

EdgePoint Wealth Launches Non-HST Series

As a result of the questionable decision by Ontario and British Columbia to create the harmonized sales tax (HST), EdgePoint has decided to launch, a new series of its Portfolios for investors residing in non-HST participating provinces.

We believe this approach is the appropriate course of action for an investment-led company that puts the interests of its unitholders first in all decisions. The thought of having investors in non-HST participating provinces subsidize investors in HST-participating provinces is just wrong in our opinion.

Overview

Effective July 1, 2010, Ontario and British Columbia have combined the provincial sales tax (PST) with the federal goods and services tax (GST) to create the HST. These provinces join Nova Scotia, New Brunswick and Newfoundland and Labrador as HST participants.

Currently, management fees and most operating expenses of mutual funds are only subject to the 5% GST. Mutual fund investors who reside in HST-participating provinces must now pay additional sales taxes as a result of the changes. These taxes will negatively impact management expense ratios (MER) and ultimately investor returns.

Mutual fund companies have different options with regards to how they choose to implement the new tax. These approaches include, but are not limited to, the following:

1. Blended Rate

Mutual fund companies can choose to calculate the HST payable using a “blended” rate, which is based on the residency of unitholders and the value of their investments in each series. **All investors**, including those in non-HST participating provinces, would be subject to higher MERs as a result of this methodology.

The most significant drawback of this approach is subsidization. A blended rate effectively means that investors in non-HST participating provinces would pay a portion of the provincial sales tax liability of those investors in HST-participating provinces.

The most significant benefit of this approach is that from an implementation perspective, it is the simplest to administer. All unitholders in the series would pay the same MER and effectively the same blended HST rate.

The information contained in this document is not intended to provide legal or tax advice.

2. Separate Series for Non-HST Participating Provinces

Mutual fund companies can choose to create a separate series that would be only available to investors in non-HST participating provinces.

The most significant benefit of this approach is that investors in non-HST participating provinces are not subsidizing investors residing in HST-participating provinces. It does, however, entail more administrative work for the mutual fund company.


EdgePoint's Approach

As an investment-led wealth management firm which prides itself on putting the interests of its investment partners first in every decision, the thought of jamming this unfortunate new tax on unsuspecting investors is simply unjust.

We are against this type of subsidization. As such, on August 3, 2010, we will launch non-HST equivalents of series A, series B, and series F for each of our Portfolios.

Notwithstanding the additional cost that HST adds to all products, we expect our year-end MERs for most series will be **lower** at the end of 2010 than they were at the end of 2009.

Regards,

A handwritten signature in dark ink, appearing to read 'Patrick Farmer', with a long horizontal flourish extending to the right.

Patrick Farmer, CEO EdgePoint Wealth Management