

DECISION

Order No. 7526

August 5, 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
I.G. Investment Management, Ltd.
(referred to as “IGIM” or the “Filer”)

Decision

Background

The securities regulatory authority or regulator in each of the Jurisdictions (the “**Decision Maker**”) has received an application from the Filer on behalf of BlackRock- IG Active Allocation Pool I, BlackRock- IG Active Allocation Pool II, BlackRock- IG Active Allocation Pool III (the “**Existing Funds**”) and any future mutual funds the Manager may launch that are sub-advised by BlackRock Asset Management Canada Limited or its affiliates (collectively with the Existing Funds, the “**Funds**”), for a decision under the securities legislation of the Jurisdictions (the “**Legislations**”) for an exemption pursuant to Section 19.1 of National instrument 81-102 *Investment Funds* (“**NI 81-102**”) from the prohibitions in:

- (a) subsections 2.1(1), 2.2(1) and 2.5(2)(a), (a.1), (b), and (c) of NI 81-102 to permit the Funds to invest in securities of any mutual fund that is an exchange-traded fund (an “**ETF**”) that, but for the fact that they are listed on a stock exchange in the United Kingdom and not on a stock exchange in Canada or the United States, would otherwise qualify as “index participation units” (“**IPU**”) as defined in NI 81-102 (such ETF, a “**UK IPU**”); and
- (b) subsection 2.5(2)(b) of NI 81-102 to allow other mutual funds managed by the Filer to invest in the Funds, which may invest more than 10% of the market value of their net assets in securities of UK IPUs.

(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 subparagraph 4.7(1) of Multilateral 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 Northwest 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.

Representations

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

The Filer and the Funds

1. IGIM is a corporation continued under the laws of Ontario. It is or will be the trustee, the portfolio advisor and the manager of the Funds. The head office of the Manager is in Winnipeg, Manitoba.
2. IGIM 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.
3. IGIM acts, or will act, as portfolio manager and investment fund manager of each of the Funds.
4. Each Fund is, or will be, an open-ended mutual fund governed by the laws of the province of Manitoba.
5. Each Fund distributes, or will distribute, its securities pursuant to simplified prospectus prepared pursuant to National Instrument 81-101 *Mutual Fund Prospectus Disclosure* ("NI 81-101") and Form 81-101F1 *Contents of Simplified Prospectus* ("**Form 81-101F1**"), as applicable, and is, or will be, governed by the applicable provisions of NI 81-102, subject to any exemptions therefrom granted by the securities regulatory authorities.

Each Fund is, or will be, a reporting issuer in each of the provinces and territories of Canada, and sub-advised by BlackRock Asset Management Canada Limited or one of its affiliates.

6. IGIM and the Existing Funds are not in default of any of the requirements of securities legislation of any of the provinces and territories of Canada.
7. The investment objectives of the Existing Funds are to provide long-term capital appreciation by primary investing in, or gaining exposure to, equity and/or fixed income securities. In order to achieve its investment objectives each Existing Fund will invest primarily in ETFs.

8. Blackrock – IG Active Allocation Pool I targets a neutral mix of 40% fixed income and 60% equity. BlackRock – IG Active Allocation Pool II targets a neutral mix of 30% fixed income and 70% equity. BlackRock – IG Active Allocation Pool III targets a neutral mix of 20% fixed income and 80% equity. BlackRock – IG Active Allocation Pool I, BlackRock – IG Active Allocation Pool II and BlackRock – IG Active Allocation Pool III also each have the flexibility to invest all of their assets in any asset class.

*The UK IPU*s

9. Each UK IPU is, or will be, a "mutual fund" within the meaning of applicable Canadian securities legislation and an ETF traded on a stock exchange in the United Kingdom that is authorized by the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011, as amended by the European Union (Undertakings for Collective Investment in Transferable Securities) (Amendment) Regulations 2016, as may be amended or replaced (the "**UCITS Regulations**"). Each UK IPU therefore is, or will be, a "UCITS" and will therefore comply with UCITS Regulations.
10. The managers of the UK IPU are subject to substantially equivalent regulatory oversight to IGIM, which is primarily regulated by the MSC.
11. Securities of each UK IPU are, or will be, offered in their primary market in a manner similar to the Funds pursuant to a prospectus for each investment company.
12. Each UK IPU is listed on the London Stock Exchange ("**LSE**") and, in addition, may be listed on one or more additional stock exchanges.
13. The LSE is subject to regulatory oversight by the Financial Conduct Authority of the United Kingdom. The LSE is subject to substantially equivalent regulatory oversight to securities exchanges in Canada and the United States, and the listing requirements to be complied with by the UK IPU are consistent with the listing requirements of the Toronto Stock Exchange.
14. The fundamental investment objective of each of the UK IPU is, or will be, to seek to track the performance of an index, net of expenses, and to provide investors with a total return or net total return, taking into account both capital and income returns.
15. In replicating the performance of an index, a UK IPU may purchase securities of other mutual funds.
16. Each UK IPU achieves, or will achieve, its investment objective by holding the component securities of the applicable index or otherwise investing in securities in a manner that will enable the UK IPU to track the performance of the applicable index in accordance with the rules on eligible assets prescribed by the UCITS Regulations.
17. The index tracked by each UK IPU is, or will be, transparent, in that the methodology for the selection and weighting of index components is, or will be, publicly available. Details of the components of the index tracked by a UK IPU, such as issuer name and weighting within the index, are, or will be, publicly available by the applicable index provider and updated from time to time or when requested of the applicable index provider.

18. Each UK IPU will make, or will make, the net asset value of its holdings available to the public through at least one price information system associated with the stock exchange on which it is listed.
19. No UK IPU is a “synthetic ETF”, meaning that no UK IPU will principally rely on an investment strategy that makes use of swaps or other derivatives to gain an indirect financial exposure to the return of an index.
20. Each UK IPU is, or will be, an “investment fund” and a “mutual fund” within the meaning of applicable Canadian securities legislation.
21. The UK IPU's are, or will be, subject to the following regulatory requirements:
 - (a) each UK IPU is subject to a robust management framework through prescribed rules on governance, risk, regulation of service providers and safekeeping of assets;
 - (b) each UK IPU is restricted to investments permitted by the UCITS Regulations and/or authorized by the Financial Conduct Authority / Central Bank of Ireland (including any exemptive relief obtained by the UK IPU's therefrom);
 - (c) each UK IPU is subject to investment restrictions limiting its holdings of illiquid securities which are not listed on a stock exchange or regulated market to no more than 10% of the UK IPU's NAV;
 - (d) each UK IPU is subject to investment restrictions limiting its holdings of other collective investment undertakings to no more than 10% of the UK IPU's net asset value (“NAV”);
 - (e) each UK IPU is subject to restrictions regarding the use of derivatives, including the types of derivatives in which it may transact, limits on counterparty risk, and limits on increases to overall market risk resulting from the use of derivatives;
 - (f) each UK IPU is required to prepare a prospectus which discloses material facts, similar to the disclosure requirements under Form 41-101F2 and Form 81-101F1;
 - (g) each UK IPU is required to prepare key investor information documents which provide disclosure that is substantially similar to the disclosure required to be included in the ETF facts document required by Form 41-101F4 *Information Required in an ETF Facts Document*;
 - (h) each UK IPU is subject to continuous disclosure obligations which are similar to the disclosure obligations under National Instrument 81-106 -- *Investment Fund Continuous Disclosure*;
 - (i) each UK IPU is required to update information of material significance in the prospectus, to prepare management reports and management reports and an audited set of financial statements annually; and
 - (j) each UK IPU has a board of directors and a manager that are subject to a governance framework which sets out the duty of care and standard of care, which require the board of directors of both the manager and the UK IPU to act in the best

interest of security holders of the UK IPU.

Reasons for the Exemption Sought

22. The amount of the loss that can result from an investment by a Fund in a UK IPU will be limited to the amount invested by the Fund in the UK IPUs.
23. IGIM considers that investments by the Funds in UK IPUs provide an efficient and cost-effective, including in relation to withholding tax, means of obtaining exposure to the markets and asset classes in which the UK IPUs invest and achieving diversification and, in the case of certain UK IPUs, unique investment exposures. In particular, UK IPUs can provide a cost-effective way to achieve the Funds' desired allocations to various sectors, as well as desired exposure to certain countries, which in some cases may not be possible through reliance on North American ETFs alone due to the relative size of the ETFs and/or the makeup of the available ETFs.
24. Because the definition of IPU only includes securities that are traded on an exchange in Canada or the United States, in the absence of the Exemption Sought:
 - (a) a Fund would not be able to rely upon the IPU exemption in paragraph 2.1(2)(d) of NI 81-102 from the concentration restriction in paragraph 2.1(1) to purchase or hold more than 10% of its net assets in securities of UK IPUs;
 - (b) a Fund would not be able to rely upon the IPU exemption in paragraph 2.2(1.1)(b) of NI 81-102 from the control restriction in paragraph 2.2(1) to purchase or hold securities representing more than 10% of the votes attaching to the outstanding voting securities of a UK IPU or from purchasing securities of a UK IPU for the purpose of exercising control over or management of the UK IPU;
 - (c) a Fund would not be able to rely upon the IPU exemption in paragraph 2.5(3)(a) of NI 81-102 from the investment restrictions in paragraphs 2.5(2)(a) and 2.5(2)(a.1) against purchasing or holding securities of the UK IPU unless the UK IPU is subject to NI 81-102 and National Instrument 81-101 *Mutual Fund Prospectus Disclosure*;
 - (d) a Fund would not be able to rely upon the IPU exemption in paragraph 2.5(4)(b)(ii) of NI 81-102 from the investment restriction in paragraph 2.5(2)(b) against purchasing or holding securities of a Fund or a UK IPU unless at the time of the purchase of that security, the Fund or UK IPU holds no more than 10% of the market value of its net assets in securities of other mutual funds; and
 - (e) a Fund would not be able to rely upon the IPU exemption in paragraph 2.5(3)(a) of NI 81-102 from the investment restriction in paragraph 2.5(2)(c) against purchasing or holding securities of the UK IPU unless securities of the UK IPU were qualified for distribution in the local jurisdiction.
25. Each investment by a Fund in securities of a UK IPU will represent the business judgement of responsible persons uninfluenced by considerations other than the best interests of the Fund.
26. In respect of the Exemption Sought, similar exemptive relief has been granted previously. Examples of the decisions rendered are attached to this application.

27. The Exemption Sought is in the best interests of the Funds, is not prejudicial to the public interest or to securityholders of the Funds and is consistent with prior decisions of the securities regulatory authorities.

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:

- (a) the investment by a Fund in securities of a UK IPU is made in accordance with the fundamental investment objectives of the Fund;
- (b) securities of the UK IPUs qualify as IPUs within the meaning of NI 81-102 but for the fact that they are traded on a stock exchange in the United Kingdom and not a stock exchange in Canada or the United States;
- (c) none of the UK IPUs are “synthetic ETFs”, meaning that they will not principally rely on an investment strategy that makes use of swaps or other derivatives to gain an indirect financial exposure to the return of an index;
- (d) investments by a Fund in securities of one or more UK IPUs comply with NI 81-102 as if securities of the UK IPUs were IPUs within the meaning of NI 81-102;
- (d) the relevant offering documents of each Fund disclose, or will disclose the next time it is renewed after the date of this decision, the fact that the Fund has obtained relief to invest in UK IPUs; and
- (e) in the event there is a significant change to the regulatory regime applicable to the UK IPUs that results in a less restrictive regulatory regime compared to the current regime and that has a material impact on the management or operation of the UK IPUs in which the Funds are invested, the Funds do not acquire any additional securities of such UK IPUs, and dispose of any securities of such UK IPUs in an orderly and prudent manner. The Exemption Sought will terminate six months after the coming into force of any amendments to NI 81-102 that restrict or regulate a Fund's ability to invest in UK IPUs.

“Chris Besko”

Christopher Besko
Director, General Counsel
The Manitoba Securities Commission