

IRC 2014 Report to Securityholders

December 31, 2014

Dear Securityholder:

As Chair of the Independent Review Committee (the “IRC”) for certain publicly offered investment funds (the “Funds”) managed by BMO Investments Inc. (the “Manager”), I am pleased to provide you with the 2014 Annual Report to Securityholders of the Funds, as required under National Instrument 81-107-*Independent Review Committee for Investment Funds*.

The mandate of the IRC is to review conflict of interest matters identified and referred to the IRC by the Manager and to give an approval or a recommendation, depending on the nature of the conflict of interest matter. A “conflict of interest matter” is a situation where a reasonable person would consider the Manager or an entity related to the Manager to have an interest that may conflict with the Manager’s ability to act in good faith and in the best interests of the Funds. In each instance where a conflict of interest matter is identified and referred to the IRC, the focus of the IRC is to determine if the Manager’s proposed action achieves a fair and reasonable result for the Funds.

At least annually, the IRC will also review and assess the adequacy and effectiveness of the Manager’s written policies and procedures relating to conflict of interest matters in respect of the Funds, and will conduct a self-assessment of the IRC’s independence, compensation and effectiveness.

The members of the IRC, whose identities are listed in the report, bring to their roles a combination of educational and professional experience and skills to adequately address the scope of the conflict of interest matters that come before the IRC. Since the formation of the IRC, its members have been fully satisfied with the open and cooperative attitude of the Manager. The members of the IRC look forward to maintaining the highest level of cooperation and to continuing to carry out its mandate to ensure that the best interests of the Funds are paramount when the Manager is faced with a conflict of interest matter.

Me. Louise Vaillancourt
Chair of the Independent Review Committee

Reporting Period

The Independent Review Committee (the “IRC”) for the publicly offered BMO Mutual Funds (the “Funds”) managed by BMO Investments Inc. (the “Manager”), as listed in Schedule “A” to this report, became operational on September 12, 2007. The information disclosed in this report covers the period beginning January 1, 2014 and ending December 31, 2014, the financial year-end for the Funds (inclusively, the “Period”).

Members of the IRC

NAME	RESIDENCE	FIRST APPOINTED
Louise Vaillancourt Chair of the IRC	Montréal, Quebec	May 1, 2007 ¹
Allen B. Clarke	Toronto, Ontario	May 1, 2007 ¹
John K. McBride	Ottawa, Ontario	May 1, 2007 ¹
Mark Brown	Calgary, Alberta	December 4, 2013

¹ As required under National Instrument NI 81-107-*Independent Review Committee for Investment Funds*, the members of the IRC were appointed first members of the IRC on May 1, 2007. The members of the IRC also served as independent trustees of the Funds organized as trusts and independent directors of the Funds organized as corporations until the IRC became operational on September 12, 2007, at which time they resigned their positions as independent trustees and directors of the Funds.

The members of the IRC also serve as members of the IRC for BMO Exchange-Traded Funds and BMO Private Portfolios. In addition, Mark Brown and Allen B. Clarke serve as IRC Members for Canoe Financial Mutual Funds and Allen B. Clarke serves as an IRC member for Ridgewood Capital, Coxé Global Agribusiness Income Fund, Star Hedge Managers Corp. II, Star Yield Managers Class (a class of shares of Star Portfolio Corp.), Star Yield Trust, U.S. Housing Recovery Fund, DoubleLine Income Solutions Trust, First Trust Global DividendSeeker Fund, PineBridge Investment Grade Preferred Securities Fund and Global Water Solutions Fund. Each member of the IRC is independent of the Funds, the Manager and any person or company related to the Manager. During the Period, there were no relationships that may cause a reasonable person to question a member’s independence.

Holdings of Securities

Funds

As at December 31, 2014, IRC members beneficially owned, directly or indirectly, in aggregate, less than 10% of the outstanding units and/or shares of each class or series of the Funds.

Manager

The Manager is an indirect wholly-owned subsidiary of the Bank of Montreal (the “Bank”). As at December 31, 2014, IRC members beneficially owned, directly or indirectly, in aggregate, less than 0.01% of the Bank’s outstanding common shares.

Service Providers

As at December 31, 2014, IRC members did not beneficially own, directly or indirectly, any class or series of voting or equity securities of any other material persons or companies that provided investment fund services to the Funds or the Manager during the Period.

IRC Compensation and Indemnities

The members of the IRC are entitled to be compensated by the Funds and to be indemnified by the Funds in appropriate circumstances. The aggregate compensation, including expenses, paid by the Funds to the IRC for the Period was \$41,579. This amount was allocated among the Funds, in an equitable and reasonable manner.

The initial compensation of the IRC was set by the Manager. At least annually, the IRC will review compensation in a manner consistent with good governance practices, giving consideration to the following factors, among any other factors the IRC considers important:

- (a) the best interests of the Funds;
- (b) the number, nature and complexity of the Funds;
- (c) the nature and extent of the workload of each IRC member, including the commitment of time and energy that is expected from each member;
- (d) industry best practices, including industry averages and surveys on IRC compensation, if available;
- (e) the IRC’s most recent annual self-assessment; and
- (f) the Manager’s recommendations about IRC compensation and expenses, if made.

During the Period, no amounts were paid to the IRC by the Funds pursuant to indemnities given by the Funds to the IRC.

Conflict of Interest Matters

National Instrument 81-107-*Independent Review Committee for Investment Funds* requires the IRC to review all conflict of interest matters identified and referred to the IRC by the Manager and to give an approval or a recommendation, depending on the nature of the conflict of interest matter. In certain

cases, the IRC may also issue standing instructions to the Manager in conjunction with an approval or a recommendation to enable the Manager to act in the particular conflict of interest matter on a continuing basis.

Below is a brief summary of the conflict of interest matters that have been identified by the Manager and referred by the Manager to the IRC for the IRC's approval or recommendation:

Conflict of Interest Matter

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1. Investing in BMO common shares or BMO preferred shares.
 2. Investing in BMO debt securities in the secondary market.
 3. Investing in BMO long-term debt securities in a primary offering.
 4. Investing in securities during the period of distribution of those securities or during the 60-day period following the period of distribution where BMO Nesbitt Burns Inc. (BMONBI), an entity related to the Manager, acts as an underwriter in the distribution of those securities.
 5. Purchasing government and/or non-government debt securities from BMONBI who holds the debt securities as principal and/or selling government and/or non-government debt securities to BMONBI who purchases the debt securities as principal.
 6. Purchasing a security from or selling a security to another investment fund managed by the Manager or an affiliate of the Manager (Inter-Fund Trades).
 7. Monitoring services provided by portfolio managers of the Funds, including portfolio managers related to the Manager.
 8. Voting securities held by the Funds (proxy voting).
 9. Personal trading by employees of the Manager.
 10. Frequent trading by securityholders of the Funds.
 11. Employee conflict of interest matters, including outside business activities and the acceptance of payments, gifts and entertainment.
 12. Identifying and correcting net asset value (NAV) errors.
 13. Valuing assets of the Funds.
 14. Allocating expenses of the Funds.
 15. Large securityholders and large redemptions.
 16. Fund of funds investing.
 17. Conducting FX transactions with a related party.
 18. Change of Portfolio Manager of BMO High Yield Bond Fund to a Related Party.
 19. Change of one of the Portfolio Managers of BMO Canadian Diversified Monthly Income Fund to a Related Party.
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Compliance

The IRC has not been informed of any instance in which the Manager acted in a conflict of interest matter but did not meet a condition imposed by the IRC in its approval, recommendation and/or standing instruction. The Manager has an obligation to notify the IRC of any such instance.

Schedule "A"

BMO Mutual Funds

BMO Asian Growth and Income Fund

BMO Canadian Diversified Monthly Income Fund

BMO Canadian Large Cap Equity Fund

BMO Canadian Stock Selection Fund

BMO Enterprise Fund

BMO Floating Rate Income Fund

BMO Global Diversified Fund

BMO Global Growth & Income Fund

(previously, BMO Global Absolute Return Fund)

BMO Global Small Cap Fund

BMO Growth & Income

BMO High Yield Bond Fund

BMO International Value Fund

BMO Monthly Dividend Fund Ltd.

BMO Monthly High Income Fund II

BMO SelectTrust™ Balanced Portfolio

BMO SelectTrust™ Conservative Portfolio

BMO SelectTrust™ Equity Growth Portfolio

BMO SelectTrust™ Growth Portfolio

BMO SelectTrust™ Income Portfolio

(previously, BMO SelectTrust™ Security Portfolio)