

Submissions of Purpose Investments Inc.

RE: Ontario Securities Commission
Consultation Paper 81-737:

Opportunity to Improve Retail Investor Access to
Long-Term Assets through Investment Fund Product
Structures

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This submission on behalf of Purpose Investments Inc. is made to:

The Secretary
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Executive Summary

Purpose Investments (Purpose) welcomes the opportunity to provide this submission to the Ontario Securities Commission (OSC). As an independent investment fund manager and portfolio manager with more than \$22 billion in assets under management, we have unique insight into the investment fund industry.

We thank the OSC for the opportunity to provide input for this consultation and applaud your efforts towards regulatory innovation. Our responses aim to ensure investor protection while promoting innovation for strong and stable capital markets.

Our recommendations support the expansion of retail investor access to broader and more diversified investment opportunities, and we encourage the OSC to consider:

- Working with regulatory counterparts to broaden investment opportunities for retail investors across the country;
- Creating a path for retail investors to safely gain access to private equity funds; and,
- Ensuring flexibility in the structure and requirements for long-term funds and avoiding a "one size fits all" approach.

Again, we thank the OSC for its commitment to engaging with stakeholders. We welcome the opportunity to discuss our submission with you.

Sincerely,

Purpose Investments Inc.

Consultation Responses

Q. Do you agree that retail investors could benefit from increased access to Long-Term Assets? Could investment fund product structures facilitate increased retail investor allocation to Long Term Assets, while mitigating some of the risks of holding these illiquid assets?

We appreciate the OSC's commitment to regulatory innovation and the aim of improving retail investor access to traditionally restricted asset classes.

While we support expanding retail investor access to broader and more diversified investment opportunities, this should be done with careful consideration. We caution that the proposed structure for Ontario Long Term Asset Funds (OLTF) cannot mitigate the most significant risks associated with holding illiquid assets such as uncertainty and delay, in particular, with respect to infrastructure projects.

We also note that illiquid assets cannot be readily disposed of and can be difficult to value. Creating a separate regulatory framework and investment vehicle restricted to Ontario investors may also create confusion and difficulty for market participants to understand what they are investing in. Finally, we query whether the Proposed regime may inadvertently encourage investment strategies with a focus on generating cash rather than investing in high conviction investing. In view of these concerns, we discuss below considerations and alternative mechanisms to achieve the OSC's goal of encouraging broader diversification for retail investors.

Q. What else could be done to increase retail investor interest in specific types of Long-Term Assets?

As OLTFs will be available to retail investors, we note that this will draw traditionally retail investment managers into the space, driving investor interest. However, as OLTF units would only be distributed to Ontario investors, we note that this presents a significant limitation. We are interested in seeing the initiative expanded to encourage broader investment opportunities for retail investors across the country.

In addition, we encourage the OSC and its counterparts to consider innovations that would improve retail investor access to private equity funds, with appropriate controls. For instance, this could be accomplished through adjustments to net worth requirements, retail-friendly exemptions, and appropriate disclosure and suitability assessments. Private equity funds are generally managed by strong and experienced equity firms whose knowledge, proficiency and stewardship would be an asset to retail investors.

Q. Would the investment fund structure be less attractive or not viable if the Proposal were to place some restrictions on minimum investments in Long-Term Assets located in Ontario?

A floor level of required Ontario based investments would be expected to significantly limit the available investment opportunities, while increasing risk through decreased diversification where all funds will hold similar long-term investments. This may prevent the fund manager from making unbiased, financially driven decisions. It would artificially inflate the price for Ontario assets, thereby depressing long term return levels. It is not clear that the twin objectives of driving more investment in the province and improving outcomes for Ontario investors can easily be accomplished under the OSC's Proposal.

Q. Should the Proposal exclude certain types of Long-Term Assets (e.g., sensitive infrastructure projects in specific countries or Long-Term Assets that non-investment fund issuers would be prohibited from owning)?

Provided appropriate controls and compliance practices are in place (for instance, anti-money laundering and other requirements), OLTFs should be permitted to invest at their discretion, assuming appropriate disclosure is available in the investment objectives. Specific limitations could be burdensome to monitor.

Q. What are the minimum redemption restrictions OLTFs would need to effectively manage their liquidity?

If the range of available assets is as broad as contemplated, a minimum redemption requirement may not be suitable. Redemption requirements vary greatly by investment strategy. The Proposal should be structured to allow for flexibility in balancing fund liquidity management with investor accessibility in view of investment strategy. Accordingly, we recommend that the OSC avoid prescribing 'one-size-fits-all' redemption restrictions.

Q. Please provide your views on whether, given its unique purpose and structure, an OLTF should only have a majority-independent board of directors and no independent review committee or alternatively, whether it should have an independent review committee with enhanced supervisory powers additional to reviewing conflict of interests. Also, could an OLTF also be organized as another type of entity, such as a trust with a majority-independent board of trustees? Are there other monitoring, review and governance requirements the Proposal should consider?

Private fund sponsors typically select fund structures based on tax considerations. We encourage the OSC to allow for flexibility and permit all legal structures to be available for OLTFs, provided appropriate governance structures are in place.