

DECISION DOCUMENT

March 12, 2015

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 the Mergers of
Investors Capital Yield Class
Investors Short Term Capital Yield Class
(the “Merging Funds”)

into

Investors Canadian Bond Fund
iProfile Fixed Income Pool
Investors Mortgage and Short Term Income Fund
(the “Continuing Funds”, and collectively with
the Merging Funds, referred to as the “Funds”)

and

In the Matter of
I.G. Investment Management, Ltd.
(referred to as “Investors Group” and
collectively with the Funds referred to the “Filers”)

DECISION

BACKGROUND

The securities regulatory authority or regulator in each of the Jurisdictions (the “**Decision Maker**”) has received an application from the Filers for a decision under the securities legislation of the Jurisdictions (the “**Legislation**”) for approval under paragraph 5.5(1)(b) of National Instrument 81-102 Investment Funds (“**NI 81-102**”) of the Mergers of the Merging Funds into the applicable Continuing Funds.

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) the Filers have provided notice that section 4.7(1) of Multi-Lateral 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 and Labrador, Yukon, Nunavut and the North West Territories; 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

Defined terms contained in National Instrument 14-101 – *Definitions* and MI 11-102 have the same meaning if used in this decision, unless they are otherwise defined below:

- *iProfile* Fixed Income Pool, Investors Canadian Bond Fund and Investors Mortgage and Short Term Income Fund are herein collectively referred to as the “**Unit Trust Funds**”;
- Investors Capital Yield Class and Investors Short Term Capital Yield Class are herein collectively referred to as the “**Corporate Class Funds**”;

REPRESENTATIONS

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

1. Investors Group is a corporation continued under the laws of Ontario. It is the trustee and manager of the Unit Trust Funds and is the manager of the Corporate Class Funds. Investors Group is registered as a Portfolio Manager and an Investment Fund Manager in Manitoba, Ontario and Quebec, and as an Investment Fund Manager in Newfoundland and Labrador. It is also registered as an Advisor under The Commodity Futures Act in Manitoba. The head office of Investors Group is in Winnipeg, Manitoba and, accordingly, Manitoba is the principal regulator. Investors Group is not in default of any of the requirements of securities legislation of any of the provinces and territories in Canada.
2. Investors Group Corporate Class Inc. (the “**Corporation**”) is the issuer of the Corporate Class Funds.
3. All of the Funds are open-end mutual funds established or continued under a Master Declaration of Trust under the laws of Manitoba (in the case of the Unit Trust Funds), or governed by the Canada Business Corporations Act (the “**CBCA**”) (in the case of the Corporate Class Funds).
4. All of the Funds are reporting issuers under the Legislation in each Jurisdiction and are not on the list of defaulting reporting issuers maintained under the Legislation in each Jurisdiction, and are not in default of any of the requirements of the securities Legislation of any of the provinces and territories of Canada. The securities of the Funds are qualified for distribution in each of the Jurisdictions pursuant to their own separate simplified prospectuses and annual information forms, each dated June 30, 2014, as may be amended (referred to collectively as the “**Prospectuses**”).
5. Each Unit Trust Fund (except *iProfile* Fixed Income Pool) issues six series of units to retail purchasers. *iProfile* Fixed Income Pool issues two series of units to retail purchasers. Investors Short Term Capital Yield Class issues eight series of Shares to retail purchasers. Investors Capital Yield Class issues ten series of Shares to retail purchasers. A Fund Facts document as prescribed by Form 81-101F3 (the “**Fund Facts**”) has been filed for all of the retail series of units and shares issued by the Unit Trust Funds and the Corporate Class Funds, respectively, together with their Prospectuses as described in paragraph number 4.

6. Investors Group proposes that each Merging Fund be merged into a corresponding Continuing Fund (each a “**Merger**” and collectively the “**Mergers**”) as follows:

Merging Fund/Series	<i>to merge into</i>	Continuing Fund/Series
Investors Capital Yield Class (Series A, B, T _{DSC} , T _{NL} , J _{DSC} , J _{NL} , T _{JDSC} , T _{JNL})	<i>to merge into</i>	Investors Canadian Bond Fund
Investors Capital Yield Class (Series I)	<i>to merge into</i>	<i>iProfile</i> Fixed Income Pool
Investors Short Term Capital Yield Class (Series A, B, T _{DSC} , T _{NL} , J _{DSC} , J _{NL} , T _{JDSC} , T _{JNL})	<i>to merge into</i>	Investors Mortgage & Short Term Income Fund

7. Meetings of the securityholders of the Merging Funds are being convened on or about April 20, 2015, to approve the Mergers. A notice of meeting, a management information circular and a proxy in connection with the meetings of securityholders of the Merging Funds (collectively, the “**Meeting Materials**”), will be mailed to securityholders of the Merging Funds beginning on or about March 10, 2015, and will be filed via SEDAR.
8. Investors Group has determined that the Mergers will not be a material change to the Continuing Funds because they will not entail a change in the business, operations or affairs of the Continuing Funds that would be considered important by a reasonable investor in determining whether to purchase or continue to hold securities of the Continuing Funds.
9. The tax implications of the Mergers, as well as the material differences between each Merging Fund (or its Series) and the corresponding Continuing Fund, will be described in the Meeting Materials so securityholders of the Merging Funds will be fully informed when considering whether to approve the Merger of their Fund at the Meeting of their Fund.
10. The Mergers must be conducted on a taxable basis rather than in a manner which would constitute a “qualifying exchange” or other tax-deferred transaction because there is no tax-deferred method available to directly merge a corporate class mutual fund (such as the Merging Funds) into a mutual fund trust (such as the Continuing Funds).
11. Amendments to the Prospectuses and Fund Facts of each retail series of each Merging Fund, and a material change report, have been (or will be) filed on SEDAR with respect to the Mergers as required by the Legislation of the Jurisdictions.
12. Subject to obtaining all necessary approvals, the Merging Funds will merge into the Continuing Funds on or about the close of business on May 15, 2015, and the Continuing Funds will continue as publicly offered open-end mutual funds, whereas the Merging Funds will be wound up as soon as reasonably possible.
13. No sales charges will be payable in connection with the acquisition by the Continuing Funds of the investment portfolios of the Merging Funds.
14. Securityholders of the Merging Funds will continue to have the right to redeem securities of the Merging Funds for cash at any time up to the close of business on the effective date of the Mergers.
15. Other than circumstances in which the securities regulatory authority of a Jurisdiction has expressly exempted the Funds, the Funds follow the standard investment restrictions and practices established under the Legislation of the Jurisdictions.

16. The net asset values of each series of the Funds are calculated on a daily basis on each day that Investors Group is open for business.
17. The fundamental investment objectives and/or strategies of the Continuing Funds and the corresponding Merging Funds may not be substantially the same.
18. Investors Group will pay for all costs associated with the Meetings, including legal, proxy solicitation, printing, and mailing expenses, as well as any brokerage transaction fees associated with any Merger related trades and regulatory fees.
19. The fees for the *iProfile* Fixed Income Pool are structured in a similar manner as the fees for Series I Shares of Investors Capital Yield Class: there is a Program Advisory Fee which is payable to the distributors of the Fund, an administration fee and a Class/Pool Advisory Fee. The maximum administration fee of *iProfile* Fixed Income Pool is lower by 0.05% than that of the Investors Capital Yield Class Series I Shares, although securityholders will have to pay an annual Trustee Fee on the Continuing Fund in the amount of 0.05%.
20. In the case of the Investors Capital Yield Class merger into Investors Canadian Bond Fund, securityholders of the Merging Fund will experience a reduction in the annual management fee, although securityholders will have to pay an offsetting annual Trustee Fee on the Continuing Fund.
21. In the case of the Investors Short Term Capital Yield Class merger into Investors Mortgage and Short Term Income Fund, the annual management fee and administration fee for the Continuing Fund is higher than the annual management fee and administration fee of the Merging Fund. In addition, the Continuing Fund also pays an annual trustee fee, as well as a mortgage administration and service fee on the value of the mortgages in the portfolio.
22. The difference in fee structure between these Funds will be fully described in the Management Information Circular, and the approval by securityholders of the Merging Fund will serve to signify the adoption by the securityholders of the Merging Fund of the fee structure of the Continuing Fund as well as the investment objective and strategies of its Continuing Fund, all as described in the Management Information Circular.
23. Investors Group will send the most recent Fund Facts of the appropriate series of the Continuing Funds to securityholders of the Merging Funds as permitted under paragraph 5.6(1)(f)(ii) of NI 81-102. In addition, securityholders of the Merging Funds will be sent a management information circular fully describing the Mergers, which prominently discloses that the most recent Prospectuses, audited annual and un-audited interim financial statements of the Continuing Funds (if available) can be obtained by accessing the same at the Investors Group website or the SEDAR website, or requesting the same from Investors Group by toll-free number, or by contacting their servicing advisor at Investors Group or an affiliate of Investors Group (“Investors Group Consultant”), all as described in the Management Information Circular.
24. Approval of the Mergers is required because the Mergers do not satisfy all of the criteria for pre-approved reorganizations and transfers set out in section 5.6 of NI 81-102. More specifically, contrary to section 5.6(1)(a)(ii), a reasonable person may not consider the Continuing Funds as having substantially similar fundamental investment objectives and fee structures as the Merging Funds in all cases. In addition, the Mergers are not “qualifying exchanges” or tax-deferred transactions under the Income Tax Act (Canada).

25. Except as noted in the paragraph immediately preceding, the Mergers will otherwise comply with all of the other criteria for pre-approved reorganizations and transfers set out in section 5.6 of NI 81-102.
26. It is anticipated that securityholders of the Merging Funds will benefit from the Mergers as the Merging Funds can no longer use forward contracts to provide tax-advantaged exposure to fixed income investments which was the purpose of the original structure of the Merging Funds. It is anticipated that the larger asset size of the Continuing Funds may provide the potential for efficiencies in the management of the investment portfolios of the securityholders, which may include lower portfolio transaction costs and that the more comprehensive investment mandates of the Continuing Funds may result in enhanced diversification and greater portfolio management opportunities.
27. Investors Group has referred the Mergers to the Investors Group Independent Review Committee of the Funds (the "IRC") for its review. The IRC has been established as required by NI 81-107 – Fund Governance ("NI 81-107") and consists of individuals who are not in any way related to the Investors Group or its affiliates. The IRC reviews and makes recommendations on conflicts of interest matters for the purposes described in NI 81-107 including fund mergers (if necessary). On February 4, 2015, the IRC provided a positive recommendation that the Mergers achieve a fair and reasonable result for the Merging Funds and for the Continuing Funds.

DECISION

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

The Decision of the Decision Makers under the Legislation is that the Exemption sought is granted, provided that:

1. (a) the management information circular sent to securityholders in connection with the Mergers provides sufficient information about the Mergers to permit securityholders to make an informed decision about the Mergers;
- (b) the management information circular sent to securityholders in connection with the Mergers prominently discloses that securityholders can obtain the most recent prospectuses, interim and annual financial statements (if applicable) of the Continuing Funds by accessing the SEDAR website at www.sedar.com, by accessing the Investors Group website, by calling Investors Group's toll-free telephone number, or by contacting an Investors Group Consultant;
- (c) the Continuing Funds and the Merging Funds with respect to the Mergers have an unqualified audit report in respect of their last completed financial period; and
- (d) the Meeting Materials sent to securityholders of the Merging Funds in respect of the Mergers include the applicable Fund Facts of the Continuing Funds.

"C. Besko"
Christopher Besko
Director, General Counsel
The Manitoba Securities Commission

