

DECISION DOCUMENT

May 31, 2013

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 Fixed Income Flex Portfolio
Investors Income Portfolio
Investors Income Plus Portfolio
Investors Growth Portfolio
Investors Growth Plus Portfolio
Investors Retirement Growth Portfolio
Investors Retirement Plus Portfolio
Allegro™ Conservative Portfolio
Allegro™ Moderate Conservative Portfolio
Allegro™ Moderate Portfolio
Allegro™ Moderate Aggressive Portfolio
Allegro™ Moderate Aggressive Canada Focus Portfolio
Allegro™ Aggressive Portfolio
Allegro™ Aggressive Canada Focus Portfolio
Alto™ Monthly Income Portfolio
Alto™ Monthly Income and Growth Portfolio
Alto™ Monthly Income and Enhanced Growth Portfolio
Alto™ Monthly Income and Global Growth Portfolio
Alto Conservative Portfolio
Alto Moderate Conservative Portfolio
Alto Moderate Portfolio
Alto Moderate Aggressive Portfolio
Alto Moderate Aggressive Canada Focus Portfolio
Alto Aggressive Portfolio
Alto Aggressive Canada Focus Portfolio
Investors Cornerstone I Portfolio
Investors Cornerstone II Portfolio
Investors Cornerstone III Portfolio
(referred to as the "Portfolio Funds")

and

In the Matter of
I.G. Investment Management, Ltd.
(referred to as the "Investors Group" and
collectively with the Portfolio 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 relief under sub-sections 19.1 (1) and (2) of National Instrument 81-102 *Mutual Funds*

("NI81-102") from the requirement under paragraphs 5.1(a) and (a.1) of NI 81-102 for securityholder approval to permit a fee or expense now payable by certain Underlying Funds (as defined below) held by the Portfolio Funds within a fund-of-fund structure to instead be payable directly by the Portfolio Funds (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 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:

- The mutual funds into which each of the Portfolio Funds currently or may in the future invest are herein referred to as the "Underlying Funds" and, together with the Portfolio Funds are collectively referred to as the "Funds";
- The mutual fund units or shares (as applicable) of the Underlying Funds held or which may be acquired by the Portfolio Funds in the future are herein collectively referred to as the "Non-retail Series".
- NI 81-106 refers to National Instrument 81-106 *Investment Fund Continuous Disclosure*;
- NI 81-101 refers to National Instrument 81-101 *Mutual Fund Prospectus Disclosure*; and
- Fund Facts refers to Form 81-101F3 *Fund Facts Disclosure Document* prescribed under NI 81-101.

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 Portfolio Funds. It is registered as a portfolio manager in Manitoba, Ontario, and Quebec and has an application pending for registration as an investment fund manager ("IFM") in Manitoba and as a Non-resident IFM in Ontario. 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. All of the Funds are open-end mutual funds established or continued under a Master Declaration of Trust under the laws of Manitoba, or governed by the Canada Business Corporations Act in the case of certain Underlying Funds.
3. 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 prescribed under NI 81-101 , respectively, each dated June 30, 2012, as amended (referred to collectively as the "Prospectuses").

4. Each Portfolio Fund issues one or more series of mutual fund units to retail purchasers (the "Retail Series"). A Fund Facts document as prescribed by Form 81-101F3 has been filed for all of the Retail Series issued by the Portfolio Funds, together with their Prospectuses as described in paragraph number 3.
5. The net asset values of each Retail Series of the Portfolio Funds are calculated on a daily basis on each day that Investors Group is open for business.
6. Each Underlying Fund offers at least one Non-retail Series of mutual fund units (or shares) into which one or more of the Portfolio Funds invest pursuant to the fund-of-fund investment mandate of each Portfolio Fund. These Non-retail Series are identical to the Retail Series of their respective Underlying Funds other than there are no sales charges payable by these Non-retail Series, however, the Non-retail Series pay an annual management fee and in some cases an annual trustee fee to Investors Group or an affiliate of Investors Group.
7. The Funds (save for the Investors Real Property Fund) follow the standard investment restrictions and practices established under the Legislation of the Jurisdictions other than in circumstances where the securities regulatory authority of a Jurisdiction has expressly exempted the Funds. Accordingly, the investment by the Portfolio Funds in the Non-retail Series of their Underlying Funds is in compliance with Section 2.5 of NI 81-102, except to the extent that any Portfolio Fund may have obtained regulatory relief (if applicable) as is the case (for example) where a Portfolio Fund is permitted to invest in the Non-retail Series of Investors Real Property Fund. Therefore, in compliance with NI 81-102, no management or other fees are payable by the Portfolio Funds that to a reasonable person would duplicate a fee payable by the Non-retail Series of an Underlying Fund held by the Portfolio Fund.
8. In compliance with Section 15.2 of NI 81-106, for purposes of disclosing their management expense ratios ("MERs") the total expenses of the Portfolio Funds for each reporting period include the expenses attributable to the Non-retail Series of the Underlying Funds in which each Portfolio Fund invests, calculated by multiplying:
 - (i) the total expenses of each Underlying Fund (excluding commissions and other portfolio transaction costs) before taxes during the period
 - by
 - (ii) the average portion of securities of the Underlying Funds held by the Portfolio Fund during the period,and adding the total expenses of the Portfolio Fund during the period (excluding commissions and other portfolio transaction costs). Accordingly, the expenses payable by the Non-retail Series of each Underlying Fund held by a Portfolio Fund, including management fees and trustee fees, are currently reflected in the MER and performance of each Portfolio Fund in proportion to the investment by each Portfolio Fund in their respective Underlying Funds.
9. Investors Group proposes to discontinue having the management and trustee fees (and any associated taxes) payable by the Non-retail Series of the Underlying Funds (the "Affected Fees") and, instead, having the Affected Fees payable directly by the Retail Series of each Portfolio Fund (the "Fee Structure Changes"). The Affected Fees payable by any of the Portfolio Funds after the Fee Structure Changes will not be higher in comparison to what the Affected Fees now indirectly payable by each Portfolio Fund would have been as calculated under the current fee structure prior to the Fee Structure Changes, such that there will be no increase in the MERs of any Portfolio Fund as a result of the Fee Structure Changes. In circumstances where a Portfolio Fund may currently vary its holdings in the Underlying Funds, Investors Group will ensure that the Affected Fees payable by the Portfolio Fund will be such that the MER of the Portfolio Fund will not be greater as a result of the Fee Structure Changes than it would have been prior to the Fee Structure Changes and, in some instances, may be lower.
10. After the Fee Structure Changes are effected, there will be no increases of the Affected Fees payable by the Non-retail Series of the Underlying Funds into which any of the Portfolio Funds invest, unless prior approval is obtained by securityholders of the impacted Portfolio Funds, or regulatory relief is obtained, as applicable.

11. The Fee Structure Changes will facilitate the future introduction by Investors Group of lower fee Retail Series offered by the Portfolio Funds which is currently difficult to implement because most fees and expenses (including management fees and trustee fees) reflected in the MERs of the Portfolio Funds are payable by the Underlying Funds and incorporated indirectly into the MERs of the Portfolio Funds as described in paragraph number 8.
12. It is anticipated that securityholders of the Portfolio Funds will benefit from the Fee Structure Changes because their MERs will not be dependent on fluctuations in the MERs of the Non-retail Series of the Underlying Funds, or on any changes in the investment weightings by the Portfolio Funds in their current and future Underlying Funds where the Affected Fees payable by the Portfolio Funds are pre-determined. This is expected to provide the potential for more stable and improved future performance.
13. In certain instances, having the Affected Fees payable by the Portfolio Funds instead of by the Underlying Funds may result in slightly lower MERs than otherwise would have been the case without the Fee Structure Changes all other things remaining the same.
14. There are no material tax implications with respect to the Fee Structure Changes.
15. Investors Group has determined that the Fee Structure Changes will not be a material change to the Portfolio Funds because they will not entail a change in the business, operations or affairs of the Portfolio Funds that would be considered important by a reasonable investor in determining whether to purchase or continue to hold securities of the Portfolio Funds.
16. Amendments will be made to the Prospectuses and Fund Facts of each Retail Series of each Portfolio Fund in conjunction with the next prospectus renewals and will be filed on SEDAR to reflect the Fee Structure Changes as required by the Legislation of the Jurisdictions.
17. Investors Group will send a notice to securityholders of the Portfolio Funds (the "Notice"), prior to or concurrent with, implementation of the Fee Structure Changes, describing the Fee Structure Changes and advising that there will not be any increase in MERs or negative impact on the performance of any Portfolio Fund as a result of the Fee Structure Changes.
18. Investors Group has referred the Fee Structure Changes to the 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 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 the Fee Structure Changes. The IRC has concluded that the Fee Structure Changes achieve a fair and reasonable result for each of the Funds.
19. Investors Group submits that relief from the requirement for securityholder approval of the Fee Structure Changes is appropriate because:
 - (i) Although technically the Affected Fees will become payable directly by the Portfolio Funds to Investors Group, they are currently payable by the Underlying Funds and so are now indirectly payable by the Portfolio Funds and, therefore, are already incorporated into their MERs and performance. Therefore, in essence, the Fee Structure Changes do not represent a new fee or an increase in any existing fees payable by the Portfolio Funds;
 - (ii) Having the Affected Fees payable directly by the Portfolio Funds instead of indirectly by the Underlying Funds will make them more transparent to securityholders of the Portfolio Funds, and are expected to result in more stable and improved long-term performance of the Portfolio Funds because their MERs will be less dependent on the MERs of the Underlying Funds;
 - (iii) The MERs of the Portfolio Funds will not increase as a result of the Fee Structure Changes, and in some instances may be slightly less and, therefore, the Fee Structure Changes should not be considered as an increase in fees or expenses contemplated by paragraphs 5.1(a) and (a.1) under NI 81-102 because there is no detrimental impact on any securityholder;
 - (iv) It is expensive to convene meetings of securityholders to seek their approval due to the cost of printing and mailing a Notice of Meeting, Management Information Circular and Proxy package to

a substantial number of securityholders, and it is the experience of Investors Group that generally less than 5% of securityholders elect to participate in person or by proxy at such meetings. If securityholder approval is not obtained for one or more of the Portfolio Funds due to a lack of quorum or for some other reason there is a risk that the Fee Structure Changes may not proceed despite the fact that they are beneficial to all of the Portfolio Funds (as described in paragraphs 12 and 13 above). This is because the failure to approve the Fee Structure Changes for any single Portfolio Fund will inhibit the ability to implement corresponding changes to its Underlying Funds which, in turn could be held by other Portfolio Funds;

- (v) Furthermore, Investors Group is concerned that securityholders may become confused if they are asked to approve the Fee Structure Changes, or they may become annoyed, because:
 - a. the changes are not detrimental and, in fact may serve to lower MERs in some instances; and
 - b. they may falsely believe that the cost of convening the meetings (including the printing and mailing of an Information Circular and Proxy package) will be expensed to the Funds.
- (vi) Securityholders will receive the Notice advising them of the Fee Structure Changes prior to, or concurrent with, implementation of the changes.

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 Notice is sent to securityholders of the Portfolio Funds, prior to or concurrent with implementation of the Fee Structure Changes, describing the Fee Structure Changes and that there will be no increase in their fund's MER or material impact on performance of their funds as a result of the Fee Structure Changes; and
- (b) the Notice sent to securityholders in connection with the Fee Structure Changes prominently discloses that securityholders can obtain the most recent Prospectuses and interim and annual financial statements (if applicable) of the Portfolio 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 their servicing advisor at Investors Group or an affiliate of Investors Group (an "Investors Group consultant") all as described in the Notice.



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The Manitoba Securities Commission