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## Event Details

**Featured Speaker:** Vicki Bakhshi Director, Head of Governance and Sustainable Investments for F&C

**Date:** June 24, 2015

**Location:** BMO Global Asset Management 100 King Street West, 68th Floor, First Canadian Place, Toronto ON M5K 1J5

**Time:** 7:30am to 10:00am. Session begins promptly at 8:00am.

A continental breakfast will be served.

Please RSVP to [bmoam.institutional@bmo.com](mailto:bmoam.institutional@bmo.com)

## Beyond the Event

F&C is a global leader in responsible investment and has been a pioneer in ESG since 1984 when they launched Europe's first ethically-screened fund. In the past 30 years, they have developed responsible investment into a core capacity.

Starting as a single innovative equity fund, F&C's responsible investment solutions now include a range of funds across asset classes, a comprehensive global engagement and voting service for institutional investors, and the integration of ESG factors across the investment business.

Launched in 2000, **reo**<sup>®</sup> is an overlay service available on all equity and corporate bond portfolios. It offers clients access to engagement and voting expertise - providing a consistent and transparent approach to active ownership.

The Governance and Sustainable Investment (GSI) team is an award winning in-house specialist team that identifies, manages and reports on ESG risks in a client's portfolio. Additionally, the team conducts proxy voting and engagement with companies held in a portfolio with a view to achieving positive change.

Benefits of **reo**<sup>®</sup> include:

- Alignment between ownership practices and responsible investment policies.
- Consistent and transparent approach, wherever assets are managed.
- Comprehensive reporting of engagement progress and outcomes.

To learn more about **reo**<sup>®</sup>, our Responsible engagement overlay, and how this service works for Canadian investors, please contact us at [BMOAM.Institutional@bmo.com](mailto:BMOAM.Institutional@bmo.com). ●

## The Growing Demand for ESG Integration – Next Steps Please...

Responsible investing has been defined by the global financial community as “the integration of environmental, social, and governance (ESG) issues into the selection and management of investments.” There is also widely recognized research which supports that incorporating ESG criteria into the investment process has a positive impact on a portfolio's risk-return profile, both through generating opportunities and reducing risk. The challenge is often more about how to implement, now that consensus, progressive business principles and changing regulatory requirements have made the case for why.

With the impending requirement that plan administrators must file Statements of Investment Policies and Procedures (SIPPs), detailing information about whether ESG factors are incorporated into the SIPP and, if so, how the ESG factors are addressed in the plan's investment strategy, there is a flurry of activity on defining the acronyms of ESG. We'd like to introduce the practical experience of our European partners in order to provide some advice and more importantly, practical examples of migrating your way through this process.

### Practical Help for Asset Owners, Large and Small

Please join us for a seminar where F&C Investments, now part of BMO Global Asset Management, will provide actionable ideas based on their 30 years of experience in ESG reporting. Drawing on lessons learned from UK-based funds, they will share their experiences and help participants leave the session armed with practical advice on what you can do next.



# Smart Beta ETFs



**Alfred Lee, CFA, CMT, DMS**  
Vice President, Portfolio Manager  
& Investment Strategist  
Global Structured Investments

Alfred is a portfolio manager at BMO Asset Management Inc. where he manages fixed income and preferred share related mandates for both institutional and retail clients. As part of the global fixed income management team, he is involved in the management and trading of a wide variety of portfolios including Canadian bonds, U.S. investment grade, high yield, European and Asian bonds, emerging market debt and others. Previously, he worked for a large Canadian based brokerage developing ETF related strategies and sat on the firm's investment committee. Alfred is a graduate of the University of Western Ontario, majoring in economics and holds the CFA, Chartered Market Technician and Derivatives Market Specialist designations.

## What's behind the buzz of Smart Beta?

Smart Beta has become an industry buzzword. The simplest way to explain smart beta is any weighting methodology that is different to traditional market capitalisation weighted approaches. This could include something simple and range from strategies such as equal weighting to those that place an emphasis on specific market factors such as dividends or low volatility. Smart-beta strategies provide different risk and return characteristics for investors, allowing them to better meet their specific objectives, while at the same time providing them beta exposure.

*Smart beta  
bridges the gap  
between active and  
passive investing*

## Institutional Use of Smart-Beta ETFs

Institutions have been utilising smart-beta strategies such as low volatility for decades. The development of the exchange-traded funds industry has provided these investors with instruments to implement their strategies more efficiently. Rather than having to go through a lengthy request for proposal (RFP) process, institutions can now simply invest in a readily available ETF. Additionally, innovation in the ETF industry has resulted in a growing universe of smart-beta products as investors now have a greater number of factor exposures from which to choose.

Smart beta is here to stay and in actuality has been around for a very long time. Institutions have used smart-beta investing for quite some time, but ETFs have made them more accessible and brought them into the mainstream. It may be worth noting that academic studies have shown that, historically, certain factors have consistently added value

over the long term, especially on a risk-adjusted level. It isn't necessarily about performance, however. Different investors will always have various objectives, which is why one investor may desire a certain factor tilt over another. Smart beta provides a different look to the same underlying market that may be more suitable.

## Market Exposure

Factor-based ETFs offer exposure to specific factors, whether these outperform the market or not. In contrast, a skilled active manager selects securities with the objective of outperforming the market while not necessarily focusing on a specific factor exposure. Smart beta is complementary to both active and passive investing and bridges the gap between the two investment approaches. We believe smart beta should be viewed separately to both passive and active, exactly how some of the larger institutions are allocating in their overall mandates.

We're already seeing a widespread acceptance of smart-beta products offering single factor exposure. What's going to become more mainstream is that the gap between passive and active will continue to narrow as more quantitative-type strategies and multi-factor approaches will be launched. We're already starting to see that develop in certain regions.

## Conclusion

Smart beta has become a hot topic. With a greater number of investors allocating to this area in the future, there are providers looking to benefit from this growth. It's important to look for an ETF provider that has the experience and "know-how" in developing products. In addition to available solutions, investors should look for ETF providers that provide education in how the products work and how to use them within their overall portfolio.

BMO ETFs is one of the global leaders in smart-beta solutions, with about 25% of their global ETF AUM in various factor-based and smart-beta products. Please visit their award winning website at [www.etfs.bmo.com](http://www.etfs.bmo.com) to learn more about these effective and efficient tools.

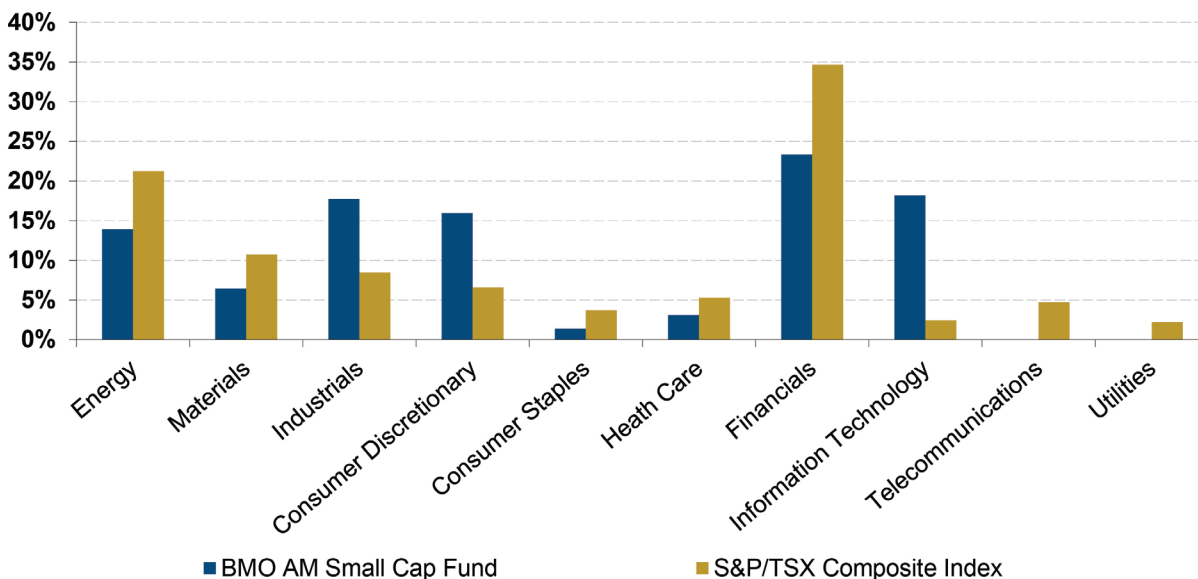
\*Article originally published by Asian Investor as of April 2015. ●

# Canadian Small Cap Fund Feature

## Fund Feature: Extracting more from your Canadian equities

The BMO AM Small Cap Fund dates back to 1996 and is managed by strong portfolio management and research teams with a highly desirable performance record over this time period. With the S&P/TSX Composite Index being so highly concentrated in two sectors that currently represent over half of the market (namely Financials and Energy), investing in this Fund can provide investors with other opportunities than large cap and an influx of new ideas from which to choose.

The BMO AM Small Cap Fund aims to invest where the best growth opportunities are and provides exposure to underrepresented sectors such as Information Technology, Industrials and Consumer Discretionary. On a combined basis, the result is a diversified Canadian equity portfolio that allows you to more fully participate in the return opportunities that our Canadian market has to offer. The chart below compares the BMO AM Small Cap Fund's sector exposures to the S&P/TSX



Composite Index sectors as of March 31, 2015.

## Benefits of the BMO AM Small Cap Fund

- Growth-oriented strategy
- Reduced sector concentration risk with your large cap equities
- Expanded opportunity set
- Unique risk management approach
- Controls to ensure the Fund remains a small cap strategy

*Exceptional performance both on an absolute and relative basis*

As evident in the below chart based on March 31, 2015 data, the team has delivered exceptional performance both on an absolute and relative basis.

	3 Months	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years	Since Inception**	10 Year Sharpe Ratio
<b>BMO AM Small Cap Fund</b>	<b>5.09</b>	<b>13.28</b>	<b>25.31</b>	<b>21.28</b>	<b>12.38</b>	<b>15.86</b>	<b>11.70</b>	<b>14.55</b>	<b>16.17</b>	<b>0.68</b>
Benchmark*	0.01	-8.21	3.15	0.85	-2.24	4.08	3.66	5.36	7.55	
Value Added	5.08	21.49	22.16	20.43	14.62	11.78	8.04	9.19	8.62	

\*BMO Capital Markets Small Cap Index

\*\*Performance Inception Date: January 1, 1996

Note: Performance is gross of fees. Past performance is not indicative of future results.

Annualized Returns to March 31, 2015

To learn more about our Fundamental Canadian Equity Strategies, please email us at [BMOAM.Institutional@bmo.com](mailto:BMOAM.Institutional@bmo.com). ●

# Holland Bloorview Investor Challenge Fund Feature



## Holland Bloorview: Change for Kids Investor Challenge

Let the games begin!

Three money managers, including BMO Global Asset Management, face off for charity by participating in the inaugural Change for Kids Investor Challenge. The Investor Challenge's campaign goal is to raise funds for Holland Bloorview Kids Rehabilitation Hospital Foundation and to improve the lives of children with disabilities. The three participating investment managers will manage funds they raise for a period of one year, from January 1, 2015 to December 31, 2015. At the end of this period, all account returns will go directly to the Foundation.



Lesley Marks, Senior Vice President & Chief Investment Officer, Fundamental Canadian Equities at BMO Global Asset Management, is one of the participating managers in this challenge. Not only is she passionate about investing for her clients, but for charity too and this opportunity has greatly inspired her.

Lesley has chosen to invest the monies raised in the BMO Asset Allocation Fund, a Canadian balanced fund that holds Canadian equities and fixed income, and has the potential to invest up to 30 per cent of its holdings in foreign securities. The Fund is managed by a strong team of portfolio managers at BMO GAM who have extensive experience and successful performance records.

For more information about the Challenge and the Managers participating, visit [www.changeforkids.ca](http://www.changeforkids.ca)

To view Lesley Marks' story, [click here](#).

## Our Approach to Corporate Responsibility

BMO Financial Group has a long tradition of community involvement, and BMO GAM proudly supports charitable initiatives in the communities where we operate through donations and innovative sponsorship programs, such as this one. Our first responsibility is to our clients and, as responsible corporate citizens our approach to corporate responsibility is reflected in our values, codes of conduct, governance structure, policies, engagement activities and affiliations. ●

## In the Market

COMING  
SOON

### Website Rebrand and Re-Launch

BMO Global Asset Management is in the process of creating a re-branded website. The site is a centralized information resource for Canadian

institutional investors and will provide easy access to our global capabilities and entire line-up of investment solutions. Stay tuned for an announcement of the launch.

FYI

### Announcing a new pooled vehicle for Active International Equity

Effective May 22<sup>nd</sup> 2015, BMO AM offers a Pooled Fund Trust vehicle called the BMO AM International Equity Fund for institutional investors in Canada. Sub-advised by Pyrford International, this active international equity strategy has a strong and favourable 20 year track record. The Fund takes a total return approach (dividend yield + five years' forecast earnings per share growth), characterised by a focus on sustainable returns and capital discipline across the entire stock portfolio. Additionally, it seeks to outperform the MSCI EAFE Index with low absolute volatility and low downside capture over a five year timeframe.

FYI

### Out and About: Breakfast Seminar How To Implement ESG

On June 24th, 2015 BMO GAM is hosting an educational seminar to help asset owners navigate their way through reporting ESG requirements. For more details and to register, please contact [bmoam.institutional@bmo.com](mailto:bmoam.institutional@bmo.com). This event is currently in Ontario only, please let us know if you would be interested for us to roll this out to other locations, or to receive any further information.

FYI

### Awards and Recognition:

#### BMO GAM Ranked in Top 50 Money Managers

BMO Global Asset Management ranked 46th in this year's Pensions & Investment's (P&I) annual ranking of the largest money managers. Rankings are based on a firm's worldwide institutional assets under management as of December 31, 2014. In last year's report we were ranked at 102<sup>nd</sup> place.



*For more information about our line-up of Equity, Fixed Income, Currency and ETF solutions, please contact:*

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F&C Investments is the European hub of BMO Global Asset Management, which is part of the Bank of Montreal.

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