

DECISION DOCUMENT

May 25, 2015

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 the Merger of
iProfile Money Market Pool
(the "Merging Fund")

into

Investors Canadian Money Market Class
(formerly known as Investors Managed Yield Class)
(the "Continuing Class")
(the Merging Fund and Continuing Class, collectively referred to as the "Funds")

and

In the Matter of
I.G. Investment Management, Ltd.
(referred to as "Investors Group" and
collectively with the Funds referred to the "Filers")

DECISION

BACKGROUND

The securities regulatory authority or regulator in each of the Jurisdictions ("**Decision Maker**") has received an application from the Filers for a decision under the securities legislation of the Jurisdictions (the "**Legislation**") for approval under paragraph 5.5(1)(b) of National Instrument 81-102 Mutual Funds ("**NI 81-102**") of the merger (the "**Merger**") of the Merging Fund into the Continuing Class (the "**Exemption**").

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

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. The following terms have the following meanings:

“**Continuing Class**” means Canadian Money Market Class (formerly known as Investors Managed Yield Class);

“**Corporate Class Funds**” means certain corporate class mutual funds, each of which is a class of shares of the Corporation;

“**Corporation**” means Investors Group Corporate Class Inc.;

“**Effective Date**” means the effective date of the Merger, which is expected to occur on or about the close of business on June 26, 2015;

“**IRC**” means the Investors Group Independent Review Committee as required pursuant to NI 81-107 – *Independent Review Committee for Investment Funds*;

“**Meeting**” means the special meeting of securityholders of the Merging Fund scheduled to be held on June 23, 2015, to approve the Merger;

“**Meeting Materials**” means the Notice of Meeting, Management Information Circular, Proxy and fund facts of the Merging Fund and Continuing Class being sent to securityholders of the Merging Fund for the Meeting; to be sent out to securityholders on or before May 27, 2015;

“**Merger**” means the merger of the Merging Fund into the Continuing Class; and

“**Merging Fund**” refers to *iProfile™* Money Market Pool.

REPRESENTATIONS

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

The Filers:

1. 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. Investors Group is a corporation continued under the laws of Ontario. It is the trustee and manager (the “**Manager**”) of the Merging Fund and is the Manager of the Continuing Class.
3. The Manager 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. It is also registered as an Advisor under *The Commodity Futures Act* in Manitoba.

The Funds

4. The Merging Fund was created through a Declaration of Trust under the laws of Manitoba dated January 4, 2001 (the “**Declaration of Trust**”), as amended from time to time. I.G. Investment Management, Ltd. (the “**Trustee**”) is the Trustee of the Merging Fund.

5. The Corporation is the issuer of the Corporate Class Funds; and the Corporation is governed by the *Canada Business Corporations Act* (Canada). The Continuing Class is a separate class of mutual fund shares issued by the Corporation.
6. Both the Merging Fund and Continuing Class issue Series I units or shares to retail purchasers under the *iProfile* Managed Asset Program (the "**Program**"). The Continuing Class also issues other series of shares to retail purchasers under a separate prospectus, which are not part of the Program and are not impacted by the Merger.
7. The Series I securities of the Funds offered to retail purchasers are qualified for distribution in each province and territory of Canada pursuant to a simplified prospectus, annual information form, and fund facts dated June 30, 2014 (SEDAR Project # 02216970), as amended (the "**Prospectus**").
8. The Funds are open-end mutual funds and are reporting issuers under the applicable securities Legislation of each province and territory of Canada. Following the Merger, the Continuing Class will continue to be a reporting issuer as a publicly offered open-end mutual fund.
9. The Funds are not in default of any of the requirements of the applicable securities Legislation of any of the provinces and territories of Canada.
10. Other than circumstances in which the securities regulatory authorities of the Jurisdictions has expressly exempted a Fund therefrom, each of the Funds follows the standard investment restrictions and practices established under NI 81-102.
11. Day-to-day administration, including securityholder record-keeping, calculation of net asset value, and tax reporting for the Funds is also provided by the Manager, who is also the portfolio manager and advisor for the Funds (the "**Portfolio Advisor**" as appropriate). After the Merger, the Continuing Class will continue to be advised by the Portfolio Advisor.
12. Series I of the Merging Fund pays an administration fee of up to 0.25% of the average assets of the series and an annual trustee fee of 0.05% of the average assets of the series, both fees calculated and payable daily. As at April 30, 2015, the Merging Fund does not pay an annual administrative fee.
13. Series I of the Continuing Class pays an administration fee of up to 0.30% of the average assets of the series, calculated and payable daily. As at April 30, 2015, the Continuing Class pays an annual administration fee of 0.05%. There is no trustee fee payable by the Continuing Class.
14. Series I of the Merging Fund and the Continuing Class each pay a fund/class advisory fee of 0.25% of the average net assets of each series to the Portfolio Advisor for investment management and portfolio advisory services provided to the Merging Fund and Continuing Class.
15. The Funds are also responsible for some other expenses including audit fees, legal fees, prospectus, regulatory and other filing fees and expenses, *iProfile* Program review costs, custody fees and the costs of derivatives they may use (collectively as the "**Fund Costs**"). Some fees payable by the Continuing Class may differ from the Merging Fund. As at April 30, 2015, the annualized management expense ratio of the Continuing Class for the six-month period ending September 30, 2014, is slightly higher than the Merging Fund for the same period. This is due in part to prospectus filing fees charged to the Continuing Class, which are not charged to the Merging Fund. Going forward, the Manager does not intend to charge prospectus fees to the Continuing Class.
16. The net asset value for each Series I of units or shares (as applicable) of the Funds is calculated on each business day and the Funds have the same valuation procedures.
17. The Merging Fund allocates all net income daily and distributes it monthly, thus maintaining a stable net asset value per unit. The Continuing Class does not distribute income in the same manner. Dividends from the Corporation are not paid at regular times. The Corporation's Board of Directors determines when and if dividends are paid. Therefore, any net income in the Continuing Class is accumulated and reflected in a variable net asset value per share. Changes in the net asset value per share are realized by the securityholders when they redeem from the Corporation.

The Merger

18. If approved by securityholders, the Merging Fund will be merged into the Continuing Class on the Effective Date.
19. Regulatory approval of the Merger is required because it does not satisfy all of the criteria for pre-approved reorganizations and transfers set out in Section 5.6 of NI 81-102. More specifically, contrary to Section 5.6(1)(a)(ii), a reasonable person may not consider the Continuing Class as having substantially similar fundamental investment objectives and fee structures as the Merging Fund. In addition, the Merger is not a "qualifying exchange" or proceeding as a tax-deferred transaction under the Income Tax Act (Canada).
20. The Merger could proceed on a "tax deferred" basis. A securityholder of the Merging Fund could then elect with the Corporation under section 85 of the *Income Tax Act* (Canada) to defer the realization of a capital gain. However, the Merging Fund is a money market fund in which income is allocated daily and distributed on a monthly basis; in order to keep the net asset value stable. Accordingly, while the Merger is considered a taxable disposition, the securityholders of the Merging Fund will not realize any gains or losses as the Merging Fund has been able to maintain a stable net asset value since inception. As a result, the Manager believes that the Merger does not need to proceed as a tax-deferred transaction under the Income Tax Act (Canada).
21. After the Merger, a securityholder in the Merging Fund that currently holds Series I units, will hold Series I classes of the Continuing Class; and the program advisory fee payable by a securityholder in respect of their investment in the Continuing Class will be the same that was payable in respect of their investment in the Merging Fund.
22. Except as noted in paragraph 19, the Merger will otherwise comply with all of the other criteria for pre-approved reorganizations and transfers set out in section 5.6 of NI 81-102.
23. Investors Group has determined that the Merger will not be a material change to the Continuing Class as contemplated under paragraph 5.1(1)(g)(iii) of NI 81-102 because it will not entail a change in the business, operations or affairs of the Continuing Class that would be considered important by a reasonable investor in determining whether to purchase or continue to hold securities of the Continuing Class.

Merger Steps

24. Investors Group will carry out the following steps to complete the Merger:

- Step 1: The Declaration of Trust will be amended to authorize the exchange of all outstanding units of the Merging Fund for shares of the Continuing Class.
- Step 2: Prior to the Merger, the Merging Fund will distribute income to the securityholders.
- Step 3: The Corporation on behalf of the Continuing Class will acquire all the units of the Merging Fund in exchange for shares of the Continuing Class of equal value, as determined on the Effective Date. The Continuing Class will become the only securityholder of the Merging Fund, and securityholders of the Merging Fund will become securityholders of the Continuing Class.
- Step 4: The units acquired by the Continuing Class from the securityholders of the Merging Fund, as described in Step 3, will be redeemed in exchange for all the net assets (being the investment portfolio, other assets including cash, and liabilities) of the Merging Fund.

It is expected that the Merging Fund will convert its holding(s) to cash prior to the Effective Date because the Continuing Class is expected to invest substantially all of its assets in units of Investors Canadian Money Market Fund (or other money market funds)

pursuant to the Continuing Class's investment strategy. Therefore, to the extent that any assets of the Merging Fund are converted to cash, the Merging Fund will hold its assets as cash (or cash-like investments such as overnight deposits and commercial paper) for up to one business day prior to the Merger. The transactional costs (if any) relating to the redemption of investments will be borne by Investors Group. The cash will then be transferred to the Continuing Class on the Effective Date of the Merger.

The Merging Fund will then be wound up.

25. Securityholders of the Merging Fund will continue to have the right to redeem units of the Merging Fund for cash at any time up to the close of business on the Effective Date of the Merger.
26. Investors Group will contact all securityholders of the Merging Fund after the completion of the Merger to advise them of the fair market value of their shares in the Continuing Class on the Effective Date, and the number of shares of the Continuing Class they received in exchange for the units they had held in the Merging Fund.
27. No sales charges will be payable by the Funds in connection with the Merger.
28. Investors Group will pay for all cost associated with the Meeting (as hereinafter defined), including legal, proxy solicitation, printing, and mailing expenses, as well as any brokerage transaction fees associated with any Merger related trades and regulatory fees.

Securityholder Disclosure

29. On April 23, 2015, amendments to the prospectus, annual information form and fund facts of Series I of the Merging Fund, and a material change report, were filed on SEDAR (SEDAR #02216970 and #02338790, respectively) with respect to the Merger as required by the Legislation of the Jurisdictions.
30. Securityholders of the Merging Fund will be asked to approve the Merger at the Meeting. The tax implications of the Merger, as well as the material differences between the Merging Fund and the Continuing Class, will be described in the Meeting Materials so securityholders of the Merging Fund will be fully informed when considering whether to approve the Merger at the Meeting. The approval by securityholders means the acceptance of the tax implications and the adoption by the securityholders of the investment objective, strategies and fee structure of the Continuing Class.
31. As part of the Meeting Materials sent to securityholders of the Merging Fund, Investors Group will include the most recent Fund Facts of Series I of the Continuing Class to securityholders of the Merging Fund as required under paragraph 5.6(1)(f)(ii) of NI 81-102, and a management information circular fully describing the Merger, which prominently discloses that the most recent Simplified Prospectus and Annual Information Form, fund facts, audited annual and un-audited interim financial statements of the Continuing Class (if available) can be obtained by accessing the same at the Investors Group website or the SEDAR website, or requesting the same from Investors Group by toll-free number, or by contacting their servicing advisor at Investors Group or an affiliate of Investors Group, all as described in the management information circular.

IRC Review

32. Investors Group referred the Merger to the IRC for its review. On April 22, 2015, the IRC provided a positive recommendation that the Merger, if implemented, would achieve a fair and reasonable result for the Funds as required pursuant to NI 81-107 – *Independent Review Committee for Investment Funds* ("NI 81-107").
33. A summary of the IRC's recommendation will be included in the Meeting Materials being sent to securityholders of the Merging Fund as required by section 5.1(2) of NI 81-107.

Reasons for the Merger

34. Investors Group has determined that the Merger would be in the best interests of securityholders of the Merging Fund because it is being merged into a substantially larger Continuing Class, providing the potential for efficiencies in the management of its investment portfolio, and rationalization of Fund Costs over a larger asset base, which should be a benefit to securityholders of the Funds resulting from the Merger.
35. Since inception, the Merging Fund has served as the "cash" component for a limited number of the iProfile Managed Asset Program (the "**Program**") portfolios. It has also served as the transactional account through which investments into the Program are initially made, and through which redemptions are processed in certain circumstances (these investments are generally held in the Merging Fund for a period of one day). When the classes issued by the Corporation were added to the Program in March 2013, the Continuing Class was included to serve as a "money-market-like" alternative for investors to hold in their portfolios. The Continuing Class also replaced the Merging Fund as the transactional account for the Program. Effective on May 1, 2015 the Continuing Class was changed into a money market fund.
36. The size of the Merging Fund has now decreased to very low levels, which in part hampers the ability of the Merging Fund to earn a satisfactory return. Given the inefficient size of the Merging Fund, and the change in its function within the Program, the Manager has determined that it is in the best interests of securityholders to merge the Merging Fund into the Continuing Class.

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 securityholders of the Merging Fund approve the Merger.



Christopher Besko
Director, General Counsel
The Manitoba Securities Commission