



DECISION

Order No. 7485

June 21, 2019

**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.
(referred to as “IGIM” and
collectively with IG Mackenzie Global Inflation-Linked Pool referred to as 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 an exemption (the “**Exemption Sought**”) pursuant to Section 19.1 of National Instrument 81-102 *Investment Funds* (“**NI 81-102**”) from subsection 2.1(1) of NI 81-102 (the “**Concentration Restriction**”) to permit IG Mackenzie Global Inflation-Linked Pool (the “**Fund**”) to invest:

- (a) Up to 35% of its net asset value, immediately after the transaction, in evidences of indebtedness of any one issuer if those evidences of indebtedness are issued, or guaranteed fully as to principal and interest, by supranational agencies or governments, other than the government of Canada, the government of a jurisdiction in Canada or the government of the United States of America, and are rated “AAA” by Standard & Poor’s Rating Services (Canada) (“**S&P**”) or its DRO affiliate (as defined in NI 81-102), or have an equivalent rating by one or more other designated rating organizations or their DRO affiliates; and
- (b) Up to 20% of its net asset value, immediately after the transaction, in evidences of indebtedness of any one issuer if those evidences of indebtedness are issued, or guaranteed fully as to principal and interest, by supranational agencies or governments, other than the government of Canada, the government of a jurisdiction in Canada or the government of the United States of America, and are rated “AA” by S&P or its DRO affiliate, or have an equivalent rating by one or more other designated rating organizations or their DRO affiliates;

(such evidences of indebtedness are collectively referred to as “**Foreign Government Securities**”)

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 subparagraph 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 and Labrador, Yukon, Nunavut and the Northwest Territories; and

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- (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 they are otherwise defined.

Representations

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

IGIM

1. IGIM is a corporation continued under the laws of Ontario. It is the trustee, the portfolio advisor and the manager of the Fund. The head office of IGIM is in Winnipeg, Manitoba.
2. IGIM 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.
3. IGIM and the mutual funds it manages or advises are not in default of any of the requirements of securities legislation of any of the provinces and territories of Canada.

The Fund

4. The Fund is a mutual fund subject to NI 81-102 that previously filed a simplified prospectus and annual information form prepared in accordance with National Instrument 81-101 – *Mutual Fund Prospectus Disclosure*. The Fund is currently distributed under National Instrument 45-106 – *Prospectus Exemptions* for accredited investors. The Fund is registered as a reporting issuer in each of the Jurisdictions. It is sub-advised by Mackenzie Financial Corporation.
5. The investment objective of the Fund is to provide investors with a steady flow of interest income with some focus on capital preservation. To achieve its investment objective, the Fund invests primarily in inflation-linked bonds issued by sovereign and regional government and corporate issuers around the world. The Fund may also invest in securities that are not inflation-linked and other fixed and floating rate instruments.
6. The Fund may engage in securities lending, repurchase and reverse repurchase transactions, and use derivatives. These transactions and derivatives will be used in conjunction with the Fund's other investment strategies in a manner considered most appropriate to achieving the Fund's overall investment objectives and enhancing the Fund's returns as permitted by securities rules.
7. The Concentration Restriction prevents the Fund from purchasing a security of an issuer or entering into a specified derivatives transaction if, immediately after the transaction, more than 10 percent of the net assets of the Fund would be invested in securities of any issuer.
8. The Concentration Restriction does not apply to a purchase of a "government security", as defined under NI 81-102.
9. The Foreign Government Securities do not meet the definition of "government securities", as such term is defined in NI 81-102.

Reasons for the Exemption Sought

10. IGIM believes that the Requested Relief will be in the best interests of the Fund as it would provide the Fund with more flexibility to achieve its investment objective that includes investing in bonds issued by foreign governments. The requested relief would also allow the Fund to hold highly rated short-term fixed income securities issued by foreign governments, which would enable the Fund to preserve capital by exposing the cash equivalent portion of its portfolio to foreign markets during adverse market conditions, which is more consistent with its investment objectives than holding its cash in short-term domestic securities. This increased flexibility to hold short-term foreign government fixed income securities as cash equivalents may also yield higher returns than Canadian or American short-term government fixed income alternatives.
11. In addition, higher concentration limits may allow the Fund to benefit from investment efficiencies as certain foreign government treasury offerings are more readily available for investment (because of large, regular treasury offerings that match the maturity dates the Fund seeks) and trades can be completed faster in certain markets that are more readily accessible to foreign investment.

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. Paragraphs (a) and (b) of the Exemption Sought cannot be combined for any one issuer;
2. The securities that are purchased pursuant to this Decision are traded on a mature and liquid market;
3. The acquisition of the securities purchased pursuant to this Decision is consistent with the fundamental investment objective of the Fund;
4. The relevant offering document of the Fund will disclose the additional risks associated with the concentration of the net assets of the Fund in securities of fewer issuers, such as the potential additional exposure to the risk of default of the issuer in which the Fund has so invested and the risks, including foreign exchange risks, of investing in the country in which that issuer is located; and
5. The relevant offering document of the Fund will disclose the details of the Exemption Sought outlined in paragraphs (a) and (b) above along with the conditions imposed and the type of securities covered by this Decision.



Christopher Besko
Director, General Counsel
The Manitoba Securities Commission