



THE MANITOBA
SECURITIES
COMMISSION

THE SECURITIES ACT

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Order No. 6961

June 23, 2014

DECISION DOCUMENT

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
MANITOBA AND ONTARIO
(the “Jurisdictions”)

AND

IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF
APPLICATIONS IN MULTIPLE JURISDICTIONS

AND

IN THE MATTER OF
I.G. INVESTMENT MANAGEMENT, LTD.
 (“IGIM”)

AND

IN THE MATTER OF
INVESTORS CAPITAL YIELD CLASS

and

INVESTORS SHORT TERM CAPITAL YIELD CLASS
(each, a “Class” and, collectively the “Classes”)

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions (the “Decision Maker”) has received an application from IGIM on behalf of the Classes for a decision under the securities legislation of the Jurisdictions (the “Legislation”) for relief under Section 19.1 of National Instrument 81-102 (“NI 81-102”) from the requirements of

Subsection 5.1(c) of NI 81-102 in order to permit the Classes to change their fundamental investment objectives without obtaining the prior approval of the shareholders of the Classes (the "Requested Relief").

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

- (a) the Manitoba Securities Commission is the principal regulator for this application,
- (b) IGIM 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, Saskatchewan, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland & Labrador, Yukon, Northwest Territories and Nunavut; and
- (c) the decision is the decision of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

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 IGIM:

1. IGIM is a corporation continued under the laws of Ontario and it manages the Classes and the Reference Funds and is not in default of any of the requirements under the Legislation. The head office of IGIM is in Winnipeg, Manitoba. Each of the Classes and Reference Funds is distributed in Manitoba and the other Jurisdictions.
2. Each of the Classes is a separate class of shares issued by Investors Group Corporate Class Inc. ("IGCC"), a corporation governed by the Canada Business Corporations Act and are not in default of any of the requirements under the Legislation.
3. Each of the Reference Funds is a trust established under the laws of the Province of Manitoba.
4. IGCC and the Reference Funds are reporting issuers in each of the provinces and territories of Canada and are not in default of any of the requirements under the Legislation.
5. The shares of the Classes are qualified for distribution in each province and territory of Canada pursuant to:

- (a) the Investors Group Corporate Class Inc. Simplified Prospectus, Annual Information Form and Fund Facts for Series A, B, J_{DSC}, J_{NL}, T_{DSC} and T_{NL} Shares of both Investors Capital Yield Class and Investors Short Term Capital Yield Class (the "IGCC Prospectus"); and
- (b) the *iProfile* Funds Simplified Prospectus, Annual Information Form and Fund Facts for Series I and T_I Shares of Investors Capital Yield Class (the "*iProfile* Prospectus").

in compliance with National Instrument 81-101, *Mutual Fund Prospectus Disclosure* ("NI 81-101"). A final receipt has been issued under MRRS by The Manitoba Securities Commission on behalf of all Jurisdictions for:

- (c) the current IGCC Prospectus dated June 30, 2013 (SEDAR Project #2063705); and
- (d) the current *iProfile* Prospectus dated June 30, 2013 (SEDAR Project #2064061).

Renewals of the IGCC Prospectus and *iProfile* Prospectus will be filed on or about May 29, 2014 (pro forma) and on or about June 30, 2014 (collectively, the IGCC Prospectus, the *iProfile* Prospectus and the Renewals are referred to as the "Prospectuses").

6. The Reference Funds do not distribute securities to retail investors and do not have a current prospectus.

7. The investment objectives of the Classes, as currently stated in the IGCC Prospectus (and for Investors Capital Yield Class in the *iProfile* Prospectus), are:

- (a) for Investors Capital Yield Class:

The Class aims to provide a return similar to that of an intermediate-term Canadian fixed income fund.

The Class aims to achieve this objective by investing in equity securities and entering into Forward Contracts in order to provide the Class with a return similar to what would be achieved by an investment directly in units of *Investors Group Income Fund*, an Investors Group sponsored fund that is not otherwise offered to the public and which aims to generate income by investing primarily in Canadian corporate and government fixed income securities with average terms to maturity primarily concentrated between five and ten years. The forward price will be determined with reference to the net asset value of the units of *Investors Group Income Fund*. The Class expects that the earnings derived from those Forward Contracts will be treated as capital gains and if distributed to security holders, will be capital gains Dividends for tax purposes.

Preservation of capital is also considered to be an important factor in the management of the portfolio of the Class.

The Class may also seek to achieve its objective by investing directly in fixed income securities which may include preferred shares or asset-backed

debt securities with average terms to maturity primarily concentrated between five and ten years.

Other than with respect to return of capital distributions on Series T Shares and Series T_J Shares [or Series T_I Shares in the case of the *iProfile* Prospectus], this Class does not intend to provide a steady flow of income, and distributions of *Investors Group Income Fund* are expected to be reflected in the forward prices.

The investment objective of the Class may not be changed without the prior approval of the majority of its Shareholders who vote at a meeting called for that purpose, except when a change is required because of changes in the law.

(b) for Investors Short Term Capital Yield Class:

The Class aims to provide a return similar to that of a short-term Canadian fixed income fund.

The Class aims to achieve this objective by investing in equity securities and entering into Forward Contracts in order to provide the Class with a return similar to what would be achieved by an investment directly in units of *Investors Group Short Term Income Fund*, an Investors Group sponsored fund that is not otherwise offered to the public and which aims to generate income by investing primarily in Canadian corporate and government fixed income securities with average terms to maturity primarily concentrated between one and five years. The forward price will be determined with reference to the net asset value of the units of *Investors Group Short Term Income Fund*. The Class expects that the earnings derived from those Forward Contracts will be treated as capital gains and if distributed to security holders, will be capital gains Dividends for tax purposes.

Preservation of capital is also considered to be an important factor in the management of the Portfolio.

The Class may also seek to achieve its objective by investing directly in fixed income securities which may include preferred shares or asset-backed debt securities with average terms to maturity primarily concentrated between one and five years.

Other than with respect to return of capital distributions on Series T Shares and Series T_J Shares, this Class does not intend to provide a steady flow of income, and distributions of *Investors Group Short Term Income Fund* are expected to be reflected in the forward prices.

The investment objective of the Class may not be changed without the prior approval of the majority of its Shareholders who vote at a meeting called for that purpose, except when a change is required because of changes in the law.

8. Since their inception, the Classes have each, from time to time, invested a portion of their assets in a portfolio of equity securities (the "Equity Portfolio") and entered into a forward contract with a counterparty (the "Forward Contract") whereby the Classes agreed to deliver the applicable Equity Portfolio to the counterparty at maturity of the Forward Contract in return for a cash payment determined by reference to the net asset value of the applicable Reference Fund. In this way, Shareholders in the Classes have received a return on their investment based on the performance of the applicable Reference Fund, with tax benefits that could be achieved through Forward Contracts.

9. The Tax Act was amended in 2013 to include new rules that eliminated the tax-related benefits associated with the Capital Yield Classes, subject to transitional and grandfathering rules (the "Tax Changes").

10. As a result of the Tax Changes, IGCC closed the Capital Yield Classes to further investment in 2013, other than:

- (a) investments through pre-authorized investment plans by current Shareholders of the Capital Yield Classes,
- (b) reinvestment of Dividends and return of capital distributions, and
- (c) switches between Series of the applicable Capital Yield Class.

11. IGIM wishes to amend the fundamental investment objectives of the Classes to remove all references to Forward Contracts and the Reference Funds effective September 23, 2014 without obtaining the prior approval of the Shareholders of the Classes and, if the Requested Relief is granted, the revised fundamental investment objectives of the Classes will be as follows:

- (a) for Investors Capital Yield Class:

Investment objective

The Class aims to provide long-term capital growth by investing primarily in intermediate-term Canadian fixed income securities. Preservation of capital is also considered to be an important factor in the management of the portfolio.

Other than with respect to return of capital distributions on [Fixed Distribution Series/Series T₁ Shares – *dependent on whether in IGCC Prospectus or iProfile Prospectus*], the Class does not intend to provide a steady cash-flow.

The investment objective of the Class may not be changed without the prior approval of the majority of its Shareholders who vote at a meeting called for that purpose, except when a change is required because of changes in the law.

Investment strategies

The Class will seek to achieve its objective by investing in fixed income securities which may include preferred shares or asset-backed debt securities with average terms to maturity primarily concentrated between five and ten years.

Generally speaking, it is the Class' intention that its investment in foreign securities will range from 0% to 30% of its assets, but the Class may invest up to 50% of its assets in foreign securities from time to time.

The Class may engage in Securities Lending, Repurchase and Reverse Repurchase Transactions and use Derivatives. These transactions and Derivatives will be used in conjunction with the Class' other investment strategies in a manner considered most appropriate to achieving the Class' overall investment objective and enhancing the Class' returns as permitted by the Rules.

(b) for Investors Short Term Capital Yield Class:

Investment objective

The Class aims to provide long-term capital growth by investing primarily in short-term Canadian fixed income securities. Preservation of capital is also considered to be an important factor in the management of the portfolio.

Other than with respect to return of capital distributions on Fixed Distribution Series, the Class does not intend to provide a steady cash-flow.

The investment objective of the Class may not be changed without the prior approval of the majority of its Shareholders who vote at a meeting called for that purpose, except when a change is required because of changes in the law.

Investment strategies

The Class will seek to achieve its objective by investing in fixed income securities which may include preferred shares or asset-backed debt securities with average terms to maturity primarily concentrated between one and five years.

Generally speaking, it is the Class' intention that its investment in foreign securities will range from 0% to 30% of its assets, but the Class may invest up to 50% of its assets in foreign securities from time to time.

The Class may engage in Securities Lending, Repurchase and Reverse Repurchase Transactions and use Derivatives. These transactions and Derivatives will be used in conjunction with the Class' other investment strategies in a manner considered most appropriate to achieving the Class' overall investment objective and enhancing the Class' returns as permitted by the Rules.

12. Each Class has been operating as a long term growth fund instead of paying out distributions to its Shareholders. The references to providing long term capital growth in the revised fundamental investment objective of each Class merely clarifies the existing objective of each Class.

Decision

Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation for the Decision Maker to make the decision.

The decision of the Decision Makers under the Legislation is that the Requested Relief is granted provided that, at least 60 days before the effective date of the change of the fundamental investment objectives, IGIM sends to each Shareholder of the Classes a written notice that sets out the change of fundamental investment objectives, the reasons for such change and a statement that the Classes will no longer be able to provide tax-advantaged returns after the expiration of the Forward Contracts.



Chris Besko

Acting Director

Manitoba Securities Commission