

**IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, ONTARIO
NEW BRUNSWICK, NOVA SCOTIA AND
NEWFOUNDLAND AND LABRADOR**

AND

**IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM FOR
EXEMPTIVE RELIEF APPLICATIONS**

AND

**IN THE MATTER OF
BLC-EDMOND DE ROTHSCHILD ASSET MANAGEMENT INC.**

AND

**IN THE MATTER OF
R PRUDENT DISTINCTION PORTFOLIO
R CONSERVATIVE DISTINCTION PORTFOLIO
R BALANCED DISTINCTION PORTFOLIO
R DYNAMIC DISTINCTION PORTFOLIO
R BOLD DISTINCTION PORTFOLIO**

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (collectively, the **“Decision Makers”**) in each of the provinces of British Columbia, Alberta, Saskatchewan, Ontario, New Brunswick, Nova Scotia and Newfoundland and Labrador (collectively, the **“Jurisdictions”**) has received an application on behalf of R Prudent Distinction Portfolio, R Conservative Distinction Portfolio, R Balanced Distinction Portfolio, R Dynamic Distinction Portfolio, R Bold Distinction Portfolio and other mutual funds managed by the Manager after the date of this Decision (defined herein) having as their investment objective to invest all or substantially all of their assets in other prospectus qualified specified mutual funds (collectively, the **“Top Funds”**, individually, a **“Top Fund”**), from BLC-Edmond de Rothschild Asset Management Inc. (the **“Manager”**), as manager, investment manager and trustee of the Top Funds for a decision pursuant to the securities legislation of the Jurisdictions (the **“Legislation”**) that the following requirements or prohibitions under the Legislation (the **“Applicable Requirements”**) shall not apply to the Top Funds or the Manager, as the case may be, in connection with the investments by the Top Funds directly in securities of CI

Signature Select Canadian Fund, Fidelity Canadian Large Cap Fund, Fidelity Growth America Fund, Fidelity Small Cap America Fund, Fidelity True North® Fund, Mackenzie Cundill Canadian Balanced Fund, Mackenzie Cundill Value Fund, Mackenzie IVY Foreign Equity Fund, R Asian Fund, R Bond Fund, R Dividend Fund, R Life & Health Fund, R Money Market Fund, R Small Cap Canadian Equity Fund, Trimark Discovery Fund and Trimark Europlus Fund, Trimark Fund and Trimark Income Growth Fund and such other prospectus – qualified, specified mutual funds which the Top Funds may invest in from time to time (collectively, the **‘Underlying Funds’** and individually, an **‘Underlying Fund’**):

- (a) the restrictions 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 that a management company or, in British Columbia, a mutual fund manager file a report of i) every transaction of purchase or sale of securities between a mutual fund and any related person or company, and ii) any transaction in which, by arrangement other than an arrangement relating to insider trading in portfolio securities, a mutual fund is a joint participant with one or more of its related persons or companies;

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Application (the **‘System’**), the Ontario Securities Commission is the principal regulator for the purpose of said application;

AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions or in Québec Commission Notice 14-101;

AND WHEREAS it has been represented by BLC Rothschild to the Decision Makers that:

- (1) the Manager is a corporation incorporated under and governed by the laws of Canada and is registered as a portfolio adviser or its equivalent under the securities legislation of the Provinces of Ontario and Québec . The Manager’s head office is located in Quebec. The Manager is, or will be, the Manager of the Top Funds.
- (2) the Top Funds and the Underlying Funds will be open-end mutual fund trusts or a class of shares of a mutual fund corporation established under the laws of the Province of Ontario. Units of the Top Funds and the Underlying Funds will be offered to the public on a continuous basis pursuant to a simplified prospectus and annual information form filed with and accepted by the Decision Makers.

- (3) Each of the Top Funds and the Underlying Funds is or will be a reporting issuer in each of the Jurisdictions and is not or will not be in default of any requirements of the Legislation.
- (4) To achieve their respective investment objectives, each of the Top Funds will invest fixed percentages (the “**Fixed Percentages**”) of its net assets, (other than cash and cash equivalents) in securities of specified Underlying Funds, subject to a permitted deviation to account for market fluctuations of not more than 2.5 percent above or below the Fixed Percentages (the “**Permitted Ranges**”).
- (5) the Underlying Funds in which the Top Funds will invest, as well as the target weighting attributed thereto by each Top Fund, will be determined by the Manager based upon predetermined risk and return profiles.
- (6) each Top Fund’s asset allocation will be reviewed on an ongoing basis and, accordingly, the Manager may change the target weighting of an Underlying Fund, remove an existing Underlying Fund or add a new Underlying Fund. Where an Underlying Fund or a Fixed Percentage is changed, the Manager will amend the Prospectus in accordance with securities legislation to reflect this significant change, or will file a new simplified prospectus reflecting the significant change within ten days thereof, and will provide 60 days’ prior written notice of the change to unitholders of the relevant Top Fund.
- (7) The simplified prospectus for the Top Funds will disclose the names, investment objectives, risks and restrictions of the Top Funds and Underlying Funds, as well as the Fixed Percentages to be invested in each Underlying Fund and the Permitted Ranges.
- (8) Each of the Top Funds will not invest in a mutual fund whose investment objective includes investing in other mutual funds.
- (9) The investments by each of the Top Funds in securities of the Underlying Funds represent the business judgement of “responsible persons” (as defined in the Legislation) uninfluenced by considerations other than the best interests of the Top Fund.
- (10) Except to the extent evidenced by this Decision and specific approvals granted by the regulator or the securities regulatory authority in each of the provinces and territories of Canada pursuant to National Instrument 81-102 Mutual Funds (“**NI 81-102**”), the investments by each Top Fund in an Underlying Fund have been structured to comply with the investment restrictions of the Legislation and NI 81-102.
- (11) In the absence of this Decision, pursuant to the Legislation, the Top Funds are 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 security holder. As a result, in the

absence of this Decision, the Top Funds would be required to divest themselves of any such investments.

- (12) In the absence of this Decision, the Legislation requires the Manager to file a report on every purchase and sale of securities of the Underlying Funds by the Top Funds.

AND WHEREAS pursuant to the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the “**Decision**”);

AND WHEREAS 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 Maker pursuant to the Legislation is that the Applicable Requirements shall not apply so as to prevent the Top Funds or the Manager, as the case may be, from making and holding an investment in securities of the Underlying Funds or require the Manager to file a report relating to the purchase or sale of such securities;

PROVIDED IN EACH CASE THAT:

1. the Decision, as it relates to the jurisdiction of a Decision Maker, will terminate one year after the publication in final form of any legislation or rule of that Decision Maker dealing with matters in section 2.5 of NI 81-102;
2. the Decision shall only apply if, at the time a Top Fund makes or holds an investment in its Underlying Funds, the following conditions are satisfied:
 - (a) the securities of both the Top Fund and the Underlying Funds are being offered for sale in the jurisdiction of the Decision Maker pursuant to a simplified prospectus and annual information form which have been filed with and accepted by the Decision Makers;
 - (b) the investment by the Top Fund in the Underlying Funds is compatible with the fundamental investment objectives of the Top Fund;
 - (c) the simplified prospectus for the Top Fund discloses the intent of the Top Fund to invest in securities of the Underlying Funds, the names of the Underlying Funds, the Fixed Percentages and the Permitted Ranges within which such Fixed Percentages may vary;
 - (d) the simplified prospectus for the Top Fund discloses the investment objectives, risks and restrictions of the Underlying Funds;
 - (e) the investment objective of the Top Fund discloses that the Top Fund invests in securities of other mutual funds;

- (f) the Underlying Funds are not mutual funds whose investment objective includes investing directly or indirectly in other mutual funds;
- (g) the Top Fund invests its assets (exclusive of cash and cash equivalents) in specified Underlying Funds in accordance with the Fixed Percentages disclosed in the simplified prospectus of the Top Fund;
- (h) the Top Fund's holdings in the securities of the Underlying Funds does not deviate from the Permitted Ranges;
- (i) any deviation from the Fixed Percentages is caused by market fluctuations only;
- (j) if an investment by the Top Fund in any of the Underlying Funds has deviated from the Permitted Ranges as a result of market fluctuations, the Top Fund's investment portfolio is re-balanced to comply with the Fixed Percentages on the next day on which the net asset value is calculated following such deviation;
- (k) if the Fixed Percentages and the Underlying Funds which are disclosed in the simplified prospectus of the Top Fund have been changed, either the simplified prospectus of the Top Fund has been amended in accordance with securities legislation to reflect this significant change or a new simplified prospectus reflecting the significant change has been filed within ten days thereof, and security holders of the Top Fund have been given at least 60 days' prior written notice of the change;
- (l) there are compatible dates for the calculation of the net asset value of the Top Fund and the Underlying Funds for the purpose of the issue and redemption of the securities of such mutual funds;
- (m) no sales charges are payable by the Top Fund in relation to its purchases of securities of the Underlying Funds;
- (n) no redemption fees or other charges are charged by the Underlying Funds in respect of the redemption by the Top Fund of securities of the Underlying Funds owned by the Top Fund;
- (o) no fees or charges of any sort are paid by the Top Fund and the Underlying Funds, by their respective managers or principal distributors, or by any affiliate or associate of any of the foregoing entities, to anyone in respect of the Top Fund's purchase, holding or redemption of the securities of the Underlying Funds;
- (p) the arrangements between or in respect of the Top Fund and the Underlying Funds are such as to avoid the duplication of management fees;

- (q) any notice provided to the security holders of an Underlying Fund as required by applicable laws or the constating documents of that Underlying Fund, has been delivered by the Top Fund to its security holders;
- (r) all of the disclosure and notice material prepared in connection with a meeting of security holders of the Underlying Funds and received by the Top Fund has been provided to its security holders, the security holders have been permitted to direct a representative of the Top Fund to vote its holdings in the Underlying Funds in accordance with their direction, and the representative of the Top Fund has not voted its holdings in the Underlying Fund, except to the extent the security holders of the Top Fund have directed;
- (s) in addition to receiving the annual and, upon request, the semi-annual financial statements of the Top Fund, security holders of the Top Fund have received appropriate summary disclosure in respect of the Top Fund's holdings in the securities of the Underlying Funds in the financial statements of the Top Fund; and
- (t) to the extent that the Top Fund and the Underlying Funds do not use a combined simplified prospectus and annual information form containing disclosure about the Top Fund and the Underlying Funds, copies of the simplified prospectus and annual information form of the Underlying Funds have been provided upon request to security holders of the Top Fund and the right to received these documents is disclosed in the simplified prospectus of the Top Fund.

DATED October 1, 2002

Howard I. Wetston

Robert L. Shirriff

Headnote

Investment by mutual funds in a portfolio of specified mutual funds under common management or managed by third parties exempted from the self-dealing prohibitions in clause 111(2)(b), 111(3) and 118(2)(a) and from the reporting requirements of clauses 117(1)(a) and 117(1)(d), subject to certain specified conditions.

Statutes Cited

Securities Act (Ontario), R.S.O. 1990, c.S.5, as am., 111(2)(b), 111(3), 117(1)(a), 117(1)(d) and 118(2)(a).