

2005 BCSECCOM 39

December 10, 2004

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Securities Act s. 123 - Relief from self dealing restrictions in ss. 121 and 122 of the Act - A mutual fund and its registered portfolio manager want relief from sections 121(2)(b) and 121(3) of the Act so that the fund can invest in and hold securities of related mutual funds - Securities Act s. 130 - Relief from certain self-dealing restrictions in Part 15 of the Act - A registered mutual fund manager wants relief from the reporting requirements contained in sections 126(a) and (d) of the Act - The top funds will comply with all the conditions of NI 81-102 except the requirement in section 2.5(2)(a), as the underlying fund is qualified by a long form prospectus and therefore is not subject to NI 81-101 - The simplified prospectus of the top funds discloses the specific risk factors associated with investing in the underlying fund

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 121(2)(b), 123, 126(a) and (d) and 130

In the Matter of
the Securities Legislation of
Alberta, British Columbia, New Brunswick,
Newfoundland and Labrador, Nova Scotia, Ontario and
Saskatchewan
(the Jurisdictions)

and

In the Matter of
The Mutual Reliance Review System for Exemptive Relief Applications

and

In the Matter of
I.G. Investment Management, Ltd.
(IGIM)

and

In the Matter of
Alto Conservative Portfolio
Alto Moderate Conservative Portfolio

2005 BCSECCOM 39

Alto Moderate Portfolio
Allegro Conservative Portfolio
Allegro Moderate Conservative Portfolio
Allegro Moderate Portfolio
Investors Income Plus Portfolio
Investors Growth Plus Portfolio
Investors Retirement Plus Portfolio
(Collectively, and together with IGIM, the Filers)

MRRS Decision Document

Background

The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application from the Filers for a decision under the securities legislation of the Jurisdictions (the “Legislation”) that the following provisions of the Legislation shall not apply in respect of certain investments to be made by a Top Fund in IRPF (as hereinafter defined):

- A. the requirements contained in the Legislation prohibiting a mutual fund from knowingly making or holding an investment in a person or company in which the mutual fund, alone or together with one or more related mutual funds, is a substantial security holder; and
- B. the requirements contained in the Legislation requiring a management company, or in British Columbia, the mutual fund manager, to file a report of every transaction of purchase or sale of securities between the mutual fund and any related person or company or any transaction in which, by arrangement other than an arrangement relating to insider trading in portfolio securities, the mutual fund is a joint participant with one or more of its related persons or companies. (Paragraphs A and B are collectively the Requested Relief).

Under the Mutual Reliance Review System for Exemptive Relief Applications;

- (a) the Ontario Securities Commission is the principal regulator for this Application; and
- (b) this MRRS Decision Document (the Decision) evidences the decision of each Decision Maker.

Interpretation

Defined terms contained in National Instrument 14-101 Definitions have the same meaning in this decision unless they are defined in this decision.

In this decision:

2005 BCSECCOM 39

- (a) “Existing Top Funds” refers to any one or more of Alto Conservative Portfolio, Alto Moderate Conservative Portfolio, Alto Moderate Portfolio, Allegro Conservative Portfolio, Allegro Moderate Conservative Portfolio, Allegro Moderate Portfolio, Investors Income Plus Portfolio, Investors Growth Plus Portfolio and Investors Retirement Plus Portfolio;
- (b) “Existing Bottom Funds” refers to the mutual funds into which the Existing Top Funds invest, including IRPF;
- (c) “Conflict of Interest Investment Restrictions” means the provisions of the Legislation that
 - (i) prohibit a mutual fund from knowingly making or holding an investment in any person or company which the mutual fund, alone or together with one or more mutual funds, is a substantial securityholder as defined by Legislation,
 - (ii) prohibit a mutual fund from knowingly making or holding an investment in an issuer in which any person or company who is a substantial securityholder of the mutual fund, its management company or distribution company, has a significant interest, as defined in Legislation,
 - (iii) prohibit a portfolio adviser from knowingly causing any investment portfolio managed by it to invest in, or prohibit a mutual fund from investing in, any issuer in which a responsible person or an associate of a responsible person, as defined in Legislation, is an officer or director unless the specific fact is disclosed to the client and the written consent of the client to the investment is obtained before the purchase, or
 - (iv) prohibit the portfolio adviser from subscribing to or buying securities on behalf of a mutual fund, where his or her own interest might distort his or her judgement, unless the specific fact is disclosed to the client and the written consent of the client to the investment is obtained before the subscription or purchase;
- (d) “Conflict of Interest Reporting Requirements” means the provisions of the Legislation that require the filing of a report with

2005 BCSECCOM 39

the Decision Maker in prescribed form that discloses every transaction of purchase or sale of portfolio assets between the mutual fund and specified related persons or companies;

- (e) “Future Top Funds” refers to other mutual funds for which IGIM (or an affiliate of IGIM) is the Manager that will invest fixed percentages of their assets (other than cash and cash equivalents) in securities of other mutual funds, including IRPF;
- (f) “IRPF” means Investors Real Property Fund;
- (g) “Prior Existing Decisions” refers to decisions or orders previously issued by some or all of the Decision Makers to grant identical (or substantially similar) exemptive relief as the Requested Relief with respect to the investment by the Existing Top Funds in the Existing Bottom Funds, including IRPF, that will terminate on December 31, 2004;
- (h) “Top Funds” refers to any one or more of the Existing Top Funds and Future Top Funds; and
- (i) “Bottom Funds” refers to any one or more of the Existing Bottom Funds and to other mutual funds into which Top Funds may invest their assets (other than cash and cash equivalents).

Representations

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

1. IGIM is a corporation incorporated under the laws of Canada and it (or an affiliate of IGIM) will manage the Top Funds and the Existing Bottom Funds. The head office of IGIM is located in Manitoba. IGIM is registered in Ontario as an Investment Counsel and Portfolio Manager. The Top Funds and Existing Bottom Funds are distributed in Ontario and the other Jurisdictions.
2. The Existing Top Funds achieve their investment objectives by investing fixed percentages of their respective assets (other than cash) in specified Existing Bottom Funds, including IRPF. IGIM may in the future introduce Future Top Funds with investment objectives that include investing in other mutual funds, including IRPF. Future Top Funds will invest fixed percentages of their respective assets (other than cash and cash equivalents) in securities of other mutual funds, including IRPF.

2005 BCSECCOM 39

Investments of each Top Fund will be made in accordance with their fundamental investment objectives.

3. Each of the Existing Top Funds is an open-ended investment trust established under the laws of the Province of Manitoba.
4. Each of the Existing Bottom Funds, other than the Mackenzie Universal U.S. Growth Leaders Fund, is an open-ended investment trust established under the laws of the Province of Manitoba. The Mackenzie Universal U.S. Growth Leaders Fund is an open-ended investment trust established under the laws of the Province of Ontario.
5. Each of the Top Funds and the Bottom Funds is (or will be) a reporting issuer in each of the provinces and territories of Canada and is not in default of any of the requirements of the Legislation.
6. Securities of the Top Funds and the Bottom Funds are or will be qualified for distribution in all of the provinces and territories in Canada pursuant to a simplified prospectus and annual information form or, in the case of IRPF, a long form prospectus.
7. In order to achieve the investment objectives of the Top Funds, IGIM, using strategic asset allocation, will invest fixed percentages of the assets of the Top Funds (other than cash and cash equivalents) in securities of IRPF, provided that the investment by a Top Fund in IRPF shall not exceed 10% of the assets of the Top Fund, subject to a variation of 2.5% (the "Permitted Ranges"), to account for market fluctuations. Investments of each Top Fund will be made in accordance with its fundamental investment objectives.
8. The simplified prospectus of a Top Fund will disclose the specific risk factors and restrictions associated with investments in IRPF.
9. The Top Funds will not invest in a Bottom Fund with an investment objective which includes investing directly or indirectly in other mutual funds, except as permitted by National Instrument 81-102 Mutual Funds ("NI 81-102").
10. The investments by the Top Funds in securities of the Bottom Funds will represent the business judgement of responsible persons (as defined by the Legislation), uninfluenced by considerations other than the best interest of the Top Funds.

2005 BCSECCOM 39

11. Except to the extent evidenced by this Decision and specific approvals granted by the Decision Makers pursuant to NI 81-102, the investments by the Top Funds in the Bottom Funds have been or will be structured to comply with the investment restrictions of the Legislation and NI 81-102.
12. Prior to distributing their mutual fund units to the public, each Existing Top Fund applied for and obtained the relief granted in the Prior Existing Decisions as well as relief from certain provisions in NI 81-102 (or National Policy Statement No. 39 (“NP 39”)) , necessary to permit them to meet their investment objectives by means of a fund-of-funds structure.
13. In general, the Prior Existing Decisions permit the Existing Top Funds to invest up to 10% of their assets in units of IRPF, and exempt IGIM from the requirement to file reports of every purchase or sale by the Existing Top Funds in the Existing Bottom Funds, subject to certain terms and conditions.
14. The Prior Existing Decisions provide that each Prior Existing Decision will terminate one year after the publication in final form of any Legislation or Rule dealing with the matters in section 2.5 of NI 81-102 (or the similar fund-of-funds investment provisions in NP 39), referred to herein as the “Fund-of-Funds Rules”.
15. In 2003, the Canadian Securities Administrators, including the securities regulatory authorities in each of the Jurisdictions, adopted amendments to the Fund-of-Funds Rules, which became effective December 31, 2003. Section 19.3(1) of NI 81-102 specifically provides that any mutual fund that has obtained an exemption or waiver from NI 81-102 (or NP 39) relating to the Fund-of-Funds Rules, may no longer rely on such exemption or waiver as of December 31, 2004. Section 16.3(2) of the Companion Policy to NI 81-102 specifically provides that the coming into force of Section 19.3(1) of NI 81-102 will cause any waivers and orders issued under Legislation to expire one year after coming into force. Accordingly, the Prior Existing Decisions will terminate on December 31, 2004.
16. The Fund-of-Funds Rules now permit mutual funds to invest in the securities of other mutual funds, subject to certain restrictions in Section 2.5 of NI 81-102. Pursuant to Section 2.5(7) of NI 81-102, a mutual fund that invests in other mutual funds in compliance with Section 2.5 is exempt from the Conflict of Interest Investment Restrictions and Conflict of Interest Reporting Requirements under Securities Legislation. The Existing Top Funds are in compliance with the provisions of the Fund-of-

2005 BCSECCOM 39

Funds Rules, except with respect to the requirement in Section 2.5(2)(a) that all Existing Bottom Funds be subject to National Instrument 81-101 Mutual Fund Prospectus Disclosure (“NI 81-101”), because IRPF is not subject to the requirements of NI 81-101. Although IRPF is not directly subject to NI 81-101, the long-form prospectus of IRPF has been adapted to conform as much as possible with the disclosure mandated in NI 81-101.

17. In the absence of this Decision, pursuant to the Legislation, each Top Fund is prohibited from knowingly making or holding an investment in a person or company in which the mutual fund, alone or together with one or more related mutual funds, is a substantial securityholder. As a result, in the absence of this Decision the Top Funds would be required to divest themselves of any such investments in IRPF.
18. In the absence of this Decision, the Legislation requires IGIM to file a report of every purchase or sale of securities of IRPF by a Top Fund.

Decision

Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met.

The decision of the Decision Makers under the Legislation is that the Requested Relief is granted provided that:

1. in all other respects, at the time a Top Fund makes or holds an investment in IRPF, the investment shall comply with the requirements of National Instrument 81-102 Mutual Funds;
2. the simplified prospectus of the Top Fund discloses the specific risk factors and restrictions associated with investing in IRPF; and
3. the investment by a Top Fund in IRPF shall not exceed 10% of the assets of the Top Fund, subject to variance within the Permitted Ranges.

Paul Moore
Vice Chair

Robert Davis
Commissioner
Ontario Securities Commission