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Announcing the New Strategic Solutions Team

As a growing business, BMO GAM’s strategic priorities include providing global investment and servicing expertise to institutional clients, and advancing the agenda on solutions that support clients’ needs in an evolving marketplace. As further evidence of our deep commitment to our institutional asset management business, we are pleased to introduce our **Strategic Solutions** group, which was launched in January 2015.

The team’s objectives are to:

1. Create multi-asset solutions;
2. Work on strategic asset allocation questions for individual clients;
3. Promote creative thinking on key institutional areas of interest.

Findings will be brought to our clients and partners by your relationship manager in the form of research and educational papers and/or presentations. Drawing on BMO GAM’s expertise in almost every market around the world, we have a research agenda for the year that includes:

- Enhancing fixed income returns
- Can your fund benefit from smart beta?
- Outcome investing and defining risks
- Having a meaningful Environment, Social and Governance dialogue with your investment committee

The team is headed by Terrie Miller, SVP, Head of Strategic Solutions and supported by Howard Lee, Senior Solutions Analyst.

We look forward to communicating with you on these issues and welcome your input on any key questions you would like us to address. ●

Active Fixed Income

Extracting value from fixed income in a low interest-rate environment

Since the end of the financial crisis, major central banks have engaged in tremendous efforts to revive financial markets and global growth by lowering interest rates to record lows and printing money to encourage lending - a monetary policy known as “quantitative easing.” Although the magnitude of their stimulus measures has been much greater relative to historical measures, the results have been significantly below expectations. Furthermore, budget deficits and debt have skyrocketed to extreme levels, which sooner or later will need to be dealt with. To prevent sovereign default and keep the stock market afloat and rising, there have been other efforts by central banks - Japan in early 2013 and Europe more recently - to kick-start growth once again. The key consequence has been low nominal interest rates, while real interest rates are close to zero. This dilemma has resulted in a “double-edged sword” in that abrupt attempts to “normalize” rates will likely be detrimental to riskier assets, such as corporate credit or equities. Consequently, we don’t anticipate any material increase in rates for the near to medium term.

The chart shown below depicts the secular decline in yields since the early 80’s, highlighting a positive environment for fixed income investments. Now, however, it raises the important question on most investors’ minds:

“How to extract value from bonds when the expected real return is so low?”

The answer: diversification in a much broader sense. For example: we think of diversification in terms of geography, correlations, strategic and tactical strategies, and combining both top-down and bottom-up active management.

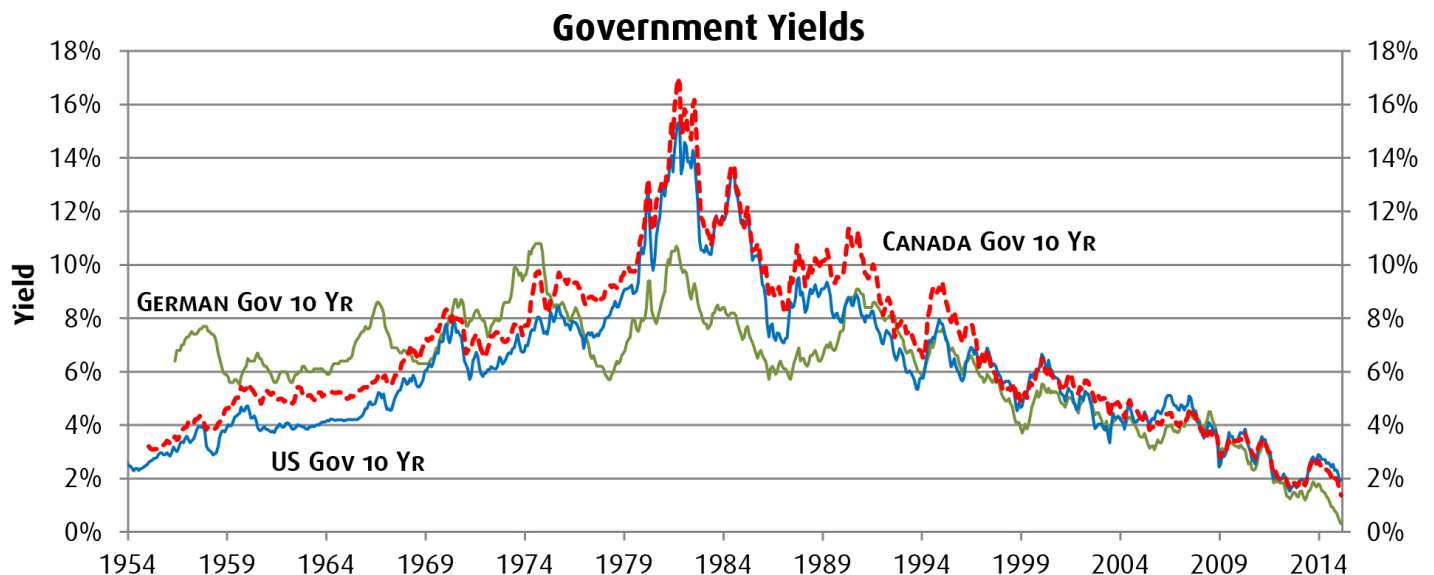
Moving beyond the traditional “Active” in fixed income

Similar to the Canadian equity market, the Canadian fixed income market is limited compared to global opportunities. Because of this, we believe that select, non-domestic exposure will greatly improve the risk and return profile of a Canadian bond portfolio. As investors diversify outside of Canada, understanding and managing risk to protect capital is critical in areas such as liquidity, trading, and managing both security and portfolio risk.

With a need to preserve capital and produce income, an allocation to fixed income continues to be an important part of a balanced portfolio. And with the expected persistence of low interest rates, *now more than ever*, investors need to evolve their traditional fixed income mindset and become more active and opportunistic in managing this asset class. ●



Denis Senécal, M.Sc.
Senior Vice President and
Chief Investment Officer
Active Fixed Income
BMO Asset Management Inc.



Source: Bloomberg

Full Spectrum of Global Offerings

BMO GAM is a multi-asset management business focused on meeting the needs of investors both locally and globally. We offer a number of global solutions across asset classes, investment styles, solutions and geographies to solve for the risks facing institutional investors. We would be delighted to discuss our platform with you.

*Global Reach.
Regional Expertise.*

Snapshots of Key Global Strategies:

	Annualized Returns to December 31, 2014 (%)						About the Fund
	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception*	
BMO AM Global Small Cap Strategy†	20.87	24.35	18.44	9.64	11.41	12.73	Core, style-neutral global small cap stock strategy driving smarter returns and lower risk. *Inception Date: October 2013
MSCI World Small Cap Index (\$CAD)	11.54	22.27	15.45	9.12	7.67	7.28	
Value Added	9.32	2.08	2.98	0.53	3.74	5.44	
BMO AM Global Core Alpha Strategy‡	14.34	20.81	15.08	9.01	8.28	5.52	A core strategy with market-like risk and favourable value add. *Inception Date: December 2012
MSCI World Index (\$CAD)	15.08	21.34	13.12	6.27	6.22	2.14	
Value Added	-0.74	-0.52	1.96	2.73	2.06	3.37	
BMO AM Global Dividend Strategy	14.58	19.37	14.55	10.29	9.58	9.07	Reduce downside risk while adding value. Exhibits 2/3 volatility of the broad market. *Inception Date: September 2012
MSCI World Low Volatility Index (\$CAD)	15.08	21.34	13.12	6.27	6.22	2.14	
Value Added	-0.50	-1.96	1.43	4.02	3.36	6.93	
BMO Pyrford International Equity Strategy	9.89	16.17	10.43	8.00	6.68	7.67	Low absolute volatility, low downside and high upside market capture over a long-term timeframe. *Inception Date: July 1994
MSCI EAFE Index (\$CAD)	4.12	16.44	7.93	1.78	4.55	4.33	
Value Added	5.77	-0.27	2.50	6.22	2.13	3.34	
BMO LGM Global Emerging Markets Growth and Income Strategy	16.91	11.40	7.58	4.67	n/a	4.08	A benchmark-agnostic emerging markets equity strategy with an emphasis on quality, growth, and an assessment of ESG criteria *Inception Date: December 2007
MSCI Emerging Markets NDR Index	6.63	8.61	3.83	0.94	n/a	1.31	
Value Added	10.28	2.79	3.75	3.73	n/a	2.77	
BMO F&C Emerging Markets Debt	15.85	10.10	9.64	10.23	8.14	9.48	A systematic and disciplined approach that generates solid performance in all market conditions. *Inception Date: November 1997
JPM EMBI Global Diversified	17.11	10.79	9.73	9.85	7.41	8.20	
Value Added	-1.26	-0.69	-0.09	0.38	0.73	1.28	
BMO F&C Global Convertible Bonds	7.20	15.41	6.91	6.22	n/a	5.76	Upward participation & downward protection from convertible debt securities in Europe, US, Japan and Asia. *Inception Date: July 2007
Citigroup WGBI Unhedged	8.49	3.38	3.72	5.45	n/a	5.54	
Value Added	-1.29	12.03	3.19	0.77	n/a	0.22	

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

†Simulated performance for the BMO AM Global Small Cap Strategy prior to September 2013.

‡Simulated performance for the BMO AM Global Core Alpha Strategy prior to December 2012.

Please refer to further disclosures provided at the end of this document.

Across the Franchise: Shared Successes

About five years ago, we embarked on a mission to demonstrate that we were more than “thought leaders”, we were “thought doers” - able to translate our innovation into solutions that are easily accessible by all of our clients. The response has been tremendous, and we’re proud of the recognition we’ve received.

A global firm among Top Managers worldwide¹

At home:

- In Canada, assets under management exceeded \$75 billion as of December 31, 2014
- *Top 40 Money Managers Survey*. BMO GAM made the Top 10 List for Total Canadian Assets under Management and the Top 40 for pension assets (as of June 30, 2014)
- Awarded 3 *API Asset Performance Inc. Performance Achievement Awards*. The BMO AM Balanced Fund, BMO AM LSE Fund (now named the BMO AM Canadian Smart Alpha Equity Fund) and BMO AM Small Cap Fund were all recognized for distinguished investment performance over a one year period
- BMO Global Infrastructure ETF won Best Specialty ETF at *2014 Morningstar Canadian Investment Awards*. Other awards included:
 - #1 rankings for Best Energy Equity fund, Best Global Equity fund, Best High Yield Fixed Income fund, Best Canadian Fixed Income fund and Best North American Equity fund
- For the 4th year in a row, top ETF asset gatherer in Canada in 2014, capturing 49% market share

- Exceptional growth for Institutional business in 2014 with over \$2.8 billion in net new assets
 - Coupled with strong client retention
- Added bench strength to our growing Institutional team by hiring five Sales & Service professionals in 2014
- Created Strategic Solutions group

Abroad:

- Global assets under management totalled over C\$300.7 billion*
- Diversified client base: 24 offices in 14 countries with more than 250 investment strategies
- One of the fastest growing ETF providers globally; the first Canadian bank to launch ETFs in Hong Kong
- BMO GAM’s mutual fund business recognized as one of the top performers in 2014 in the annual Barron’s/Lipper Fund Family Ranking, 2nd among U.S. fund providers [Click here to view press release](#)
- Over twenty-five 2014 awards in Europe, including twelve Lipper Awards ●

¹Pensions & Investments, December 2013, including F&C. *AUM as of December 31, 2014. Includes BMO Asset Management Inc., BMO Asset Management U.S., Pyrford International, Money, LGM Investments, Taplin, Candida & Habacht, LLC and F&C Asset Management plc. BMO Asset Management U.S. consists of BMO Asset Management Corp. and M&I Investment Management Corp., which merged into BMO Asset Management Corp. (formerly Harris Investment Management Inc.) on June 1, 2012.

Notices/Announcements

For Your Information:

Name Change – We are changing the name of the *BMO Asset Management Liability Sensitive Equity Fund* to the *BMO Asset Management Canadian Smart Alpha Equity Fund*. The fund's investment philosophy and process, management team and objectives remain unchanged.

Benchmark Change – We are changing the benchmark for the BMO Asset Management Small Cap Fund from the *BMO Capital Markets Small Cap Index (Blended)* to the *S&P/TSX SmallCap Index*. This will be effective March 31, 2015.

In the News/Off the Press:

COMING
SOON

The First In-Depth Research Study from our newly formed Strategic Solutions group

Expect insights from your relationship manager shortly on maintaining a liability hedge while generating higher expected returns than a Canadian bond portfolio.

FYI

January 2015 – A Focus on Dividends Feature

BMO AM Portfolio Manager, Lutz Zeitler, was featured on BNN where he discussed the BMO

Dividend Fund and some of its top holdings.

The full video can be viewed by [clicking here](#).

FYI

January 2015 – BMO GAM ETF Outlook 2015

The Exchange Traded Fund (ETF) industry has continued to grow based on a wide spectrum of users, and the liquidity and trading efficiency benefits that ETFs deliver to a portfolio. This 2015 Outlook examines the growth opportunities for ETFs. [Click here to view](#).

FYI

January 2015 – BMO GAM Outlook 2015

This outlook piece provides our capital markets outlook for 2015 and our recommended asset allocation positioning. Our asset allocation process is chaired by Paul Taylor, Chief Investment Officer of Asset Allocation, and includes the expertise of a team of seasoned investment professionals, focused on creating long-term value for our clients.

FYI

December 2014 – Global Investment Forum 2015–2020 – Secular Outlook

This secular outlook is a bi-product of our annual global investment forum: a full day and evening of sharing, collaboration and debate among our organization's investment leaders and strategists from around the world, in addition to select outside experts. This secular (longer-term) outlook informs our strategic portfolio allocations and establishes guidelines for active asset allocation opportunities that may arise from our ongoing tactical strategy work. [Click here to view](#). ●

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

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Disclosure

Certain observations were based on a combination of simulated and actual results.

Simulated back-tested returns do not reflect the deduction of investment advisory fees, as such actual returns may be reduced by advisory fees and any other expenses it may incur in the management of an advisory account. The simulated performance information was simulated using the assumptions and portfolio characterizations that would be used to manage a proposed portfolio. Presentation of these simulated results does not, in any way, guarantee that future performance will achieve similar results. Such model accounts used for these demonstration purposes may be managed in a manner the same as, or substantially similar to, that of a typical managed account; examples of, but not limited to, the differences in the management of actual institutional accounts may be due to size, number of securities contained, specific client guideline restrictions, or tax or other strategy limitations. BMO Asset Management Inc. has attempted to set the factors, model settings, and limitations for this presentation to best represent the most realistic or most common institutional account mandate for this strategy presentation.

Simulated performance results have many inherent limitations, some of which are described below. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown. In fact, there are frequently sharp differences between simulated performance results and the actual results achieved by any particular trading program.

One of the limitations of simulated performance results is that they are generally prepared with the benefit of hindsight. In addition, simulated trading does not involve financial risk, and no simulated trading record can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or to adhere to a particular trading program in spite of trading losses are material points which can also adversely affect actual trading results. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the preparation of simulated performance results, and all of which can adversely affect actual trading results.

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