

**GD-1 MANAGEMENT INC.  
GLOBAL DIGIT II MANAGEMENT INC.**

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April 5, 2012

Autorité des marchés financiers  
Ontario Securities Commission  
New Brunswick Securities Commission  
Financial Services Regulation Division, Service NL, Government of Newfoundland and  
Labrador

c/o Me Anne-Marie Beaudoin  
Corporate Secretary  
Autorité des marchés financiers  
800, square Victoria, 22<sup>nd</sup> Floor  
C.P. 246, Tour de la Bourse  
Montreal, Québec H4Z 1G3

c/o John Stevenson, Secretary  
Ontario Securities Commission  
20 Queen Street West, Suite 1903, Box 55  
Toronto, Ontario M5H 3S8

Dear Sirs/Mesdames:

**Re : Response to the Request for comments dated January 10, 2012 from the above securities authorities (the “Securities Authorities”) on their Proposed Multilateral Instrument 32-102 *Registration Exemptions for Non-Resident Fund Managers* and Proposed Companion Policy 32-102CP *Registration Exemptions for Non-Resident Fund Managers* as they relate to the registration of certain domestic investment fund managers**

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GD-1 Management Inc. (“**GD-1**”) is the manager and, together with Global DIGIT Management Inc., co-trustee of Global Diversified Investment Grade Income Trust (“**GD1 Fund**”), an investment fund. Global DIGIT II Management Inc. (“**GD-II**”) is the trustee and manager of Global Diversified Investment Grade Income Trust II (“**GDII Fund**”), an investment fund (together with GD1 Fund, the “**Funds**”). GD-1 and GD-II are registered in Québec in the category of investment fund manager (“**IFM**”). Both are resident in Québec and carry on all of

their activities requiring registration as IFM of the Funds in Québec. The residences of the unitholders of each of the two Funds are spread out across Canada.

By this joint letter, GD-1 and GD-II are writing to provide comments relating to Proposed Multilateral Instrument 32-102 *Registration Exemptions for Non-Resident Investment Fund Managers* (“**MI 32-102**”) and Proposed Companion Policy 32-102CP *Registration Exemptions for Non-Resident Investment Fund Managers* (“**32-102CP**”) and together with MI 32-102, the “**Proposal**”) as they relate only to the registration of domestic investment fund managers.

We have reviewed the Proposal and strongly encourage the Securities Authorities to reconsider it:

1. While we agree that there was a need to introduce the Investment Fund Manager category under National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (“**NI 31-103**”) in order “to ensure that investment fund managers have sufficient proficiency, integrity and solvency to adequately carry out their functions”, we do not believe that an IFM registered in that category in one jurisdiction in Canada, based on its head office and operations, will, by extending this registration to other Canadian jurisdictions, enhance its proficiency, integrity and solvency for greater investor protection. Investors in the Funds already have regulatory and common law rights of action against the Funds and their IFMs. Additional registration in the Investment Fund Manager category does not increase those rights. In addition, requiring an IFM to register in that category in other local jurisdictions would be duplicative and impose additional unwarranted costs.
2. When an IFM properly registered in its home jurisdiction does not carry on any operations in a particular local jurisdiction, an additional registration in that jurisdiction would not, in our view, enhance the local regulatory authority’s ability to supervise that manager’s activities in any meaningful way, as essentially all of the supervision of the terms and conditions of the manager’s registration is performed by its principal regulator. (See Part 4A – Multilateral Instrument 11-102 *Passport System*).
3. The Proposal is a policy shift of the Regulatory Authorities by going back to the “flow through” approach which they had rejected in respect of advisers providing advice to investment funds. NI 31-103 makes it clear that the investment fund, not the fund’s unitholders, is the client of the adviser. The same approach should prevail for IFMs since their clients are the investment funds they manage (not the investors in the funds or those who are invited to purchase their securities). This approach is reflected in the duty of care imposed on IFMs in the various securities acts and in National Instrument 81-107 *Independent Review Committee for Investment Funds*.
4. The Proposal runs counter to NI 31-103 which clearly distinguishes between the categories of “investment fund manager” which manages and administers investment funds and that of dealer which distributes securities. In the Request for comments under “Substance and Purpose”, the following statement is made:

“The distribution of investment fund securities in the local jurisdiction is, in our view, a significant connecting factor to that jurisdiction. A non-resident investment fund manager triggers the registration requirement if either the investment fund or the investment fund manager distributes or has distributed investment fund securities in the jurisdiction.

If an investment fund has security holders in the local jurisdiction, this gives rise to investment fund management activities in that jurisdiction, including activities reflecting the relationship between the fund, the investment fund manager (who is responsible for directing those activities), and the security holders. Such activities include the delivery of financial statements and other periodic reporting, calculating net asset values and fulfilling redemption and dividend payment obligations.”

We believe that the distribution of investment fund securities is an activity requiring registration in the category of dealer, not investment fund manager.

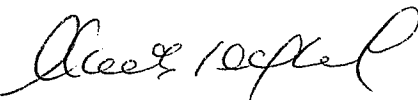
Furthermore, the delivery of the fund’s financial statements and related documents may be made by the investment fund manager to its principal regulator under Section 1.3(3) of NI 31-103. The calculation of the fund’s NAV is an activity of the investment fund performed by the fund’s manager in its principal jurisdiction. A redemption is not considered to be a “trade” in securities legislation (and therefore not an activity requiring registration). The payment of a dividend in cash is not an activity requiring registration and the payment of a dividend by reinvestment in the units of a fund would, in the absence of the exemption in Section 8.7 of NI 31-103, require registration as a dealer, not as an investment fund manager.

Our recommendation is that a domestic IFM should continue to be required to register in that category only in its principal jurisdiction. It should consider registration as dealer in those local jurisdictions where it solicits investors to purchase its investment funds’ securities.

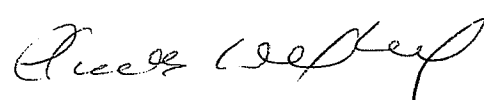
We would be pleased to discuss these issues with you further. Please do not hesitate to contact Claude Dalphond, the Chairman of GD-1 and GD-II by phone at (514) 982-4707 or by email at [claude.dalmond@ivanhoe.cambridge.com](mailto:claude.dalmond@ivanhoe.cambridge.com).

Yours truly,

GD-1 Management Inc.

By:   
Claude Dalphond  
Chairman

Global DIGIT II Management Inc.

By:   
Claude Dalphond  
Chairman