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CHANGES TO COMPANION POLICY 81-102CP TO NATIONAL INSTRUMENT 81-102 *INVESTMENT FUNDS*

1. Companion Policy 81-102CP to National Instrument 81-102 Investment Funds is changed by this Document.

2. Part 2 is changed by adding the following sections:

2.01 "alternative mutual fund"

(1) This term replaced the term "commodity pool" that was previously defined under the National Instrument 81-104 *Commodity Pool* (NI 81-104). Mutual funds that were commodity pools under NI 81-104 are deemed to be alternative mutual funds under this Instrument.

(2) The definition of "alternative mutual fund" contemplates that the fund's fundamental investment objectives will reflect those features that distinguish the alternative mutual fund from more conventional mutual funds. Therefore if an existing mutual were to convert to an alternative mutual fund, we would expect such a change to necessitate changes to the mutual fund's investment objectives that would require securityholder approval under Part 5 of the Instrument.

(3) The Instrument does not mandate a naming convention for mutual funds. However, it is our view that a mutual fund with the word "alternative" in its name could be misleading or cause confusion in the marketplace if that mutual fund is not an alternative mutual fund. We would generally expect that the only mutual funds that would use that term in their name would be alternative mutual funds.

2.3.1 "cleared specified derivative" – the definition of "cleared specified derivative" is intended to apply to derivatives transactions that take place through the facilities of a "regulated clearing agency" as defined in National Instrument 94-101 *Mandatory Central Clearing of Derivatives*. The Instrument provides exemptions from certain of the provisions governing the use of cleared specified derivatives by investment funds. These exemptions are intended to facilitate the use of the clearing infrastructure in compliance with international requirements for mandatory clearing of derivatives, although the exemptions also apply in respect of cleared specified derivatives that are not subject to mandatory clearing obligations.*.*

3. Subsection (1) of Section 3.3.1 is changed by deleting "Although section 2.4 of the Instrument does not apply to non-redeemable investment funds," ***and by replacing "***the Canadian securities regulatory authorities***" with "***The Canadian securities regulatory authorities***".***

4. Part 3 is changed by adding the following section:

3.6.1 Cash Borrowing – Subsection 2.6(2) of the Instrument permits an alternative mutual fund or non-redeemable investment fund to borrow cash for investment purposes (including investing on margin) from an entity that meets the criteria of a fund custodian or subcustodian under section 6.2 or 6.3, and can include the fund's own custodian or subcustodian. This provision also permits a fund to borrow cash from a lender that is an affiliate or associate of the fund's investment fund manager provided independent review committee approval is granted.*.*

5. Section 4.3 is changed by replacing it with the following:

4.3 Leveraging

(1) The investment restrictions in the Instrument are in part intended to prevent the use of specified derivatives for the purpose of leveraging the assets of a mutual fund. The definition of "hedging" prohibits leveraging with respect to specified derivatives used for hedging purposes. The provisions of subsection 2.8(1) of the Instrument restrict leveraging with respect specified derivatives used for non-hedging purposes.

(2) Alternative mutual funds however, are exempted from section 2.8 and are instead subject to the restrictions on the use of leverage set out in section 2.9.1 of the Instrument, which limit exposure to certain sources of leverage to no more than 300% of an alternative mutual fund's net asset value. The calculation in section 2.9.1 requires an investment fund to determine the notional amount of its specified derivatives positions. While the Instrument does not define notional amount, in this context we would expect it to be determined in regards to the value of the underlying reference asset, as if the specified derivative position were converted into the equivalent position in the underlying reference asset at the time of the calculation.*.*

6. The changes become effective on January 3, 2019.