

The Secretary
Ontario Securities Commission
20 Queen Street West 22nd Floor
Toronto, Ontario M5H 3S8

RE: Consultation Paper 81-737: Opportunity to Improve Retail Investor Access to Long-Term Assets through Investment Fund Product Structures

Dear Secretary:

We appreciate the opportunity to provide feedback on the Ontario Securities Commission's framework proposal to facilitate investment opportunities in long-term illiquid assets through an investment fund product structure. We submit this letter for your consideration and request that you consider the letter to be submitted by the Investment Funds Institute of Canada.

Sun Life is a leading international financial services organization providing asset management, wealth, insurance, and health solutions to individual and institutional Clients. Sun Life operates in many markets worldwide, including Canada, the United States, the United Kingdom, Ireland, Hong Kong, the Philippines, Japan, Indonesia, India, China, Australia, Singapore, Vietnam, Malaysia, and Bermuda. As of March 31, 2024, Sun Life had total assets under management of \$1.47 trillion (all figures are in Canadian dollars unless indicated otherwise).

SLGI Asset Management Inc. ("SLGI AM") is a subsidiary of Sun Life and offers a diverse lineup of mutual funds and innovative portfolio solutions, partnering with some of the best asset managers from around the world to deliver a global investment platform. As of March 31, 2024, SLGI Asset Management Inc. manages \$38.3 billion on behalf of institutional and retail investors across Canada. SLGI AM is a registered as a Portfolio Manager, Exempt Market Dealer and Commodity Trading Manager in Ontario, and as an Investment Fund Manager in Newfoundland and Labrador, Ontario and Quebec.

SLC Management is the brand name for Sun Life's institutional asset management business. SLC Management is a group of global institutional asset managers that offers institutional investors traditional, alternative and yield-orientated investment solutions across public and private fixed income markets, as well as global real estate equity and debt. As of September 30, 2024, SLC Management has assets under management of \$387 billion. Sun Life Capital Management (Canada) Inc. is registered as an Investment Fund Manager, Portfolio Manager, Exempt Market Dealer, and a Commodity Trading Manager in Ontario.

BGO, Crescent Capital Group and InfraRed Capital Partners form part of SLC Management. BGO is a leading, global real estate investment management advisor and a globally recognized provider of real estate services. Crescent is a global alternative credit investment asset manager that provides private credit financing to middle-market companies in the U.S. and Europe and invests in high-yield bonds and broadly syndicated loans. InfraRed Capital Partners is an international infrastructure asset manager with over 25 years of experience providing investors with predictable long-term income streams, diversification benefits and protection from inflation.



With both retail and institutional asset management capabilities, we believe that Sun Life has a unique ability to offer critical feedback on this proposal. The proposed framework has significant potential, but requires meaningful reforms in order to be workable for asset managers and effectively meet the OSC's goals. We submit the following recommendations for your consideration:

Recommendation #1: Ensure the proposed long-term fund structure can support retirement savings by moving forward with the Canadian Securities Administrators (CSA)

- With long-term horizons, these funds have potential to be valuable tools for building financial security through exposure to alternative assets in an investor's retirement portfolio.
- However, without moving forward with the CSA, this proposal has limited viability because funds offered through this structure would not be readily accessible to a wide range of Ontarians.
- As currently proposed, the funds would not be eligible to be integrated into a fund-of-funds structure that are already offered across Canada. These existing funds are critical vehicles for Canadians to save for retirement either independently or through their workplace pension plan.
- In addition, it is unclear whether the proposed fund structure would be considered a qualified investment under the Income Tax Act for RRSPs, TFSAs, and other registered investment accounts popular with Ontarians. A majority of Canadians rely on these registered investment accounts for their investments and savings¹.
- Finally, given the widespread adoption of NI 81-102, we urge the OSC to ensure that any efforts to modernize the instrument to accommodate the proposed structure should be conducted in such a manner that does not negatively disrupt existing offerings currently leveraging NI 81-102.

Recommendation #2: Expand the market opportunity for the proposed fund structure by removing the "Cornerstone Investor" requirement.

- As a large institutional investor, we strongly believe in the merits of investing in alternative assets, including real estate, private credit and infrastructure.
- However, we believe that the "Cornerstone Investor" requirement significantly impedes the commercial viability of this proposal.
- This is because institutional investors taking on the cornerstone investor role would potentially have to accept stringent redemption rights imposed under the proposed structure with little to no compensation.
- Should this be the case, the cornerstone investor would be better served by continuing to access these types of investments outside of the proposed structure without the limitations imposed onto OLTFS.
- The expectation that ownership by long-term funds in any one Collective Investment Vehicle (CIV) would be limited to 10% of the CIV's equity is unduly restrictive and would be difficult to manage, particularly where a CIV is specifically built for the long-term fund product.
- Giving investment fund managers (IFMs) the flexibility to set an OLTFS's ownership limit in the underlying CIV, at least temporarily, would likely enable more OLTFSs to be launched.
- Once the market has adjusted to the introduction of OLTFSs, the OSC could then consult on a suitable ownership limit.

¹ Government of Canada, Statistics Canada. (2023, October 17). *Recent trends in families' contributions to three registered savings accounts*. <https://www150.statcan.gc.ca/n1/pub/75f0002m/75f0002m2023008-eng.htm>



Recommendation #3: Permit IFMs appropriate agency to innovate within the proposed fund structure.

- Several aspects of the proposed fund structure could be modified to improve the viability of the proposed long-term fund structure. We offer some sub-recommendations to ensure that investment fund managers have the ability to meet the retail market's needs.
- **Remove the CIV requirement:** IFMs should be permitted the flexibility to elect the optimal fund structure for their respective clients.
- **Remove the forced wind-up requirement:** This proposal constrains the agency of an OLTF's fund's governance body, whether it be an independent review committee, board of trustees or board of directors, which is the actor best positioned to determine whether a fund should be wound up or not. In addition, a forced wind-up eliminates the option for an IFM to merge the OLTF with another fund, which would yield a significantly better outcome for investors than disposing assets at fire-sale prices.

We look forward to working with the OSC to encourage broader accessibility to investment in long-term assets for the retail market. Please let us know if you have any questions or if there is any way we can be of further assistance. We are looking forward to the OSC's next steps.

Sincerely,

A handwritten signature in black ink that reads "Oricia Smith".

Oricia Smith
President, SLGI Asset Management Inc. & SVP, Investment Solutions

A handwritten signature in black ink that reads "Michael Schnitman".

Michael Schnitman
Senior Managing Director, SLC Management