

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
INVESTORS GROUP FINANCIAL SERVICES INC. (IGFS)

and

INVESTORS GROUP SECURITIES INC. (IGSI)
(each a Filer and collectively the Filers)

DECISION

Background

The principal regulator (**Principal Regulator**) in the Jurisdiction has received an application from the Filers and I.G. Investment Management, Ltd. (**IGIM**) for a decision under the securities legislation of the Jurisdiction (**Legislation**) exempting the Filers from the requirements of subsection 3.2.01(1) of National Instrument 81-101 - Mutual Fund Prospectus Disclosure (**NI 81-101**) to deliver or send the most recently filed fund facts document (a **Fund Facts**) in the manner required under the Legislation (the **Fund Facts Delivery Requirement**) in respect of purchases of securities of the Funds (as defined below) for clients invested in the Model Portfolios (as defined below) that are made in connection with Service Trades and Additional Investments (each as defined below) (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 Filers have provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon by the Filers in British Columbia, Alberta, Saskatchewan, Québec,

New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Northwest Territories, Yukon and Nunavut (together with Manitoba and Ontario, the **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 MI 11-102 and National Instrument 14-101 *Definitions* have the same meaning if used in this decision, unless otherwise defined.

Representations

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

Facts

The Filers and the Investment Fund Manager

1. The head office of each of the Filers is located in Winnipeg, Manitoba.
2. Each Filer is registered as a dealer in all provinces and territories of Canada. IGFS is registered as a mutual fund dealer and is a member of the Mutual Fund Dealers Association of Canada (**MFDA**). IGSI is registered as an investment dealer and is a member of the Investment Industry Regulatory Organization of Canada (**IIROC**).
3. IGIM is the investment fund manager of certain mutual funds that will form part of a model portfolio service (the **Service**) offered exclusively to clients of the Filers, which are affiliated with IGIM.
4. IGIM is registered as an investment fund manager in Manitoba, Ontario, Québec and Newfoundland & Labrador, and as an advisor in the category of portfolio manager in Manitoba, Ontario, Québec. IGIM will seek registration as an adviser in each of the remaining Jurisdictions where it will offer the Service.
5. The Filers, IGIM and the Funds (as defined below) are not in default of the securities legislation in any of the Jurisdictions.

The Service

6. As part of the Service, IGIM constructs and makes available to clients of the Filers, asset allocation portfolios comprised entirely of mutual funds for which IGIM acts as investment fund manager (the **Funds**) as well as cash and cash equivalents (the **Model Portfolios**).

7. Each Fund is, or will be, a reporting issuer in one or more of the Jurisdictions, and subject to the requirements of National Instrument 81-102 *Investment Funds*. Securities of the Funds are, or will be, qualified for sale pursuant to a simplified prospectus, annual information form and Fund Facts that have been, or will be, prepared and filed in accordance with National Instrument 81-101 *Mutual Fund Prospectus Disclosure*.
8. The Service offers a number of Model Portfolios that correspond to a different investment objective, investment horizon and risk profile. The Model Portfolios are designed to meet a wide range of investor goals and span a broad risk-return spectrum.
9. Each Model Portfolio has a specified target fund allocation that defines the percentage of the portfolio to be invested in each Fund (the **Target Weight**). Due to changes in the relative market value of each Fund, the weighting of each Fund may increase or decrease within an upper and lower range from its Target Weight (the **Permitted Range**).
10. When one or more Funds in a client's Model Portfolio exceed the Permitted Range, IGIM will execute appropriate trades so that each Fund is returned to a relative weight that is within the Permitted Range (the **Rebalancing Trades**).
11. In addition, as part of the Service, IGIM may also reallocate securities of the Funds held in a client's account through purchases and redemptions of securities of the Funds in order to change the composition of the selected Model Portfolio, including to:
 - (a) add one or more new Funds to a Model Portfolio (the **Fund Addition Trades**);
 - (b) remove one or more Funds from a Model Portfolio (the **Fund Removal Trades**); and
 - (c) change the Target Weight and/or Permitted Range of one or more Funds within a Model Portfolio (the **Weighting Change Trades**, and together with the Rebalancing Trades, Fund Addition Trades and the Fund Removal Trades, the **Service Trades**).
12. To the extent IGIM effects a Service Trade, the Service Trade will be consistent with the investment objective, investment time horizon, and risk profile of the Model Portfolio.
13. Clients may, from time to time, contribute additional funds to their accounts with a Filer for investment in the selected Model Portfolio through the Service. Such additional funds will be applied towards the purchase of additional securities of the Funds in accordance with the Target Weight of each Fund (the **Additional Investments**).

14. In order to invest in a Model Portfolio, clients will meet with a registered representative of a Filer who will collect and assess the client's financial circumstances, investment knowledge, investment objectives, investment time horizon and risk tolerance.
15. The registered representative of the Filer and client may also complete a questionnaire (the **Questionnaire**) to determine which Model Portfolio is suitable for the client. The Filers and IGIM jointly created the Questionnaire, and each agree that the Questionnaire is an effective tool for determining whether each client is suitable for a Model Portfolio.
16. The Filers will use the information obtained from the client as well as the registered representative's knowledge of the client's affairs, to complete a know your client and suitability assessment on the client's affairs as required under sections 13.2 and 13.3 of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations, and similar provisions of IIROC and MFDA rules, as applicable.
17. The Model Portfolio will be selected by the client in consultation with their Filer based on the know your client and suitability assessment, and the investment mandate of each Model Portfolio.
18. Clients will have no direct contact with IGIM in connection with the selection of the Model Portfolio as well as IGIM's management of the Model Portfolio. Clients will instead interact solely with their respective Filer and their registered representatives.
19. If a client decides to invest in a Model Portfolio, the client will complete an agreement with IGIM and the applicable Filer (the **Agreement**). The Agreement will:
 - (a) be signed by the client and include an investment policy statement that will describe the investment objectives and composition of the Model Portfolio, including the Funds in the Model Portfolio as well as their respective Target Weights and Permitted Ranges;
 - (b) authorize IGIM to act as manager of the cash and securities held in respect of the client's account with a Filer on a discretionary investment basis in accordance with the selected Model Portfolio, including to rebalance the percentage allocations of the Funds in the selected Model Portfolio within their applicable Permitted Range, add and remove Funds from the selected Model Portfolio, and change the applicable Target Weight and Permitted Ranges of the Funds; and

- (c) establish a clear understanding of the roles and responsibilities of IGIM and the respective Filer. This will include disclosure that IGIM is responsible for managing the Model Portfolio without reference to the client's circumstances and only in accordance with the Model Portfolio selected by the client, and the respective Filer alone will have the responsibility for gathering and periodically updating the Know Your Client Information concerning the client and for determining that the selected Model Portfolio is and remains suitable for the client. The client will also acknowledge that the Filer will not have discretionary authority to participate in the management of the Model Portfolio.
- 20. To the extent the Filers and/or registered representatives acting on behalf of the Filers determine that a Model Portfolio is no longer suitable for a Client, the Client will no longer be permitted to invest in the model and will be recommended a suitable alternative.
- 21. There will be no duplication of any fees or charges as result of a client's decision to use the Service. In particular:
 - (a) IGIM will receive management and administration fees directly from each Fund in respect of the client's holding of securities of the Funds, which reflects the costs associated with performing its portfolio manager responsibilities for the Service. Only series of securities that do not pay advisor service fees such as trailing commissions to the Filers (currently series I and/or series Ti securities of the Funds) will be used in the Service;
 - (b) The Filers and their registered representatives will not receive any advisor service fees such as trailing commissions from the Funds and instead will receive advisor service fees directly from each client in the Service, which reflects the costs associated with performing its dealer responsibilities for the Service; and
 - (c) No sales charges, redemption fees, switch fees or early trading fees will be charged in connection with any trades under the Service.
- 22. The fees and expenses charged in respect of the Service by the Filers as well as IGIM through the Funds will be disclosed in the Agreement. The fees and expenses pertaining to the particular Funds used in the Model Portfolio will be set out in the simplified prospectus and Fund Facts of the Funds.
- 23. Consistent with the discretionary nature of the Service, clients will not receive any advance notice of changes to their Model Portfolio. However, changes to a Model Portfolio's Target Weights, Permitted Ranges, and/or constituent Funds will be communicated to clients in writing – in their account statement or otherwise – on a no less than semi-annual basis.

24. Trade confirmations will be provided to each client as required by Legislation.
25. The following monitoring and oversight procedures will be carried out in connection with each client's account in the Service:
 - (a) An annual portfolio review will be conducted by the registered representative of the Filer to determine whether there have been any changes to the client's circumstances that would warrant the selection of another Model Portfolio; and
 - (b) Ongoing oversight of each Model Portfolio by IGIM, including to determine whether the composition of the Model Portfolio remains suitable for the risk profile of the model or whether any changes to the Target Weights and/or Permitted Ranges of the Funds within the model would be appropriate.
26. The securities of the Funds that comprise each Model Portfolio are directly held by each client in his/her own account(s) established with the respective Filer, which will be the account used for the administration of the Service.
27. IGIM has received separate exemptive relief to address compliance with the KYC, suitability and account reporting requirements in the Legislation relating to the Service.

Exemption Sought

23. The Service Trades and Additional Investments will result in redemptions and/or purchases of securities of one or more Funds in the Model Portfolio. Each such purchase is a "distribution" under the Legislation, which triggers the Fund Facts Delivery Requirement.
24. The Fund Facts Delivery Requirement requires that a dealer, unless it has previously done so, deliver or send to a purchaser of a security of a fund the most recently filed Fund Facts for the fund before the dealer accepts an instruction from the purchaser for the purchase of the security.
25. Prior to the initial set-up of a new Model Portfolio for a client under the Service, the Filer will send or deliver the Fund Facts in respect of each Fund in the selected Model Portfolio to the client, in accordance with the Fund Facts Delivery Requirement.
26. With respect to Fund Addition Trades, the Filer will provide the client with the most recently filed Fund Facts for any new Funds that are added to the applicable Model Portfolio as soon as practicable following the settlement date of the Fund Addition Trade.

27. In the absence of the Exemption Sought, unless the Filer has previously done so, the Filer would be required to deliver the most recently filed Fund Facts for each affected Fund in a client's selected Model Portfolio prior to each Service Trade that results in a purchase of securities and for Additional Investments.

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 on the following conditions:

- (a) the Filer provides each client with the most recently filed Fund Facts for any new Funds that are added to the applicable Model Portfolio as soon as practicable following the settlement date of a Fund Addition Trade;
- (b) each client in a Model Portfolio is sent or delivered a notice that states:
 - (i) that except as provided for in paragraphs 25 and 26 above, the client will not receive the Fund Facts for the Funds in the Model Portfolio after the date of the notice, unless the client specifically requests them;
 - (ii) that the client is entitled to receive upon request, at no cost to the client, the most recently filed Fund Facts for the Funds in the Model Portfolio by calling a specified toll-free number, or by sending a request by mail or e-mail to a specified address or e-mail address;
 - (iii) how to access the Fund Facts for the Funds in the Model Portfolio electronically;
 - (iv) that except for securities of new Funds that are purchased pursuant to Fund Addition Trades, the client will not have a right of withdrawal under the Legislation for Rebalancing Trades, Weighting Change Trades and Additional Investments, but will continue to have a right of action if there is a misrepresentation in the prospectus or any document incorporated by reference into the prospectus; and
 - (v) that the client may terminate the Agreement at any time;
- (c) at least annually, the client will be advised in writing of how he/she can request the most recently filed Fund Facts; and

- (d) the most recently filed Fund Facts is sent or delivered to the client if the client requests it.

A handwritten signature in blue ink, appearing to read "Chris Besko", written in a cursive style.

Chris Besko, Director
Manitoba Securities Commission