

IRC 2015 Report to Securityholders

September 30, 2015

Dear Securityholder:

As Chair of the Independent Review Committee (the “IRC”) for certain publicly offered mutual funds managed by BMO Investments Inc. (the “Manager”), I am pleased to provide you with the 2015 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 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 October 1, 2014 and ending September 30, 2015, the financial year-end for the Funds (inclusively, the “Period”).

Members of the IRC

NAME	RESIDENCE	FIRST APPOINTED
Louise Vaillancourt (Chair)	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 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 serves as an IRC member for Canoe Financial Mutual Funds and Allen B. Clarke serves as an IRC member for EnerVest Canoe Funds, Ridgewood Capital, Coxe Global Agribusiness Income Fund, 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, Global Water Solutions Fund, and Global Alpha Worldwide Growth 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 September 30, 2015, IRC members beneficially owned, directly or indirectly, in aggregate, less than 10% of the outstanding units and/or shares of each series of the Funds.

Manager

The Manager is an indirect wholly-owned subsidiary of the Bank of Montreal (the “Bank”). As at September 30, 2015, IRC members beneficially owned, directly or indirectly, in aggregate, less than 0.01% of the Bank’s outstanding common shares.

Service Providers

As at September 30, 2015, IRC members did not beneficially own, directly or indirectly, any class or series of voting or equity securities of any other material person or company that provided mutual 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 \$153,322. 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.

Where standing instructions have been issued in respect of a conflict of interest matter, the Manager must present the standing instructions and its written policies and procedures on the conflict of interest matter to the IRC for the IRC's review and reaffirmation on an annual 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 Matters

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 or non-government debt securities to BMONBI who purchases that debt security 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. Determining and authorizing the payment of fund expenses
15. Large securityholders and large redemptions
16. Fund of funds investing
17. Foreign exchange transactions with a related party
18. Merger of BMO LifeStage Plus 2015 Fund into BMO Money Market Fund
19. Change of portfolio manager of BMO European Fund to a related party
20. Determining and authorizing the payment of income taxes of the BMO Global Tax Advantage Funds

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 Security Funds

BMO Money Market Fund

BMO Income Funds

BMO Balanced Yield Plus ETF Portfolio

(formerly, BMO Target Enhanced Yield ETF Portfolio)

BMO Bond Fund

BMO Core Bond Fund*

BMO Core Plus Bond Fund*

BMO Diversified Income Portfolio

BMO Emerging Markets Bond Fund

BMO Fixed Income Yield Plus ETF Portfolio

(formerly, BMO Target Yield ETF Portfolio)

BMO Global Monthly Income Fund

BMO Global Strategic Bond Fund

BMO Laddered Corporate Bond Fund

BMO Monthly Income Fund

BMO Mortgage and Short-Term Income Fund

BMO Preferred Share Fund

BMO Tactical Global Bond ETF Fund*

BMO U.S. High Yield Bond Fund

BMO World Bond Fund

BMO Growth Funds

BMO Asset Allocation Fund

BMO Canadian Equity ETF Fund

BMO Canadian Equity Fund

BMO Dividend Fund

BMO Enhanced Equity Income Fund

BMO European Fund

BMO Global Balanced Fund*

BMO Global Dividend Fund*

BMO Global Equity Fund*

BMO Global Infrastructure Fund

BMO Growth Opportunity Fund*

BMO International Equity ETF Fund

BMO North American Dividend Fund

BMO Tactical Balanced ETF Fund*

BMO Tactical Dividend ETF Fund

BMO Tactical Global Equity ETF Fund*

BMO U.S. Dividend Fund*

BMO U.S. Equity ETF Fund

BMO U.S. Equity Fund

BMO U.S. Equity Plus Fund*

BMO Equity Growth Funds

BMO Canadian Small Cap Equity Fund

BMO Emerging Markets Fund

BMO Global Dividend Fund

BMO Precious Metals Fund

BMO Resource Fund

BMO ETF Portfolios

BMO Fixed Income ETF Portfolio

BMO Income ETF Portfolio

BMO Conservative ETF Portfolio

BMO Balanced ETF Portfolio

BMO Growth ETF Portfolio

BMO Equity Growth ETF Portfolio

BMO U.S. Dollar Funds

BMO U.S. Dollar Balanced Fund

BMO U.S. Dollar Dividend Fund

BMO U.S. Dollar Equity Index Fund

BMO U.S. Dollar Money Market Fund

BMO U.S. Dollar Monthly Income Fund

BMO Global Tax Advantage Funds

BMO Asian Growth and Income Class

BMO Canadian Equity Class

BMO Canadian Tactical ETF Class

BMO Dividend Class

BMO Global Dividend Class

BMO Global Energy Class

BMO Global Equity Class

BMO Global Tactical ETF Class

BMO Greater China Class

BMO International Value Class

BMO LifeStage 2017 Class

BMO LifeStage 2020 Class

BMO LifeStage 2025 Class

BMO LifeStage 2030 Class

BMO LifeStage 2035 Class

BMO LifeStage 2040 Class

BMO Short-Term Income Class

BMO U.S. Equity Class

BMO SelectClass® Security Portfolio

BMO SelectClass® Balanced Portfolio

BMO SelectClass® Growth Portfolio

BMO SelectClass® Equity Growth Portfolio

BMO Income ETF Portfolio Class

BMO Balanced ETF Portfolio Class

BMO Growth ETF Portfolio Class

BMO Equity Growth ETF Portfolio Class

SCHEDULE "A" (cont'd)

BMO LifeStage Plus Funds

BMO LifeStage Plus 2017 Fund
BMO LifeStage Plus 2020 Fund
BMO LifeStage Plus 2022 Fund
BMO LifeStage Plus 2025 Fund
BMO LifeStage Plus 2026 Fund
BMO LifeStage Plus 2030 Fund

BMO FundSelect® Portfolios

BMO FundSelect® Security Portfolio
BMO FundSelect® Balanced Portfolio
BMO FundSelect® Growth Portfolio
BMO FundSelect® Equity Growth Portfolio

BMO Target Education Portfolios*

BMO Target Education Income Portfolio
BMO Target Education 2020 Portfolio
BMO Target Education 2025 Portfolio
BMO Target Education 2030 Portfolio
BMO Target Education 2035 Portfolio

BMO Retirement Portfolios*

BMO Retirement Income Portfolio
BMO Retirement Conservative Portfolio
BMO Retirement Balanced Portfolio

BMO SelectTrust™ Portfolios

BMO SelectTrust™ Fixed Income Portfolio

BMO Risk Reduction Funds

BMO Risk Reduction Fixed Income Fund
BMO Risk Reduction Equity Fund

**New funds launched during the period.*

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