Our original capital raise of \$234 million has grown to \$415 million. It is incorrect to assume that because we hold only one private investment (in EWM) that we have no intention of buying others. Quite the contrary, when Cymbria is of such a size that we can appropriately invest in private companies at attractive prices, our plan is to do so as outlined in our prospectus.

The fact that we own no other private companies today is in line with our view that publicly traded global equities offered investors the best opportunity, 4.5 years ago, to achieve significant capital appreciation. Cymbria's since inception NAV growth (A shares, 13.88%; J shares, 15.48% as at May 31, 2013) reflects the success of this strategy. Cymbria's investment flexibility is another driver of long-term wealth creation for our shareholders.

While EWM is presently approximately 5% of Cymbria's portfolio, it cannot be assumed that a limit of 10%, twice the current weight, will satisfy our shareholders. If EWM is successful, this artificial threshold will be violated, hopefully by a significant margin. Shareholders should be allowed to participate in that growth, and importantly, they expect to through their Cymbria ownership. If approved, the amendments regarding concentration restrictions and investments in illiquid securities will damage Cymbria's nature by reducing its flexibility and ability to achieve our shareholders' anticipated long-term goals when they originally purchased us.

We thank you again for the opportunity to comment on the proposed amendments. We would be pleased to meet with you to further discuss our comments.

Sincerely,

Patrick Farmer
Chairman of the Board of Cymbria Corp.