

March 26, 2012

In the Matter of
the Securities Legislation of **Manitoba** (the Jurisdiction)

and

In the Matter of
the Process for Exemptive Relief Applications in Multiple Jurisdictions

and

In the Matter of
Pavilion Asset Management Ltd. (the Filer)

Decision

Background

The principal regulator in the Jurisdiction has received an application from the Filer, on behalf of Vontobel Asset Management, Inc., Comgest SA., and any other foreign portfolio manager that is engaged by the Filer as a sub-adviser in the future (the Sub-Advisers), for a decision under the securities legislation of the Jurisdiction of the principal regulator (the Legislation) that the adviser registration requirement contained in the Legislation to be registered as an adviser (the Adviser Registration Requirement) does not apply to the Sub-Advisers in circumstances where the Sub-Advisers provide portfolio management services to the Filer for the benefit of clients of the Filer who are resident in the Jurisdiction (the Exemption Sought).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a passport application):

(a) The Manitoba Securities Commission is the principal regulator for this application, and

(b) the Filer has provided notice that subsection 4.7(1) of Multilateral Instrument 11-102 *Passport System* (MI 11-102) is intended to be relied upon in British Columbia, Alberta, Nova Scotia, and New Brunswick (collectively with the Jurisdiction, the Passport Jurisdictions).

Interpretation

Terms defined in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning if used in this decision, unless otherwise defined.

Representations

This decision is based on the following facts represented by the Filer:

1. The Filer is a company incorporated under the laws of Canada, and is an indirect wholly owned subsidiary of Pavilion Financial Corporation.
2. The Filer is registered in each province and territory of Canada as an adviser (portfolio manager) and as a dealer (exempt market dealer), other than Prince Edward Island, Newfoundland and Labrador, Saskatchewan and the territories, and as an investment fund manager in Manitoba. PAM is also registered as a commodities adviser in Ontario, Manitoba and Quebec.

Sub-Advisers

3. Each Sub-Adviser is, or will be, registered or otherwise qualified under applicable laws in the jurisdiction where its head office is located to provide portfolio management services.
4. The Sub-Advisers are currently not resident in Canada and do not maintain an office or investment representatives in the Jurisdiction.
6. The following is a brief description of each current Sub-Adviser:
 - a) Vontobel Asset Management, Inc. is a corporation created under the laws of its jurisdiction of formation and is resident in the United States.

- b) Comgest SA. is a corporation created under the laws of its jurisdiction of formation and is resident in France.

Investment Management Agreement

8. The Filer acts, or will act, as an adviser in the Jurisdiction for various Canadian clients (each a "Client") pursuant to a written investment management agreement (the "Investment Management Agreements") between the Filer and the Client.
9. Under each Investment Management Agreement, the Filer will be given complete discretionary authority to purchase and sell securities on behalf of the Client and the authority to retain sub-advisors and delegate investment advisory services to such sub-advisors, including discretionary authority to purchase and sell securities on behalf of such Client.
10. The Filer wishes to retain the Sub-Advisers from time to time to provide portfolio management and sub-advisory services on behalf of Clients for which the Filer has, in turn, been retained to act as portfolio manager under an Investment Management Agreement.
11. Under the terms of each Investment Management Agreement, the Filer will be responsible for any loss incurred by the Client arising directly out of the failure of the Sub-Adviser:

a) to exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of the Client for whose benefit the investment advice is, or portfolio management services are, to be provided; or

b) to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances, and the Filer acknowledges that it cannot be relieved by the Clients from the responsibility (collectively, the Assumed Obligations).

Sub-Adviser Agreement

12. The Filer will enter into an agreement with each Sub-Adviser (the "Sub-Adviser Agreement") which will set out the obligations and duties of each party in connection with the portfolio management and sub-advisory services to be provided to the Filer with respect to the Client.

13. The Sub-Adviser Agreements will permit the Filer to exercise the degree of supervision and control it requires in order to adequately supervise the activities of the Sub-Adviser with respect to the Client.

14. Each Sub-Adviser who provides portfolio management services to the Filer with respect to the assets of the Clients would be considered to be acting as an "adviser" within the meaning of the Legislation, and in the absence of the Requested Relief, would be subject to the Adviser Registration Requirement unless otherwise exempt.

15. There are no exemptions from the Adviser Registration Requirement that the Sub-Advisers may rely on to provide portfolio management services to the Filer with respect to the Clients.

16. The Filer and Sub-Advisers are not in default of the Legislation of the Jurisdictions.

Client Contact

17. If there is any direct contact between a Client and a Sub-Adviser to provide portfolio management and sub-advisory services, a representative of the Filer, duly registered to provide portfolio management services in the Passport Jurisdiction where the Client is resident, is present at all times, either in person or by telephone.

18. The Filer will make inquiries with respect to each Client to determine the investment objectives and strategies of the Client and, unless expressly waived by the Client as contemplated under National Instrument 31-103 - *Registration Requirements and Exemptions*, determine the suitability of proposed transactions for the Client, and to otherwise comply with the "know your client" and "suitability" obligations under the securities legislation of the Passport Jurisdictions. The Filer takes responsibility to provide all necessary information in this regard which any Sub-Adviser may require.

19. The Filer sends, or arranges to send, to each Client all documents that are required to be sent to the Client under the securities legislation of the Passport Jurisdictions or pursuant to the Investment Management Agreement.

Decision

The principal regulator is satisfied that the decision meets the test set out in the Legislation for the principal regulator to make the decision.

The decision of the principal regulator under the Legislation is that the Exemption Sought is granted in respect of the Sub-Advisers provided that:

- (a) the Filer is registered in good standing under the Legislation in a category that permits it to provide portfolio management services;
- (b) the obligations and duties of each Sub-Adviser are set out in a written agreement between the Filer and the Sub-Adviser;
- (c) the Filer contractually agrees with each applicable Client to be responsible for the Assumed Obligations and the Filer is not relieved by such Client from the Filer's responsibility for the Assumed Obligations;
- (e) each Sub-Adviser will not have any direct contact with a Client in connection with the provision of portfolio management services unless a representative of the Filer, duly registered to provide portfolio management services for securities in the Jurisdiction, is present at all times, either in person or by telephone;
- (f) each Sub-Adviser will be licensed, registered or otherwise legally permitted to provide investment advice and portfolio management services under the applicable laws of the foreign jurisdiction in which the Sub-Adviser's head office is located;
- (g) if a Sub-Adviser relies on this decision in the Province of Manitoba, that Sub-Adviser is not registered in any Canadian jurisdiction; and
- (h) for each Passport Jurisdiction, this decision will terminate 90 days after the coming into force of any rule, regulation, blanket order or ruling under the securities legislation of the jurisdiction that provides an equivalent exemption.

Doug Brown
Director - Legal
The Manitoba Securities Commission