

October 20, 2020

**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  
VALUE PARTNERS INVESTMENTS INC.  
(the Filer)**

and

**VPI GLOBAL EQUITY POOL  
(the Terminating Fund)**

**DECISION**

**Background**

The securities regulatory authority or regulator in each of the Jurisdictions (the **Decision Makers**) has received an application from the Filer on behalf of the Terminating Fund for a decision under the securities legislation of the Jurisdictions (the **Legislation**) for approval of the proposed merger (the **Merger**) of the Terminating Fund into VPI Foreign Equity Pool (the **Continuing Fund**, and together with the Terminating Fund, the **Funds**) under paragraph 5.5(1)(b) of National Instrument 81-102 *Investment Funds* (**NI 81-102**) (the **Exemption Sought**).

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 Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in British Columbia, Alberta, Saskatchewan, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Northwest Territories, Yukon Territory and Nunavut (the **Other Jurisdictions**); 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 the Filer:

### *The Filer*

1. The Filer is a corporation organized under the laws of Canada with its head office in Winnipeg, Manitoba.
2. The Filer is registered under the securities legislation: (i) in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island and Saskatchewan, as an adviser in the category of portfolio manager; (ii) in Manitoba, Ontario and Newfoundland and Labrador as an investment fund manager; and (iii) in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island and Saskatchewan, as a dealer in the category of exempt market dealer.
3. The Filer is the investment fund manager and portfolio manager of the Funds.
4. The Filer is not in default of any requirement of securities legislation in any of the Jurisdictions, nor the Other Jurisdictions.

### *The Funds*

5. The Funds are open ended mutual fund trusts established under the laws of Ontario.
6. Units of the Funds are currently qualified for sale under a simplified prospectus, annual information form and fund facts dated June 29, 2020 (collectively, the **Offering Documents**).
7. Each Fund is a reporting issuer under the applicable securities legislation of the Jurisdictions and the Other Jurisdictions.
8. The Funds are not in default of any requirement of securities legislation in any of the Jurisdictions, nor the Other Jurisdictions.
9. Each Fund follows the standard investment restrictions and practices established under NI 81-102. The Terminating Fund has done so, since inception (even though it was established before becoming a reporting issuer).
10. The net asset value for each series of the Funds is calculated on a daily basis in accordance with the Funds' valuation policy and as described in the Offering Documents.

*Reason for Exemption Sought*

11. The Exemption Sought is required because the Merger does not satisfy all of the criteria for pre-approved reorganizations and transfers set out in section 5.6 of NI 81-102, given that the Merger will not be completed as a “qualifying exchange” under the *Income Tax Act* (Canada) (the **Tax Act**).
12. The Merger will be effected on a taxable basis because the Continuing Fund has significant loss carry-forwards that would be lost if the Merger were completed on a tax-deferred basis under the Tax Act.
13. Except as described in this decision, the proposed Merger complies with all of the other criteria for pre-approved reorganizations and transfers set out in section 5.6 of NI 81-102, as the Continuing Fund has substantially similar investment objectives, fee structures and valuation procedures as the Terminating Fund.

*The Proposed Merger*

14. The Filer intends to reorganize by merging the Terminating Fund into the Continuing Fund such that unitholders of the Terminating Fund will become unitholders of the Continuing Fund.
15. Unitholders of the Terminating Fund will continue to have the right to redeem units of the Terminating Fund at any time up to the close of business on the business day immediately before the effective date of the Merger.
16. No sales charges will be payable by unitholders of the Terminating Fund in connection with the Merger.
17. Units of the Terminating Fund and the Continuing Fund are, and are expected to continue to be at all material times, “qualified investments” under the Tax Act for registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax free savings accounts.
18. As required by National Instrument 81-107 *Independent Review Committee for Investment Funds*, an Independent Review Committee (the **IRC**) has been appointed for the Funds. The Filer presented the potential conflict of interest matters related to the Merger to the IRC for its recommendation. The IRC reviewed the potential conflict of interest matters related to the Merger and on August 21, 2020, provided its positive recommendation for the Manager to proceed with the Merger after determining that the Merger, if implemented, would achieve a fair and reasonable result for each Fund.
19. In accordance with National Instrument 81-106 *Investment Fund Continuous Disclosure*, a press release announcing the proposed Merger was issued and filed by the Terminating Fund via SEDAR on August 28, 2020. A material change report with respect to the proposed Merger was filed via SEDAR on August 28, 2020.
20. The Filer has concluded that the Merger will not be a “material change” for the Continuing Fund.

21. A notice of meeting, a management information circular, a proxy and fund facts documents for the Continuing Fund in connection with a special meeting of unitholders will be mailed to unitholders of the Terminating Fund on or about October 27, 2020 and concurrently filed via SEDAR.
22. Unitholders of the Terminating Fund will be asked to approve the Merger at a special meeting to be held on or about November 19, 2020.
23. The Filer will pay for the costs of the Merger. These costs consist mainly of brokerage charges associated with the merger-related trades that occur both before and after the effective date of the Merger, and legal, proxy solicitation, printing, mailing and regulatory fees.
24. The Merger has been approved by the board of directors of the Filer.
25. If all required approvals for the Merger are obtained, it is intended that the Merger will occur at the close of business on or about November 20, 2020 (the **Effective Date**). The Filer therefore anticipates that each unitholder of the Terminating Fund will become a unitholder of the Continuing Fund after the close of business on the Effective Date.
26. The tax implications of the Merger, similarities between the investment objectives and fee structures of the Terminating Fund and the Continuing Fund and the IRC's recommendation of the Merger will be described in the management information circular so that the unitholders of the Terminating Fund can consider this information before voting on the Merger. The meeting materials will also describe the various ways in which investors can obtain a copy of the simplified prospectus, annual information form and fund facts document(s) for the Continuing Fund and its most recent interim and annual financial statements and management reports of fund performance.
27. In light of the disclosure in the management information circular, unitholders of the Terminating Fund will have all the information necessary to determine whether the proposed Merger is appropriate for them.

#### *Merger Steps*

28. The proposed merger of the Terminating Fund into the Continuing Fund will be structured as follows:
  - (a) The value of the Terminating Fund's portfolio and other assets will be determined at the close of business on the effective date of the Merger in accordance with the constating documents of the Terminating Fund.
  - (b) The Continuing Fund will acquire the investment portfolio and other assets of the Terminating Fund in exchange for units of the Continuing Fund.
  - (c) The Continuing Fund will not assume any liabilities of the Terminating Fund and the Terminating Fund will retain sufficient assets to satisfy its estimated liabilities, if any, as of the effective date of the Merger.

- (d) The Terminating Fund will distribute a sufficient amount of its net income and net realized capital gains, if any, to unitholders to ensure that they will not be subject to tax for their current tax year.
- (e) The units of the Continuing Fund received by the Terminating Fund will have an aggregate net asset value equal to the value of the portfolio assets and other assets that the Continuing Fund is acquiring from the Terminating Fund, and the units of the Continuing Fund will be issued at the applicable series net asset value per unit as of the close of business on the effective date of the Merger.
- (f) Immediately thereafter, units of the Continuing Fund received by the Terminating Fund will be distributed to unitholders of the Terminating Fund in exchange for their units in the Terminating Fund on a dollar-for-dollar basis, as applicable.
- (g) As soon as reasonably possible following the Merger, and in any case within 60 days following the effective date of the Merger, the Terminating Fund will be wound up.

*Benefits of the Merger*

29. The Filer believes that the Merger is beneficial to unitholders of each Fund for the following reasons:
- (a) the Merger will result in a more streamlined and simplified product line-up that is easier for investors to understand;
  - (b) there is significant overlap between the portfolio holdings of the Terminating Fund and the portfolio holdings of the Continuing Fund, and thus the Merger will contribute towards reducing duplication and redundancy across the fund line-up;
  - (c) unitholders of the Terminating Fund will have options to (a) switch to another investment, (b) redeem their investment, or (c) maintain an investment with the Filer in the Continuing Fund, which provides the unitholders of the Terminating Fund with flexibility, convenience and potential cost savings;
  - (d) the Merger will eliminate the administrative and regulatory costs of operating each of the Terminating Fund and Continuing Fund as separate funds;
  - (e) following the Merger, the Continuing Fund will have a portfolio of greater value, which may allow for increased portfolio diversification opportunities if desired; and
  - (f) following the Merger, the Continuing Fund, as a result of its greater size, may benefit from its larger profile in the marketplace.

**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 the Filer obtains the prior approval of the unitholders of the Terminating Fund for the Merger at a special meeting held for that purpose.

“Chris Besko”

Christopher Besko  
Director, General Counsel  
The Manitoba Securities Commission