

## **BMO Mutual Funds**

### **Annual Information Form**

August 10, 2017

Offering series A securities, series F securities, series I securities and Advisor Series securities, as noted.

BMO International Equity Fund (series A, F, I and Advisor Series)  
BMO Japan Fund (series A, F, I and Advisor Series)

The BMO Mutual Funds in this annual information form are offered by BMO Investments Inc.

No securities regulatory authority has expressed an opinion about these securities. It is an offence to claim otherwise.

**The funds and the securities of the funds offered under this annual information form are not registered with the United States Securities and Exchange Commission and they are sold in the United States only in reliance on exemptions from registration.**

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## General Introduction

In this document:

- *we, us, and the Manager* refer to BMO Investments Inc., an indirect, wholly-owned subsidiary of Bank of Montreal. On November 1, 2009, the Manager amalgamated with its affiliate, Guardian Group of Funds Ltd., to form a single legal entity;
- *you and securityholder* refer to anyone who invests in, or is interested in investing in, any of the funds;
- *BMO Mutual Fund or BMO Mutual Funds* refer to any or all of the mutual funds we offer;
- *fund or funds* refer to all of the mutual funds offered under the simplified prospectus and annual information form.

BMO Investments Inc. is the trustee of the funds (in such capacity, the “**Trustee**”) and has exclusive authority over the assets and affairs of the funds. BMO Investments Inc. is the manager of the funds and, in such capacity, manages the funds’ investments and directs and administers the day-to-day affairs of each fund. See “*Trustee, directors and officers of the funds*” under “*Responsibility for Operations*” for details.

Each fund has an agreement with us relating to the direction, administration, investment management, and distribution of its securities. See “*Management Agreement*” for details.

We act as principal distributor and continuously distribute series of securities of the funds at their net asset value in all the provinces and territories of Canada where the securities may lawfully be offered for sale through branches of Bank of Montreal in Canada and through other dealers. See “*The Manager and Principal Distributor*” under “*Responsibility for Operations*” for details.

## Name, Formation and History of the Funds

The funds are trusts established under the laws of the Province of Ontario by an amended and restated master declaration of trust dated April 19, 2016, together with an amended and restated Schedule A dated August 10, 2017 (the “**Declaration of Trust**”).

If you invest in one of the funds, you purchase units of a trust and are a “unitholder”. Units are also called “securities” and holders of units are also called “securityholders”.

All of the funds may issue more than one series of units. The funds currently offer Series A securities, Series F securities, Series I securities and Advisor Series securities. The principal differences between each series are the fees payable by the series and the type and frequency of distributions you may receive as an investor in the series. The series of each fund derive their returns from a common pool of assets with a single investment objective and together constitute a single mutual fund. Please see the fund facts or simplified prospectus of the funds for further information.

The principal office of each fund is located at 100 King Street West, 43<sup>rd</sup> Floor, Toronto, Ontario M5X 1A1.

## **Investment Objectives and Policies**

All of the funds offer investors the opportunity to buy securities of the fund and participate with others who share a common investment objective. By pooling your capital with others, you gain access to diversified portfolios of professionally managed investments with clearly stated goals.

We may not change the fundamental investment objectives of a fund without first obtaining approval of a majority of the votes cast at a meeting of securityholders called for that purpose. See “*Your Rights as a Securityholder*” for details about your entitlement to vote on certain matters.

The investment objectives and policies of each of the funds are set out in the simplified prospectus of the funds.

## **Investment Restrictions and Practices**

### **General**

Except as set out in this document, we manage each fund according to the fund’s investment objectives and the standard investment restrictions and practices of Canadian securities legislation, including National Instrument 81-102 *Investment Funds* (“**NI 81-102**”). These restrictions and practices are designed, in part, to ensure the investments of the funds are diversified and relatively liquid, and to ensure the funds are properly administered.

Each BMO Mutual Fund will not engage in any undertaking other than the investment of its funds in property for purposes of the *Income Tax Act* (Canada) (the “**Tax Act**”).

Except as specifically noted, each of the funds adheres to these standard investment restrictions and practices.

### **Self-dealing restrictions and related party investments**

The BMO Mutual Funds have received exemptive relief from Canadian securities regulatory authorities to deviate from the standard investment restrictions and practices governing mutual funds, subject to certain conditions, including obtaining the approval of the independent review committee (“**IRC**”) of the BMO Mutual Funds. Each of the transactions described below is referred to as a “Related Party Transaction”.

Securities legislation prohibits the BMO Mutual Funds from investing in securities of certain related issuers, unless such investment is made in accordance with National Instrument 81-107 *Independent Review Committee for Investment Funds* (“**NI 81-107**”). The IRC of the BMO Mutual Funds has granted approval, pursuant to NI 81-107, to permit the funds to make and hold investments in the securities of issuers related to the BMO Mutual Funds, the Manager or an entity related to the Manager, provided that such purchase is made on an exchange on which the securities of the issuer are listed and traded.

Certain BMO Mutual Funds are deemed to be dealer managed investment funds under securities legislation. As a result, these funds may not, unless otherwise permitted by exemptive relief from

Canadian securities regulatory authorities, knowingly make an investment in any issuer if a partner, director, officer or employee of such funds' portfolio manager, or a partner, director, officer or employee of an affiliate or associate of such funds' portfolio manager, is also a partner, director, officer or employee of the issuer of those securities (such issuer is referred to as a “**Related Issuer**”) unless that partner, director, officer or employee:

- does not participate in the formulation of investment decisions made on behalf of the dealer managed investment fund;
- does not have access before implementation to information concerning investment decisions made on behalf of the dealer managed investment fund;
- does not influence, other than through research, statistical and other reports generally available to clients, the investment decisions made on behalf of the dealer managed investment fund; and
- purchases debt securities from or sells debt securities to mutual funds and pooled funds managed by the Manager or BMO Asset Management Inc. or another affiliate of the Manager.

In addition, the dealer managed funds are not permitted to make an investment in securities of an issuer during, or for 60 days after, the period in which the dealer manager of the fund (or an associate or affiliate of the dealer manager) acts as an underwriter in the distribution of such securities, except in certain circumstances provided under securities legislation. In accordance with securities legislation, the dealer managed funds have made such investments in reliance upon IRC approval.

The BMO Mutual Funds and their portfolio managers have obtained exemptive relief to purchase debt securities from or sell debt securities to, a related entity that is a principal dealer in the Canadian debt securities market, subject to certain conditions, including IRC approval.

The BMO Mutual Funds that are dealer managed funds have received exemptive relief from Canadian securities regulatory authorities from the restrictions described above, subject to certain conditions including the approval of the funds' IRC, so that the funds may engage in the following transactions:

- purchase of non-exchange traded debt securities that have a term to maturity of 365 days or more, other than asset-backed commercial paper, of a Related Issuer under primary offerings;
- purchase of exchange traded securities and non-exchange traded securities issued by a Related Issuer in the secondary market;
- purchase of equity securities during the period of distribution of such securities, and during the 60-day period following the distribution, where the distribution of those securities is made by “private placement” (an offering exempted from the prospectus requirements), notwithstanding that an underwriter related to the portfolio manager of the funds has acted as underwriter in such offering; and
- invest in debt securities of an issuer during the period of the distribution (the “**Distribution**”) or during the period of 60 days after the Distribution, notwithstanding that the Manager, or an associate or affiliate of the Manager, acts or has acted as an underwriter in the Distribution

and notwithstanding that the debt securities do not have a designated rating by a designated rating organization as contemplated by section 4.1(4)(b) of NI 81-102.

In addition, all BMO Mutual Funds, including the dealer managed funds, have obtained exemptive relief, subject to certain conditions including the approval of the IRC, to engage in the following transactions:

- purchase of non-exchange traded securities issued by entities related to the Manager or the portfolio manager of the funds in the secondary market;
- purchase of debt securities from a related dealer that holds such debt securities as principal, or the sale of debt securities to a related dealer that purchases such debt securities as principal; and
- purchase of debt securities from, or the sale of debt securities to mutual funds and pooled funds managed by the Manager or BMO Asset Management Inc. or another affiliate.

### **Reliance on IRC approval for Related Party Transactions**

Each of the transactions described in this section is referred to as a “**Related Party Transaction**”.

Subject to certain conditions, the funds have relied upon IRC approval to engage in the following Related Party Transactions:

- invest in or continue to invest in securities of Bank of Montreal or another related issuer;
- invest in securities during the period of distribution of those securities or during the period of 60 days following the distribution period where the portfolio manager of a fund or an entity that is related to the portfolio manager acted as an underwriter in the distribution of those securities; and
- purchase debt securities from a related dealer that holds such debt securities as principal and/or sell debt securities to a related dealer that purchases such debt securities as principal.

A fund may engage in a Related Party Transaction only if: (i) such transaction is consistent with the fund’s investment objectives and strategies; (ii) the IRC has approved the transaction; (iii) the Manager complies with certain obligations in connection with these types of transactions; and (iv) the IRC and Manager comply with certain requirements under NI 81-107, among other conditions.

For each Related Party Transaction, the IRC has provided its approval and issued standing instructions. In each case, the standing instructions require the Manager to follow governing policies and procedures and to report periodically to the IRC. The policies and procedures are designed to ensure, among other things, that the Related Party Transactions: (i) are consistent with, or are necessary to meet, the investment objectives of the funds; (ii) are free from any influence by an entity related to the Manager or the portfolio manager (an “**Affiliate**”) and without taking into account any consideration relevant to an Affiliate; (iii) represent the business judgment of the Manager uninfluenced by considerations other than the best interests of the funds; and (iv) achieve a fair and reasonable result for the funds. In the event an investment

decision in respect of a Related Party Transaction is not made in accordance with the foregoing requirements, the Manager is required to notify the IRC and the IRC, as soon as practicable, is required to notify the Canadian securities regulators. The IRC is also required to report such a transaction in its annual report to the securityholders of the funds.

Additional information about the mandate, duties and responsibilities of the IRC is disclosed under “*Fund Governance*”.

We have obtained exemptive relief from self-dealing provisions to permit inter-fund trades in debt securities between mutual funds and pooled funds managed by the Manager or an affiliate of the Manager, subject to certain conditions imposed by the regulators, including IRC approval.

The Manager has obtained exemptive relief to permit inter-fund trades among mutual funds, pooled funds and managed accounts managed by the Manager or an affiliate, subject to certain conditions including IRC approval (for mutual funds and pooled funds) and client consent (for managed accounts). Trades involving exchange traded securities are permitted to occur at the last sale price as defined in the Universal Market Integrity Rules, subject to pricing and transparency conditions.

#### **Other exemptions for the funds**

We, and all of the BMO Mutual Funds, have obtained exemptive relief, subject to certain conditions, to permit the BMO Mutual Funds to purchase securities of exchange traded funds managed by the Manager, or an affiliate or associate of the Manager, and to pay the applicable brokerage commissions associated with such purchases in the secondary market.

The funds have received exemptive relief from Canadian securities regulatory authorities, subject to certain conditions, to invest in certain exchange traded funds. A fund may invest in these exchange traded funds only if: (i) immediately after the purchase, not more than 10% of the net asset value of the fund, taken at market value at the time of the purchase, would consist of securities of these exchange traded funds; and (ii) the investment in securities of these exchange traded funds is in accordance with the fund’s investment objectives. Furthermore, a fund will not invest in these exchange traded funds with an underlying index based (directly or indirectly through a specified derivative or otherwise) on a physical commodity other than gold.

The funds have received an exemption to enable them, in certain circumstances, to engage in *in specie* transactions in respect of the purchase and redemption of securities of a fund by an account managed by the Manager or an affiliate (a “**managed account**”) and in respect of the purchase and redemption of securities of a fund by another fund, another mutual fund that is subject to NI 81-102 for which the Manager or an affiliate acts as portfolio advisor (a “**related fund**”) or a pooled fund for which the Manager or an affiliate acts as portfolio advisor (a “**pooled fund**”), subject to certain conditions.

The funds have obtained exemptive relief from the Canadian securities regulatory authorities to permit the funds to invest in certain exchange traded funds that are not considered “index participation units” under NI 81-102, subject to certain conditions.

All funds that trade in certain over-the-counter derivatives or enter into certain other investments which are required to be cleared through a futures commission merchant registered with the U.S. Commodity Futures Trading Commission and/or clearing member for purposes of the European Market Infrastructure Regulation, and is a member of a clearing corporation (“**Futures Commission Merchant**”), have received exemptive relief: (i) from requirements in subsection 2.7(1) of NI 81-102 that impose minimum credit-rating requirements on certain instruments or on the equivalent debt of the counterparty to certain trades (or their guarantors); (ii) from the limitation in subsection 2.7(4) of NI 81-102 that the mark-to-market value of the exposure of a mutual fund under its specified derivatives positions with any one counterparty other than an acceptable clearing corporation or a clearing corporation not exceed, for a period of 30 days or more, 10% of the net asset value of the mutual fund; and (iii) from the requirement in subsection 6.1(1) of NI 81-102 to hold all portfolio assets of a mutual fund with a custodian to permit each fund to deposit cash and other assets directly with a Futures Commission Merchant, and indirectly with a clearing corporation, as margin. In all instances, the amount of margin already held by the applicable Futures Commission Merchant must not exceed 10% of the net asset value of the fund at the time of deposit. The exemptive relief also applies to trades made by the funds with Futures Commission Merchants in Canada that are members of a self-regulatory organization that is a member of the Canadian Investor Protection Fund.

The funds have obtained exemptive relief that permits them to purchase and hold securities of certain Hong Kong exchange traded funds (“**Hong Kong ETFs**”) and certain United Kingdom exchange traded funds (“**UCITS ETFs**”) managed by our affiliates, provided that:

- (a) the investment by a fund in securities of the Hong Kong ETFs and UCITS ETFs is in accordance with the fundamental investment objectives of the fund;
- (b) none of the Hong Kong ETFs and UCITS ETFs are synthetic exchange traded funds, meaning that they will not principally rely on an investment strategy that makes use of swaps or other derivatives to gain an indirect financial exposure to the return of an index;
- (c) the relief from paragraph 2.5(2)(e) of NI 81-102 only applies to brokerage fees payable in connection with the purchase or sale of securities of the Hong Kong ETFs or the UCITS ETFs;
- (d) the simplified prospectus of each fund that is relying on this relief discloses the fact that the fund has obtained relief to invest in the Hong Kong ETFs or the UCITS ETFs, as applicable;
- (e) the investment by a fund in a Hong Kong ETF or a UCITS ETF otherwise complies with section 2.5 of NI 81-102;
- (f) a fund does not invest more than 10% of its net asset value in securities issued by a single Hong Kong ETF or UCITS ETF, and does not invest more than 20% of its net asset value in securities issued by Hong Kong ETFs or UCITS ETFs in aggregate; and
- (g) a fund does not acquire any additional securities of a Hong Kong ETF or UCITS ETF, and shall dispose of any securities of a Hong Kong ETF or UCITS ETF then held (within six months in the case of UCITS ETFs), in the event the regulatory regime applicable to either the Hong Kong ETF or UCITS ETF is changed in any material way.



The funds have obtained exemptive relief from the requirement to deliver fund facts documents for purchases of securities of the funds made in connection with rebalancing activities of the BMO MatchMaker® Investment Service and BMO Intuition® Investment Service portfolios, subject to certain conditions.

The funds have received exemptive relief from Canadian securities regulatory authorities to permit the Lipper Fund Awards and Lipper Leader Ratings as well as FundGrade A+ Awards and FundGrade Ratings to be referenced in sales communications relating to a fund, subject to certain conditions.

## **Eligibility for Registered Plans**

Securities of each fund are expected to be a qualified investment under the Tax Act for registered retirement savings plans (“RRSPs”), registered retirement income funds (“RRIFs”), registered education savings plans (“RESPs”), deferred profit sharing plans (“DPSPs”), registered disability savings plans (“RDSPs”) and tax-free savings accounts (“TFSA”) (collectively, “registered plans” and each a “registered plan”).

Securities of a fund may be a prohibited investment under the Tax Act for an RRSP, RRIF or TFSA even when the securities are a qualified investment. The 2017 Federal Budget proposed to extend these prohibited investment rules to RESPs and RDSPs effective March 23, 2017. However, under a safe harbour for newly established mutual funds, the securities of a fund will not be a prohibited investment for an RRSP, RRIF or TFSA and if the proposed tax amendments are passed into law, an RESP or RDSP, at any time during the first 24 months of existence if the fund is a “mutual fund trust or a registered investment under the Tax Act and follows a reasonable policy of investment diversification throughout that period. When this safe harbour does not apply, units of a fund will generally not be a prohibited investment for an RRSP, RRIF or TFSA and if the proposed tax amendments are passed into law, an RESP or RDSP, of a planholder if the planholder and persons (and partnerships) who do not deal at arm’s length with the planholder do not, in total, own directly or indirectly 10% or more of the fair market value of that fund.

**Investors should consult their own tax advisor for advice on whether or not securities of a fund are at risk of being or becoming a prohibited investment under the Tax Act for their registered plans.**

## **Your Rights as a Securityholder**

Each fund is divided into units and is authorized to issue an unlimited number of units and fractions of units. Certificates are generally not issued to unitholders.

All of the funds may issue more than one series of units. The principal differences between all of the series we offer relates to the fees payable by the series, the purchase options under which you may purchase the series, and the type and frequency of distributions you may receive as an investor in the series.

As a unitholder, you are generally entitled to participate *pro rata* in the net income and net capital gains of the fund that are attributable to the units you hold. On liquidation, you are entitled to participate *pro rata* in the net assets of the fund remaining after satisfaction of outstanding liabilities that are attributable to the series of units you hold. You may not transfer or assign units but may redeem units on demand and pledge units as security. You have no ownership rights in any assets of a fund. A unit of one fund does not carry rights to any other fund. As a unitholder, you have no special rights to buy other units. Please see below under the subheading “*Meetings of securityholders*” for a description of your voting rights.

All units are issued as fully paid and non-assessable in Canadian dollars so that you will not be liable for any further payments to the fund for those units.

### ***Meetings of securityholders***

You have a right to exercise one vote for each whole security you hold at meetings of securityholders of your fund or of your series on any matters that require securityholder approval under NI 81-102 and under the constating documents of the funds.

You are entitled to vote on the following matters:

- certain reorganizations of your fund (see below for further details);
- in certain circumstances, for holders of securities other than Series A, Series F and Series I securities (collectively referred to as the “**No Load Series**”) securities, any changes in the basis of the calculation of a fee or expense or the introduction of any fee or expense that could result in an increase in the charges to the series or to securityholders of such series, as set out in the simplified prospectus (see below for further details);
- certain material changes to your fund’s constating documents (see “*Amendments to the Constating Documents*” for more details);
- the appointment of a new manager of your fund, unless the new manager is an affiliate of the Manager;
- any change in the fundamental investment objectives of your fund; and
- any decrease in the frequency of calculating your fund’s net asset value.

If the nature of the business to be transacted at a meeting concerns only a particular series of a fund, generally, only securityholders holding securities of that series of that fund will be entitled to vote and those securities will be voted separately as a series.

In general, the approval of securityholders will not be obtained if the basis of the calculation of a fee or expense that is charged to the No Load Series of a fund (or is charged directly to securityholders of these series by the fund or by us in connection with the holding of securities of such series of the fund) is changed in a way that could result in an increase in charges to the series or to securityholders of such series or if a fee or expense, to be charged to the No Load Series of a fund (or to be charged directly to securityholders of these series by the fund or by us in connection with the holding of securities of such series of the fund) that could result in an increase in charges to the series or to securityholders of such series, is introduced. In the cases

above, securityholders of such series will be sent a written notice of the change at least 60 days prior to the effective date.

If the basis of the calculation of a fee or expense that is charged to any other series of a fund is changed in a way that could result in an increase in charges to the series or to securityholders of these series or if a fee or expense, to be charged directly to securityholders of these series by the fund or by us in connection with the holding of securities of such series of the fund, is introduced, and if this fee or expense is charged by an entity that is at arm's length to the fund, then the approval of securityholders of such series will not be obtained. In the cases above, securityholders of such series will be sent a written notice of the change at least 60 days prior to the effective date.

In certain circumstances, in place of you approving a fund merger, the IRC has been permitted under securities legislation to approve a fund merger. In these circumstances, you will receive written notice of any proposed merger at least 60 days prior to the effective date of the merger.

If a fund holds securities of another mutual fund that is managed by us or one of our associates or affiliates, the fund will not vote the securities of the underlying fund. We may, at our discretion, arrange for securities of the underlying fund to be voted by the securityholders of the fund holding those securities.

We may change securityholders' rights for any fund, as permitted by applicable legislation, by amending its Declaration of Trust. Please see "*Amendments to the Constatng Documents*" for more details.

In order to effect any change which requires securityholder approval, unless otherwise required by the constating documents of the funds or by securities legislation, as applicable, a resolution passed by at least a majority of the votes cast at a meeting of securityholders is required. In the case of an equality of votes, the chairman presiding at the meetings of all of the funds will have a casting vote.

## **Valuation of Portfolio Securities**

### **Assets**

The assets of each fund include:

- all cash on hand, on deposit or on call;
- all bills and notes and accounts receivable;
- all shares and subscription rights and other securities;
- all stock and cash dividends and cash distributions not yet received by the fund but declared to shareholders of record before the net asset value per security is determined;
- all bonds, debentures, mortgages and other evidences of indebtedness;
- interest accrued on any fixed interest bearing securities;
- margin receivable on futures contracts; and
- all other property, including prepaid expenses.

## Value of assets

We determine the value of each fund's assets using the following principles:

- Cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, dividends receivable and interest declared or accrued and not yet received are valued at the full amount or at what we consider to be the fair value;
- Money market investments are recorded at their fair value;
- Securities listed on any stock exchange are valued at:
  - the latest closing sale price (or such other value as the Canadian Securities Administrators may permit) last reported on the valuation date; or
  - if no closing sale price is available, the security shall be fair valued;
- Mutual fund securities that are not listed on any stock exchange are valued at their respective net asset values on the relevant valuation date;
- Bonds are valued at bid prices obtained from a recognized pricing service;
- Securities or property which have no available price quotations are valued at our best estimate of the fair value;
- Foreign currency accounts are expressed in Canadian dollars on the following basis:
  - investments and other assets are valued at the rate of exchange at the end of the valuation period; and
  - purchases and sales of investments, income and expenses are recorded at the rate of exchange on the dates of the transactions;
- A fund's holdings are valued in Canadian dollars before we calculate the net asset value of the security;
- Forward foreign exchange contracts are valued as the difference between the value on the date the contract originated and the value of the contract on the valuation date. Foreign exchange options are valued at their quoted market value. When the contract or option closes or expires, we will recognize a realized foreign exchange gain or loss;
- Forward contracts are valued as the difference between the value on the date the contract originated and the value of the contract on the valuation date;
- Clearing corporation options are valued at the current market value;
- Where a covered clearing corporation option is written, the premium received is considered a deferred credit with a value equal to the current market value of an option that would have the effect of closing the position. We'll treat any difference resulting from revaluation as an unrealized gain or loss. We'll deduct the deferred credit to arrive at the net asset value of the fund;
- Futures contracts are valued at outstanding current margin payable or receivable;
- Bullion, coins, certificates or other evidences of precious metals are valued at current market value;
- Restricted securities are valued at the lesser of (i) the value thereof based on reported quotations in common use, and (ii) the percentage of the market value of unrestricted securities of the same class, equal to the percentage that the Fund's acquisition cost was of

the market value of such unrestricted securities at the time of acquisition, provided that if we know the time period during which the restrictions on such securities apply, we may adjust the price to reflect that time period;

- All other assets are valued at our best estimate of fair value; and
- If we consider any of these valuation principles inappropriate, or we cannot value an investment according to these principles, we may estimate the fair value of an investment using established fair valuation procedures such as: consideration of public information, broker quotes and valuation models. We may also use external fair value service providers. The value calculated on fair value securities for the purposes of calculating a fund's net asset value may differ from the securities' most recent closing market price.

We may also fair value securities in the following circumstances:

- when there is a halt trade on a security that is normally traded on an exchange;
- on securities that trade on markets that have closed prior to the time of calculation of the net asset value of the fund and for which there is sufficient evidence that the closing price on that market is not the most appropriate value at the time of valuation; and
- when there are investment or currency restrictions imposed by a country that affect the fund's ability to liquidate the assets held in that market.

An example of when the closing market price of a security may not be appropriate would be when exchanges are closed by a local government or regulator and the securities involved are a relatively small portion of a fund's total portfolio. In such cases, we may look at the available evidence of value of these securities in North American markets and make an adjustment where appropriate.

## **Liabilities**

The liabilities of each fund include:

- all bills and notes and accounts payable and/or accrued;
- all administrative and operating expenses payable or accrued or both, including management fees;
- all contractual obligations for money or property, including any unpaid distribution credited to securityholders the day before the net asset value per security is determined;
- all allowances authorized or approved by the Manager for taxes (if any) or contingencies;
- the value of margin payable on futures contracts; and
- all other liabilities of the fund.

Securities are still considered outstanding on the day we receive a request to redeem them. They are valued at the redemption price per security on that day, but are considered a liability of a fund only after the close of business on that day.

## How we calculate net asset value

The issue and redemption price of securities of a fund is based on the security's net asset value next determined after the receipt of a purchase order or a redemption order.

We determine the net asset value per security as at 4:00 p.m. Eastern Time on each day that the Toronto Stock Exchange is open for business, or any other time as we may from time to time determine to be a day for valuation of any fund (the "**Valuation Day**"). The net asset value per security remains in effect until we determine the next net asset value per security. The net asset value per security is published each Valuation Day and is available, at no cost to you, on our websites at [www.bmo.com/mutualfunds](http://www.bmo.com/mutualfunds) if you purchased your securities through a BMO Bank of Montreal branch or through the BMO Investment Centre and [www.bmo.com/gam/ca](http://www.bmo.com/gam/ca) if you purchased your securities through a dealer, as applicable.

To determine the net asset value for each series of securities we first calculate four values:

- A = the total market value in Canadian dollars of the series' proportionate share of the assets of the fund
- L = the liabilities of the fund attributable to the series of securities
- N = net assets attributable to the series of the fund
- U = total number of securities of that series outstanding

For the funds,  $N = A \text{ minus } L$

The following equation then determines the net asset value per security:

$$N \div U$$

## Buying Securities

### How to buy securities of a fund

#### *Through us*

We offer securities of the funds for sale on a continuous basis. You can buy Series A securities of the funds under the no load sales charge option at no charge: (1) in person, at any Bank of Montreal branch; (2) by telephone, once you've made arrangements for payment with your Bank of Montreal branch or through the BMO Investment Centre; (3) through the internet (other than in an RDSP) at [www.bmo.com/mutualfunds](http://www.bmo.com/mutualfunds) after completion of an authorization form; (4) by mail; (5) automatically through a Continuous Savings Plan; or (6) through a registered dealer.

### *Through another dealer*

You can buy Series A and Advisor Series securities of the funds through other registered dealers. Please contact your dealer to find out how to place an order. Some dealers may charge you a fee for their services.

You can buy Series F securities of the funds only through dealers who have entered into an F Series Agreement with us and only with our prior approval. A dealer's ability to sell Series F securities is subject to our terms and conditions.

You can buy Series I securities of the funds only through a registered dealer who has entered into an I Series Agreement with us and only with our prior approval. A dealer's participation in Series I securities distribution is subject to our terms and conditions.

### **Purchase Options**

Your choice of purchase option affects the fees and sales charges you, or we, will pay to your dealer and the service fee we will pay to your dealer. See *Fees and expenses* and *Dealer compensation* in the simplified prospectus.

#### *No load option*

You don't pay a sales charge when you buy No Load Series securities of the funds.

#### *Sales Charge option*

Under the Sales Charge option, you pay a commission to your dealer when you buy securities of a fund. The commission is negotiable between you and your dealer, but cannot exceed 5% of the amount you invest. See further details under *Fees and expenses* in the simplified prospectus.

#### *Deferred Charge option*

Under the low load deferred charge option ("**Deferred Charge option**"), we pay a commission to your dealer on your behalf when you buy securities of a fund. You may be required to pay a fee to us if you redeem your securities within a specified number of years after your purchase. See further details under *Fees and expenses* in the simplified prospectus.

Through your dealer, you may buy Advisor Series securities of the funds under the Deferred Charge option.

### **How we process your order**

Your purchase order will be forwarded to us by courier, priority post or telecommunication facility at no charge to you on the same business day they are received. The issue price of securities is based on the net asset value per security next determined after receipt of the purchase order.

We'll pay to the fund you're buying any interest earned between the time you make payment and the time the purchase is completed. We don't issue certificates. The Manager will accept or reject purchase orders within one business day after receiving your order, provided that any decision to reject an order must be accompanied by the refund of any moneys received with that order. If we accept your purchase order, we or your dealer will promptly send you a transaction confirmation of your order confirming the purchase amount, the price per security, the number of securities you have bought (including fractions of securities), and the total number of securities held in your account which is proof of the transaction. If you sign up for our Continuous Savings Plan or Systematic Withdrawal Plan, you will only receive confirmation of the first transaction made under the plan. If a purchase order is rejected, we will immediately refund your money.

If payment of the total amount of the purchase order and all necessary documents are not received by the Manager within three (3) business days of the date on which the issue price of the securities of a fund is determined for the purchase order (or such shorter period as may be determined by us in response to changes in applicable laws or general changes to settlement procedures in applicable markets), the fund will be deemed to have received and accepted on the next Valuation Date a redemption request for an equivalent number of securities. The amount of the redemption proceeds will be used to reduce any amount owing to the fund. Any excess proceeds will belong to the fund. Any shortfall will initially be paid to the fund by the Manager but the Manager will be entitled to collect such amount, together with the charges or expenses incurred in doing so and interest thereon, from the dealer who placed the order for the securities. The dealer may collect these amounts from the investor. Where no dealer has been involved, the Manager will be entitled to collect such amounts from the investor who placed the order.

### **Purchase price**

When you buy, switch or redeem securities of a fund, you buy, switch or redeem them at the net asset value per security on the day of your purchase, switch or redemption request, as long as we receive your order by 4:00 p.m. Eastern Time on a Valuation Day. If we receive your order after that time, we'll process your order on the next Valuation Day, using the net asset value per security on the next Valuation Day. If the Toronto Stock Exchange closes earlier than 4:00 p.m. Eastern Time on a Valuation Day, we may impose an earlier deadline.

You must pay for the securities with guaranteed funds when you order them. We do not accept cash.

Your dealer may provide in any arrangements it has with you that you are required to compensate your dealer for any losses suffered by it in connection with a failed settlement of a purchase order caused by you.

### **Redeeming Securities**

#### **How to request a redemption**

Securities of the funds may be redeemed at the option of the investor on any Valuation Day.



You may redeem some or all of your of Series A securities: (1) in person at any Bank of Montreal branch; (2) by telephone, once you have completed the prescribed redemption form with your Bank of Montreal branch or through the BMO Investment Centre; (3) through the internet (other than from an RDSP, RESP and TFSA) at [www.bmo.com/mutualfunds](http://www.bmo.com/mutualfunds) after completion of an authorization form; or (4) by mail. You may also redeem securities through your dealer. For your protection, you must sign your redemption request and we may ask that your signature be guaranteed by a bank, trust company or your dealer. Your redemption request will be forwarded to us by courier, priority post or telecommunication facility at no charge to you on the same business day you complete the form. However, if you have not completed the form in full, we cannot fulfill your redemption request.

If you are redeeming your securities through your dealer, whenever practicable, your dealer is required to transmit your redemption request by courier or telecommunications facilities in order to expedite the redemption request's receipt by the Manager. The cost of this transmittal, regardless of its form, must be borne by your dealer. As a security measure, the Manager will not accept a redemption request sent by telecommunications facilities directly from an investor. Your redemption request must be forwarded to us by your dealer on the same business day.

If we have not received all the necessary documentation and/or information needed to settle your redemption request within ten (10) business days, we are required under securities legislation to purchase the equivalent number of securities you asked to be redeemed as of the close of business on the tenth business day. If the purchase price of the securities is less than the original redemption price, the fund will keep the difference. If the amount of the purchase price exceeds the original redemption price, we will pay the difference to the fund and may seek reimbursement from your dealer, together with additional costs. Your dealer may be entitled to recover these amounts from you.

If applicable, an investor whose securityholding is evidenced by a registered certificate who wishes to have his or her securities redeemed shall surrender his or her certificate to the Manager with the request that the same shall be redeemed. For the protection of investors, an investor's signature on any redemption request or on the back of any certificate must be guaranteed by a bank, trust company or dealer.

Further documentation may be required for corporations, and other accounts that are not in the name of an individual.

If all necessary redemption documents, properly completed, accompany the redemption request, within three (3) business days (or such shorter period as may be determined by us in response to changes in applicable laws or general changes to settlement procedures in applicable markets) after we determine the redemption price, we will:

- send you a cheque, make a direct deposit to your bank account or send money to your dealer in payment for the securities you have redeemed; and
- send you or your dealer a transaction confirmation including the balance in your investment account.

## Redemption price

You may redeem securities on any Valuation Day at the net asset value per security. If we receive your redemption request before 4:00 p.m. Eastern Time on any Valuation Day, the redemption value will be calculated on that day. If we receive your redemption request after 4:00 p.m. Eastern Time or on a day that is not a Valuation Day, the redemption value will be calculated on the next Valuation Day. This is called the redemption price. If the Toronto Stock Exchange closes earlier than 4:00 p.m. Eastern Time, we may impose an earlier deadline.

If you're redeeming securities, we'll transfer or mail the proceeds to you within three (3) business days after we determine the redemption price (or such shorter period as may be determined by us in response to changes in applicable laws or general changes to settlement procedures in applicable markets), provided all necessary documents and/or information have been received.

You pay no redemption charges when you buy any Series A and Series I securities offered under the 'no load' option through us. You also pay no redemption charges when you buy Advisor Series securities, under the Sales Charge option through your dealer. You pay no redemption charges when you redeem Series F securities.

## Calculating redemption fees

If you purchased Advisor Series securities under the Deferred Charge option, you may have to pay a redemption fee when you redeem your securities. The redemption fee is based on the original date of purchase and the original price of your securities. The redemption fees payable for redeeming securities purchased under the Deferred Charge option are set out below:

<b>If redeemed during the following periods after purchase</b>	<b>Redemption fee</b>
First year	3.0%
Second year	2.0%
Third year	1.0%
Thereafter	Nil

No redemption fee will be payable for:

- switching your investment to another fund purchased under the Deferred Charge option;
- cash distributions or dividends on securities purchased under the Deferred Charge option; or
- securities received on the reinvestment of distributions or dividends that are distributed as a result of securities purchased under the Deferred Charge option.

To minimize any redemption fees you may be required to pay under the Deferred Charge option, the securities first purchased or deemed to be purchased along with any securities received on the reinvestment of distributions of these securities will be redeemed first.

## **Automatic redemption**

If the value of your investment in a fund falls below the minimum amount as determined by us from time to time, we will give you 30 days' written notice before we redeem all the securities of such fund in your account. If, as a result of market fluctuation, the value of your securities falls below the minimum balance, we may buy your securities from you or redeem them for you after giving you 10 days' notice. If, as a result of a partial redemption, the value of your remaining holding falls below the minimum balance, we may redeem such remaining holding immediately and without prior notice to you. See "*Your guide to buying, switching and redeeming the funds*" in the simplified prospectus for more details.

## **Suspension of redemptions**

A fund may suspend your right to request a redemption for all or part of a period when:

- normal trading is suspended on a stock, options or futures exchange in Canada or outside Canada on which securities or derivatives that make up more than 50% of the value or underlying exposure of the fund's total assets are traded; and
- those securities or derivatives are not traded on any other exchange that represents a reasonably practical alternative for the fund.

A fund may postpone a redemption payment during any period when your right to request a redemption is suspended under the circumstances described above or with the approval of the securities regulatory authorities. You have the option of withdrawing your request for redemption or completing your redemption order at the net asset value per security on the first Valuation Day after the termination of the suspension. A fund will not accept any orders for the purchase of its securities during any period when the redemption of its securities has been suspended.

## **Switching Funds**

At any time you may switch your securities of a fund for securities of the same series of another BMO Mutual Fund that is priced in the same currency.

You may also switch your securities of a fund for securities of another series of a BMO Mutual Fund, provided that you are eligible to purchase the series that you are switching into and provided such series is priced in the same currency.

You may request a switch of Series A securities at no charge: (1) in person at any Bank of Montreal branch; (2) by telephone, once you have completed the prescribed form with your Bank of Montreal branch or through the BMO Investment Centre; (3) through the internet (other than from an RDSP, RESP and TFSA) at [www.bmo.com/mutualfunds](http://www.bmo.com/mutualfunds) after completion of an authorization form; or (4) by mail.

You may also switch through your dealer. If you switch your securities through your dealer, you may pay a fee of up to 2% of the value of the securities redeemed for switching between funds. You and your dealer can negotiate this fee. There may also be fees or charges payable on the

purchase of the securities of the new fund, depending upon the series of securities purchased and the arrangements between you and your dealer.

You must maintain the minimum account balance in each fund to avoid automatic redemption. See “*Redeeming Securities – Automatic redemption*” for more details.

When we receive your switch request, we will redeem your securities in a fund and then apply the proceeds to the purchase of securities of the other BMO Mutual Fund(s) at the net asset value per security next determined after we receive your switch request.

Switching units of a fund for units of another fund, will constitute a disposition and may result in the securityholder realizing a capital gain or loss for income tax purposes. Redesignations of units of a fund to units of another series of the same fund should not result in a disposition for income tax purposes. See “*Income Tax Considerations*” for more details.

### **Switching between purchase options**

If you are switching Advisor Series securities that you bought under Deferred Charge option, then in order to maintain the deferred charge schedule of your original securities and avoid additional fees, you must switch into the same purchase option. This is true if you switch between any of the funds or other BMO Mutual Funds.

Switches between purchase options may involve a change in the compensation paid to your dealer and redemption fees. We do not recommend that you switch between purchase options as it may result in additional fees.

### **Switching securities by the Manager**

If you or your dealer are no longer eligible to hold Series F or Series I securities (as the case may be), we may, in our sole and absolute discretion, switch your Series F or Series I securities (as applicable) into Series A securities or Advisor Series securities (under the Sales Charge option) of the same fund. If we do any of the above switches, we’ll give you at least 30 days’ written notice. If we switch your securities of a fund into securities of another series of the same fund in the circumstances described above, the management fee charged to your new series and the service fee and trailing commissions payable by us to dealers, if any, may be higher than the series that you previously owned. These fees and commissions are set out under the heading “*Dealer compensation*” in the simplified prospectus of the funds.

Provided the conditions set out below are met, and upon providing 60 days’ prior notice the Manager may, in its discretion, switch your securities of a fund into securities of another series of the same fund. The Manager may only switch your securities in this circumstance if all the following conditions are satisfied:

- you receive securities of the same value;
- the management fee and administration fee of the new series are not more than that of the securities that you previously owned;
- the switch is done at no cost to you;

- the switch is not a disposition for tax purposes; and
- the service commissions payable to registered dealers, if any, remain the same or lower.

## **Responsibility for Operations**

### **Trustee, directors and officers of the funds**

BMO Investments Inc. is the trustee for each fund. The Trustee has the exclusive authority over the assets and affairs of the funds. It has a fiduciary responsibility to act in the best interests of the unitholders of the funds. The funds are administered in their day-to-day operations by the Manager.

### **The Manager and Principal Distributor**

As Manager of the funds, we are responsible for the day-to-day management of each fund and its investment portfolio in compliance with the funds' constating documents (i.e., the Declaration of Trust). We are also responsible for performing valuation and fund accounting services of the funds. In addition, we are the principal distributor of the funds. We have taken the initiative in creating all the funds and may be considered the promoter of all of the funds. Our registered and principal office is:

100 King Street West, 43rd Floor Toronto, Ontario M5X 1A1
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If you purchased your securities at a BMO Bank of Montreal branch or through the BMO Investment Centre, you can direct inquiries about the funds to the BMO Investment Centre by calling toll-free 1-800-665-7700 or through our website at [www.bmo.com/mutualfunds](http://www.bmo.com/mutualfunds).

If you purchased your securities through a dealer, you can direct inquiries about the funds to our administration office by calling us toll free at 1-800-668-7327 or through our website at [www.bmo.com/gam/ca](http://www.bmo.com/gam/ca). The address of our administration office is:

250 Yonge Street, 7th Floor Toronto, Ontario M5B 2M8
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## Directors and Executive Officers of the Manager

Below are the names of the directors and executive officers of the Manager, along with their municipalities of residence and their principal occupations during the past 5 years:

<b>Name and Municipality of Residence</b>	<b>Position with the Manager</b>	<b>Principal Occupation</b>
KEVIN R. GOPAUL Oakville, Ontario	Head, BMO Global Asset Management Canada and Ultimate Designated Officer	Head, BMO Global Asset Management
BARRY M. COOPER Toronto, Ontario	Chairman and Director	Chairman, BMO Global Asset Management
ROSS F. KAPPELE Toronto, Ontario	Director	Head of Distribution & Client Management (Canada), BMO Investments Inc.
NELSON C. AVILA Toronto, Ontario	Chief Financial Officer	Lead Financial Officer, BMO Global Asset Management - Canada
THOMAS C.S. BURIAN Mississauga, Ontario	Director	Vice President and Chief Financial Officer, Wealth Management, BMO Financial Group
JOAN Z. MOHAMMED Miami Beach, Florida	Director	Chief Operating Officer, BMO Global Asset Management
ROBERT J. SCHAUER Toronto, Ontario	Director and Head Investment Funds Operations	Chief Financial Officer and Treasurer, BMO Mutual Funds
VIKI A. LAZARIS Thornhill, Ontario	Director	Chief Operating Officer, Canadian Personal and Commercial Banking, BMO Financial Group
ANDREW B. AUERBACH Toronto, Ontario	Director	Head, Sales and Distribution, Canadian Personal and Commercial Banking, BMO Bank of Montreal
LENA ZECCHINO Toronto, Ontario	Chief Anti-Money Laundering Officer	Director and AML Officer – Wealth Management, BMO Financial Group
STEPHANIE R. VASS Grimsby, Ontario	Chief Compliance Officer	Chief Compliance Officer, BMO Investments Inc

During the past 5 years, these directors and executive officers have held their present principal occupations, except for: Kevin Gopaul, who was Senior Vice President from April 2009 to July 2016; Nelson Avila, who was Financial Analyst, BMO Mutual Funds from September 2010 to April 2013 and Finance Manager, BMO Mutual Funds from April 2013 to December 2015; Thomas Burian, who was Director, Financial Performance Management, BMO Financial Group from November 2008 to December 2011, Vice President, Financial Performance Management from January 2012 to February 2014 and Chief Financial Officer from August 2015 to January 2017; Joan Mohammed, who was Chief Risk Officer, Wealth Management and Global Head, Operational Risk, BMO Financial Group from May 2008 to June 2016; Viki Lazaris, who was

Senior Vice President, Investor Relations, BMO Financial Group from April 2006 to April 2012, President and Chief Executive Officer, BMO InvestorLine from April 2012 to March 2014 and Senior Vice President and Chief Administrative Officer, Wealth Management, BMO Financial Group from March 2014 to November 2015; Andrew Auerbach who was Head, BMO Harris Private Banking from July 2008 to February 2012 and Senior Vice President, Greater Toronto Division, Personal and Commercial Banking from February 2012 to August 2015; Lena Zecchino who was Senior Manager Wealth Management Regulatory Programs from July 2014 to April 2017 and Director, Risk & Regulatory Compliance at PricewaterhouseCoopers from September 2004 to July 2014; and Stephanie Vass, who was Manager, Compliance, TD Investment Services Inc. from March 2011 to January 2013 and Chief Compliance Officer of TD Investment Services Inc. from September 2012 to October 2016.

### **Auditor**

PricewaterhouseCoopers LLP, Chartered Professional Accountants of Toronto, Ontario, is the auditor of the funds.

### **Registrar and Transfer Agent**

BMO Investments Inc., in Toronto, Ontario, is the registrar and transfer agent for the funds and, in this capacity records all investor investment transactions, issues or cancels certificates, if applicable, and deals with enquiries from investors and dealers. The register of securities of the funds is kept in Toronto, Ontario and Montréal, Québec.

### **Custodian**

CIBC Mellon Trust Company (“CMT” or the “Custodian”) of Toronto, Ontario, is the custodian of the funds. As custodian, it holds the cash and securities of all the funds. The parties to the amended and restated master custodial services agreement for the funds dated as of August 10, 2017 (the “Custodial Agreement”) are the funds, the Manager, CMT and certain of its affiliates. The Custodial Agreement may be terminated upon 90 days’ written notice in respect of a fund.

All marketable securities are held at CMT’s principal offices in Toronto, with the exception of foreign assets. Foreign assets may be held by local sub-custodians appointed by CMT or under their authority in various foreign jurisdictions where a fund may have assets invested. CMT or the sub-custodians may use the facilities of any domestic or foreign depository or clearing agency authorized to operate a book-based system. The sub-custodians appointed to hold assets of the funds are listed in the most recent Compliance Report prepared by CMT and filed on SEDAR on behalf of the funds pursuant to the requirements of NI 81-102.

### **Securities Lending Agent**

The Bank of New York Mellon (the “Securities Lending Agent”) acts as agent for securities lending transactions for those funds that engage in securities lending. The Securities Lending Agent is independent of the Manager. The principal office of the Securities Lending Agent is located in Toronto, Ontario. Please see “*Securities lending, repurchase and reverse repurchase transactions*” for more details.

## **Independent Review Committee**

In accordance with NI 81-107, the Manager appointed an Independent Review Committee for the BMO Mutual 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. In each instance where a conflict of interest matter is identified and referred to the IRC, a primary focus of the IRC is to determine if the Manager's proposed action achieves a fair and reasonable result for the funds. For a further description of the mandate and responsibilities of the IRC, see "*Fund Governance*".

At least annually, the IRC will also review and assess the adequacy and effectiveness of the Manager's 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 current members of the IRC are Louise Vaillancourt (Chair), Mark Brown, Jim Falle, Wendy Hannam and John K. McBride. Jim Falle and Wendy Hannam were appointed as IRC members on March 22, 2017 to replace Allen B. Clarke who had retired as an IRC member on September 7, 2016. Each IRC member is independent of the funds, the Manager and other companies related to the Manager.

Each IRC member receives compensation for the duties he or she performs as an IRC member. The annual retainer for each IRC member (other than the Chair) in respect of all of the BMO Mutual Funds is \$48,317; the annual retainer for the Chair is \$69,455. In addition, each IRC member is entitled to the reimbursement of all reasonable expenses in connection with his or her duties as an IRC member. For the most recently completed financial year of the BMO Mutual Funds, the IRC members received aggregate annual fees and reimbursement of expenses of \$197,717, inclusive of HST, which was allocated among the BMO Mutual Funds in a manner that was fair and reasonable.

## **Management Agreements**

The amended and restated master management agreement dated as of August 10, 2017, together with Schedule "A", Schedule "B" and Schedule "C" in respect of each of the funds (the "**Management Agreement**"), determines how we administer each fund's day-to-day operations, supervise each fund's investments, help manage the investment and reinvestment of assets, and serve as principal distributor of the securities of the funds. The Management Agreement also provides that we are entitled to management fees in return for our services. The Management Agreement may be terminated at any time by any fund or by us in respect of any fund by not less than 90 days' prior notice in writing.

We use our best efforts to help each fund make suitable investments consistent with its objectives and strategies. We are under an obligation to be fair and reasonable in all of our management responsibilities.

We may hire experts to provide investment advice and portfolio management services for any fund. We may designate any officers or employees of each fund, and compensate them.



As principal distributor, we may designate branches of Bank of Montreal in Canada and engage registered dealers to distribute securities of the funds to the public. We supervise the distribution activity of all the branches of Bank of Montreal.

We are also responsible for ensuring provision of complete administration and accounting services necessary for carrying on the business of each fund, including the daily valuation and pricing of each fund and the preparation of interim and annual reports, prospectuses and other disclosure documents.

The funds do not pay management fees to the Manager for Series I securities. Series I investors pay management fees to the Manager directly.

### **Portfolio Managers**

We have hired a portfolio manager to help us manage the funds. As set out in our agreement with the portfolio manager, the portfolio manager helps us formulate policies and strategies of the funds, and provides specific investment recommendations from time to time. Under our direction, it buys and sells investments according to the objectives and strategies of the funds and the criteria approved by the Trustee. At its own expense, the portfolio manager may retain other investment advisors, such as the sub-advisors referenced below, and securities brokers in any country. However, we are responsible at all times for managing the funds' portfolios, and we are answerable to the Trustee.

The agreement with the portfolio manager prescribes the duties and powers of the portfolio manager, including setting benchmarks and investment policies, stipulating the standard of care it shall exercise and deciding upon the frequency and nature of reports to be furnished to the Manager and the Custodian. The portfolio manager is obliged to adhere to all applicable legislative and regulatory requirements and such other guidelines and restrictions as the Manager may stipulate. We pay the portfolio manager a fee for its services.

The table below shows the current portfolio manager and sub-advisors, the municipality of their principal place of business and the number of days required to terminate our agreement(s) with them.

<b>Portfolio Manager</b>	<b>Municipality</b>	<b>Termination Notice Required**</b>
BMO Asset Management Inc. ("BMOAM")	Toronto, Ontario	60 days
BMO Asset Management Corp. ("BMOAM Corp.")	Chicago Illinois	90 days BMOAM Corp. is a sub-advisor to the portfolio manager*
F&C Management Limited ("F&C")	London, United Kingdom	90 days F&C is a sub-advisor to the portfolio manager*

\* BMOAM is the portfolio manager to whom BMOAM Corp. and F&C provide investment advice.

\*\* Each agreement can be terminated if the portfolio manager or sub-advisor becomes insolvent (or for certain other technical reasons), in which event the agreement will terminate immediately.

**BMOAM** is a wholly-owned indirect subsidiary of Bank of Montreal.

**BMOAM Corp.** is a wholly-owned indirect subsidiary of Bank of Montreal. Harris Investment Management, Inc. and Marshall & Ilsley Corporation amalgamated to form BMOAM Corp. in June 2012.

**F&C** is a wholly-owned, indirect subsidiary of Bank of Montreal.

Investment decisions are made by teams at each portfolio management firm. Each team generally has a manager or lead person and investment decisions are overseen by a committee.

It may be difficult to enforce legal rights against portfolio managers or sub-advisors located outside of Canada because all or a substantial portion of their assets are situated outside of Canada.

The list below provides information about each fund's portfolio manager and sub-advisor as well as the individual(s) principally responsible for managing the investments of the fund.

<b>Fund</b>	<b>Portfolio Manager</b>	<b>Individual(s) Principally Responsible</b>
BMO International Equity Fund	BMOAM	Paul Taylor
	BMOAM Corp. (as sub-advisor*)	Jay Kaufman Ernesto Ramos David Rosenblatt
BMO Japan Fund	BMOAM	Paul Taylor
	F&C (as sub-advisor*)	Jamie Jenkins

\* BMOAM is the portfolio manager for these funds or for a portion of these funds' portfolios.

The table below contains descriptions of the individuals principally responsible for managing the investments of the funds and their relevant experience:

<b>Name and Title</b>	<b>Length of Service with Portfolio Manager or Sub-Advisor</b>	<b>Other Business Experience in the Last 5 Years</b>
Jamie Jenkins Portfolio Manager F&C	since 2000	
Jay Kaufman Vice President, Portfolio Manager BMOAM Corp.	since 2010	

Name and Title	Length of Service with Portfolio Manager or Sub-Advisor	Other Business Experience in the Last 5 Years
Ernesto Ramos Managing Director, Head of Equities BMOAM Corp.	since 2005	
David Rosenblatt Portfolio Manager BMOAM Corp.	since 2012	
Paul Taylor Chief Investment Officer, Fundamental Equity BMOAM	since 2012	

### Brokerage Arrangements

Decisions regarding the purchase and sale of portfolio securities for each fund are made by the fund's sub-advisor taking into consideration the particular investment objectives, investment strategies and policies of the fund.

Brokerage business is allocated to dealers based on quality of service and the terms offered for specific transactions including price, volume, speed and certainty of execution, the competitiveness of commission terms and prices, the range of services and the quality of research provided and total transaction cost. The process for allocation of brokerage business is the same as described above for dealers that are affiliated entities.

There are no ongoing contractual arrangements with any brokers with respect to securities transactions.

In addition to order execution goods and services, dealers or third parties may provide research goods and services, which include: (i) advice as to the value of securities and the advisability of effecting transactions in securities; and (ii) analyses and reports concerning securities, issuers, industries, portfolio strategy or economic or political factors and trends that may have an impact on the value of securities. Such research goods and services may be provided by the executing dealer directly (known as proprietary research) or by a party other than the executing dealer (known as third party research).

In the event of the provision of a good or service that contains an element that is neither research goods and services nor order execution goods and services ("mixed-use goods and services"), such as data analysis, software applications and data feeds, brokerage commissions will only be used to pay for the portion of such goods and services which would qualify as either research goods and services or order execution goods and services. The applicable sub-advisor would itself pay for the remainder of the costs of such mixed-use goods and services. Records detailing the payment allocations will be kept.

The sub-advisor makes a good faith determination that the fund, on whose behalf it directs to a dealer any brokerage transactions involving client brokerage commissions, in return for research and order execution goods and services from such dealer or third party, receives reasonable

benefit, considering both the use of the goods or services and the amount of the client brokerage commissions paid, by conducting extensive trade cost analyses.

Research and order execution goods and services may benefit not only the funds whose trades generated the brokerage commission, but may also benefit other funds and clients to whom the sub-advisor provides advice. Such research and order execution goods and services may also be shared with affiliates of the Manager. Similarly, a fund may benefit from research and order execution goods and services obtained with brokerage commissions generated by client accounts of affiliates of the Manager. There are policies and procedures in place to ensure that, over a reasonable period of time, all clients, including the funds, receive a fair and reasonable benefit in return for the commissions generated.

Since the date of the last annual information form of each BMO Mutual Fund, no affiliated companies have provided investment decision making services in the nature of research analysis and reports concerning securities and portfolio strategies and statistical or other similar services to the Manager or a person appointed by the Manager in return for the allocation of brokerage transactions. Since the date of the last annual information form of each BMO Mutual Fund, services other than order execution provided to portfolio managers or sub-advisors by non-affiliated dealers and third parties in return for the allocation of brokerage transactions have included research, market data subscriptions, and economic analysis.

The name of any non-affiliated dealer or third party that provided such goods or services to the funds in return for the allocation of brokerage transactions will be provided upon request. If you purchased your securities at a BMO Bank of Montreal branch or through the BMO Investment Centre, you can direct inquiries about the funds to the BMO Investment Centre by calling toll-free 1-800-665-7700 or through our website at [www.bmo.com/mutualfunds](http://www.bmo.com/mutualfunds). If you purchased your securities through an investment dealer or mutual fund dealer, you can direct inquiries about the funds to our administration office by calling us toll free at 1-800-668-7327 or through our website at [www.bmo.com/gam/ca](http://www.bmo.com/gam/ca).

## **Conflicts of Interest**

### **Principal Holders of Securities**

#### ***The Funds***

As of August 10, 2017, we own 100% of the issued and outstanding securities of each series of each fund.

#### ***The Manager***

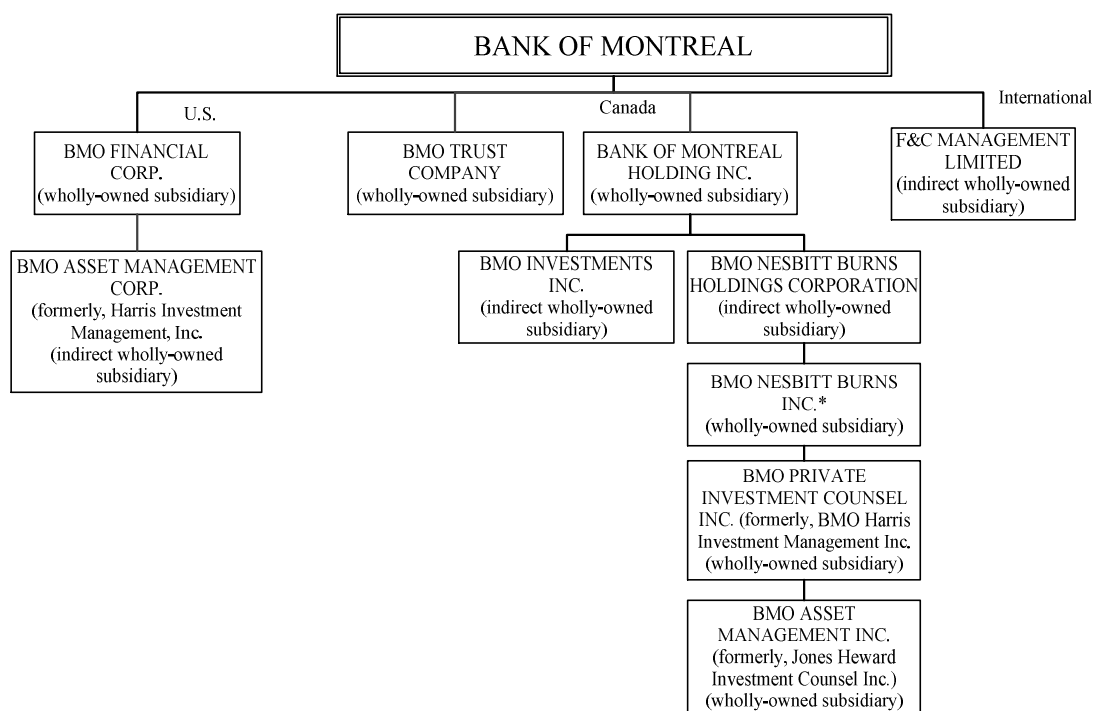
The Manager is an indirect wholly-owned subsidiary of Bank of Montreal. To the knowledge of Bank of Montreal, no person owns 10% or more of the common shares of Bank of Montreal, directly or indirectly. The directors and senior officers of Bank of Montreal, in aggregate, own less than 1% of Bank of Montreal's outstanding common shares.

## *The IRC*

As of August 10, 2017, the members of the IRC, in aggregate, owned less than 1% of Bank of Montreal's outstanding common shares. The members of the IRC, in aggregate, do not own any voting or equity securities of any other person or company that provides services to the funds or the Manager.

## **Affiliated Entities**

The diagram below sets out the relationships among the affiliated entities that provide services to the funds or to the Manager in connection with the funds. All entities below are wholly-owned by Bank of Montreal, directly or indirectly, unless otherwise indicated.



\*On November 1, 2012, this entity, Bank of Montreal Securities Canada Limited, Jones Heward Investments Inc. and BMO Nesbitt Burns Corporation Limited were amalgamated and continued under the name of BMO Nesbitt Burns Inc. The amalgamated BMO Nesbitt Burns Inc. was reorganized to become a wholly-owned subsidiary of BMO Nesbitt Burns Holdings Corporation.

The disclosure of the amount of fees received from the funds by each affiliated entity that provides services to the funds or to the Manager in relation to the funds is, or will be, contained in the audited financial statements of the funds.

The following individuals are directors or executive officers of the Manager, and are also directors or officers of an affiliated entity of the Manager that provides services to the funds or to the Manager in connection with the funds:

<b>Name</b>	<b>Position with the Manager</b>	<b>Position with Affiliates</b>
KEVIN R. GOPAUL	Head, BMO Global Asset Management Canada and Ultimate Designated Officer	Head, BMO Global Asset Management Canada, Ultimate Designated Person and Director, BMO Asset Management Inc.
BARRY M. COOPER	Chairman and Director	Director and Chair, BMO Asset Management Inc.; Director, BMO Private Investment Counsel Inc.; Director and Chair, BMO Asset Management Corp.
ROSS F. KAPPELE	Director	n/a
NELSON C. AVILA	Chief Financial Officer	Chief Financial Officer, BMO Asset Management Inc.
THOMAS C.S. BURIAN	Director	Chief Financial Officer and Treasurer, BMO Trust Company; Director, BMO Asset Management Inc.; Director, BMO Private Investment Counsel Inc.
JOAN Z. MOHAMMED	Director	Director, BMO Asset Management Corp., BMO Asset Management Inc. and F&C Management Limited
ROBERT J. SCHAUER	Director and Head Investment Funds Operations	Chief Financial Officer, BMO Mutual Funds; Head Investment Funds Operations, BMO Asset Management Inc.; Chief Financial Officer, BMO Private Portfolios; Chief Financial Officer, BMO Exchange Traded Funds
VIKI A. LAZARIS	Director	n/a
ANDREW AUERBACH	Director	n/a
LENA ZECCHINO	Chief Anti-Money Laundering Officer	Chief Anti-Money Laundering Officer, BMO Asset Management Inc., BMO Private Investment Counsel Inc. and BMO Trust Company
STEPHANIE R. VASS	Chief Compliance Officer	n/a

## **Fund Governance**

### **General oversight**

As stated above, the Trustee has the exclusive authority over the assets and affairs of the funds and is ultimately responsible for the funds. The Trustee delegates the day-to-day administration and operation of the funds to the Manager.

We have an Investment Management Committee that meets monthly to examine and review investment performance, compliance, industry trends, ideas, opportunities and related matters in connection with the funds. This committee reports performance and significant issues to the Trustee.

We have hired certain portfolio managers to provide investment advice and portfolio management to the funds. Their activities are carefully and regularly monitored by the Manager's Investment Management Committee to help ensure observance of investment

guidelines, conduct and financial performance. The portfolio managers may also report to the Trustee from time to time.

We have established appropriate policies, procedures, practices and guidelines to ensure the proper management of the funds, including the policies and procedures relating to conflicts of interest as required by NI 81-107. Included among these policies is a personal trading policy for employees of the Manager. The personal trading policy is designed to prevent potential, perceived or actual conflicts between the interests of the Manager and its employees, and the interests of the funds. Under the policy, certain senior personnel of the Manager are required to obtain prior approval before placing any trades in securities for their personal accounts in order to ensure that the trades do not conflict with the best interests of the funds and have not been made available to the employee because of his or her position, knowledge of or relationship with the funds.

We are the principal distributor of securities of the funds. There are branch compliance officers overseeing the sale and distribution of the funds, a provincial/divisional compliance officer ensuring that branch compliance officers are carrying out their compliance responsibilities, and a BMO Mutual Funds' compliance department overseeing trading surveillance, regulatory changes, training courses and materials and transactions involving actual or potential conflicts of interest.

### **Independent Review Committee**

In accordance with NI 81-107, the Manager appointed an Independent Review Committee (“**IRC**”) for the BMO Mutual Funds. The mandate of the IRC is to:

- (a) review the written policies and procedures established by the Manager and referred to the IRC on conflict of interest matters;
- (b) review conflict of interest matters referred to the IRC by the Manager and provide the Manager with an approval or a recommendation (an IRC decision) depending on the nature of the conflict of interest matter;
- (c) perform any other function required of an independent review committee under applicable Canadian securities legislation; and
- (d) perform any other function, as may be agreed to in writing by the IRC and the Manager, from time to time.

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, in addition to any standing instructions the IRC has provided to the Manager to enable the Manager to act in a particular conflict of interest matter on a continuing basis. This review will include an assessment of the Manager's and the funds' compliance with the related policies and procedures and the conditions imposed by the IRC in the applicable standing instruction.

On an annual basis, the IRC will also conduct a self-assessment of the IRC's independence, compensation and effectiveness. The IRC will provide the Manager with a report of the results of such self-assessment.

In accordance with NI 81-107, for each financial year of the funds, the IRC will prepare a report to securityholders that describes the IRC and its activities for the financial year. Securityholders can get a copy of this report, at no cost by writing to us at BMO Investments Inc., 100 King Street West, 43rd Floor, Toronto, Ontario, M5X 1A1 or going to the website of SEDAR at [www.sedar.com](http://www.sedar.com). If you purchased your securities at a BMO Bank of Montreal branch or through the BMO Investment Centre, you can direct your request for the IRC's report to securityholders to the BMO Investment Centre by calling us toll-free 1-800-665-7700 or through our website at [www.bmo.com/mutualfunds](http://www.bmo.com/mutualfunds).

If you purchased your securities through an investment dealer or mutual fund dealer, you can get a copy of this report, at no cost by writing to us at BMO Investments Inc., 250 Yonge Street, 7<sup>th</sup> Floor, Toronto, Ontario, M5B 2M8 or by calling us toll free at 1-800-668-7327 or through our website at [www.bmo.com/gam/ca](http://www.bmo.com/gam/ca).

### **Risk management**

Risk management is dealt with on a number of levels. The agreements between the Manager and the portfolio managers set out the objectives and strategies of a fund, the investment restrictions and policies prescribed by the Canadian securities regulators and any additional guidelines and criteria considered by the Manager to be appropriate. Various measures to assess risk are used, including mark to market security valuation, fair value accounting, effective exposure reporting, and monthly reconciliations of security and cash positions. Compliance monitoring of the funds' portfolios is ongoing. The funds are priced daily, which aims to ensure that the valuation accurately reflects market movements.

### **Derivatives trading**

As disclosed in the simplified prospectus the funds may use derivatives as permitted by the Canadian securities regulators for hedging or non-hedging purposes.

Derivatives may be used to participate in changes to a particular market or group of securities without purchasing the securities directly, or to temporarily reduce participation in a particular market in which the underlying fund has already invested. The types of derivatives a fund may use include forward contracts, futures contracts, options or options on futures and swaps.

The Manager allows for the use of derivatives under certain conditions and limitations. The Manager has written policies and procedures in place with respect to risk management and also on the use of, and to supervise the portfolio managers in the use of, derivatives as investments within the funds. These policies and procedures are reviewed by the Manager, as required, with a minimum annual review.

The portfolio managers have authority to enter into derivatives transactions on behalf of the funds only as set out in the simplified prospectus and as further limited in their respective investment management agreements with the Manager. Among other limitations, all derivative transactions must adhere to the investment objectives and strategies of each of the applicable funds. The portfolio managers are also required to adhere to applicable securities legislation, including the restrictions in NI 81-102, subject to any exemptive relief therefrom. While NI 81-102 rules are used as the standard for trading limits on derivative trading, individual funds may



employ more conservative guidelines which, in turn, are monitored by the Manager on an ongoing basis through confirmations from and due diligence of the portfolio managers. The Manager monitors the activities of the portfolio managers through the receipt of quarterly confirmations from the relevant portfolio managers that the funds are in compliance with securities laws relating to the use of derivatives by the funds and also conducts annual due diligence on each portfolio manager. Each of the portfolio managers has policies and procedures in place with respect to derivatives trading which are reviewed as part of the Manager's annual due diligence review. These procedures dictate the use of derivatives as investments within the funds including specific procedures for the authorization, documentation, reporting, monitoring and review of derivative strategies and positions. When using derivatives, the portfolio managers generally apply various measures to assess risk, including mark to market security valuation, fair value accounting, monthly reconciliations of securities and cash positions. No stress testing is conducted specifically with respect to the derivative positions maintained by the funds. The portfolio managers, however, are required to perform a review of risk exposure on all of its managed portfolios, including the funds, as indicated above.

### **Securities lending, repurchase and reverse repurchase transactions**

On behalf of the funds, the Manager has entered into a securities lending authorization agreement, as amended (the "**Securities Lending Agreement**"), with the Custodian, Canadian Imperial Bank of Commerce ("**CIBC**"), the Securities Lending Agent and CIBC Mellon Global Securities Services Company ("**GSS**"). The securities lending program is administered by GSS. The Securities Lending Agent acts as agent for securities lending transactions for those funds that engage in securities lending. The securities lending program administrator, GSS, will value the loaned securities and the collateral daily to ensure that the collateral is worth at least 102% of the market value of the loaned securities. Pursuant to the terms of the Securities Lending Agreement, the Custodian, GSS, CIBC and the Securities Lending Agent will indemnify and hold harmless the Manager, on behalf of the applicable funds, from all losses, damages, liabilities, costs or expenses (including reasonable counsel fees and expenses, but excluding consequential damages) suffered by the Manager of the fund(s) arising from (a) the failure of the Securities Lending Agent or GSS to perform any obligations under the Securities Lending Agreement, (b) any inaccuracy of any representation or warranty made by GSS or the Securities Lending Agent in the Securities Lending Agreement or (c) fraud, bad faith, wilful misconduct or reckless disregard of the duties by the Securities Lending Agent or GSS. The Securities Lending Agreement may be terminated at any time at the option of any party upon thirty (30) days' prior notice to the other parties.

The Securities Lending Agreement complies with the applicable provisions of NI 81-102. The Manager manages the risks associated with securities lending (which are described under "*General investment risks*" in the simplified prospectus) by requiring the Securities Lending Agent to:

- enter into securities lending transactions with reputable and well-established Canadian and foreign brokers, dealers and institutions ("**counterparties**");
- maintain internal controls, procedures and records including a list of approved counterparties based on generally accepted creditworthiness standards, transaction and credit limits for each counterparty and collateral diversification standards;

- establish daily the market value of both the securities loaned by a fund under a securities lending transaction or sold by a fund under a repurchase transaction and the cash or collateral held by the fund. If on any day the market value of the cash or collateral is less than 102% of the market value of the borrowed or sold securities, the Custodian will request that the counterparty provide additional cash or collateral to the fund to make up the shortfall; and
- ensure that the collateral to be delivered to the fund is one or more of cash, qualified securities or securities immediately convertible into, or exchangeable for, securities of the same issuer, class or type, and same term, if applicable, as the securities being loaned by the fund.

The transaction may be terminated by the fund at any time and the loaned securities recalled within the normal and customary settlement period for such transactions.

The Manager will review its written policies and procedures at least annually to ensure that the risks associated with securities lending transactions are being properly managed. The funds' securities lending agent will use risk measurement procedures or simulations to test each portfolio under stress, where applicable.

Although permitted to do so, none of the funds currently engage in repurchase or reverse repurchase transactions.

### **Short selling**

Each of the funds may engage in short selling of securities as permitted under NI 81-102. Generally, short selling can provide a fund with an opportunity for gain where the fund's portfolio management team expects the price of a security to decrease. The risks involved in short selling and the applicable fund's investment strategy regarding short selling are disclosed in the simplified prospectus.

Short selling by a fund will be subject to the following controls and restrictions as per the Manager's written policies and procedures:

- all short sales will be implemented using market facilities through which those securities are normally bought and sold
- securities will be sold short for cash, with the fund assuming the obligation to return the borrowed securities to the lender. The fund will receive the cash proceeds within normal trading settlement periods for the market in which the short sale is effected
- the security interest provided by the fund over fund assets will be granted in accordance with industry practice for short sale transactions and will relate only to obligations arising under such transactions
- securities sold short will be liquid securities that are:
  - (a) listed and posted for trading on a stock exchange and (i) each issuer of a security sold short has a market capitalization of at least C\$300 million at the time of the short sale, or (ii) the fund has pre-arranged to borrow for the purpose of such sale, or

- (b) bonds, debentures or other evidences of indebtedness of, or guaranteed by, the Government of Canada or any province or territory of Canada or the Government of the United States of America
- the fund will borrow securities only from its custodian or a regulated dealer. For short sale transactions in Canada, the dealer will have to be a registered dealer and a member of a self-regulatory organization that is a participating member of the Canadian Investor Protection Fund. For short sale transactions outside Canada, the dealer will have to be subject to a regulatory audit from time to time by virtue of being a member of a stock exchange, and have a net worth in excess of C\$50 million, as determined from its most recent audited financial statements that are publicly available
  - the total market value of all securities of an issuer sold short by the fund will not exceed 5% of the total net assets of the fund, and the fund will place a “stop-loss” order with a dealer to immediately purchase for the fund an equal number of the same securities if the trading price of the securities exceeds 120% (or such lesser percentage as the Manager may determine) of the price at which the securities were sold short
  - when fund assets are deposited with a dealer as security in connection with a short selling transaction, the amount of fund assets deposited with the dealer will not, when aggregated with the amount of fund assets already held by the dealer as security for outstanding short selling transactions involving the fund, exceed 10% of the net assets of the fund, taken at market value at the time of deposit
  - the total market value of all securities sold short by the fund will not exceed 20% of the net assets of the fund on a daily marked-to-market basis
  - the fund will hold “cash cover” (as defined in NI 81-102) in an amount that is at least 150% of the total market value of all securities sold short by the fund on a daily marked-to-market basis. The fund assets deposited with lenders as security until the borrowed securities are returned will be included in that amount. The fund will not use the proceeds from short sales to purchase long positions in securities other than cash cover

On an annual basis, the investment department of the Manager will report to the Board of Directors of the Manager on short sale strategies, if applicable, and risk management processes used by the funds. The funds do not use simulations to test the portfolio under stress conditions.

### **Transactions with related or connected persons or companies**

The Manager is a member of a group of related companies known as the “BMO Financial Group”. Applicable securities legislation contains restrictions on the circumstances in which the funds, or the Manager on behalf of the funds, may enter into transactions or arrangements with or involving other members of the BMO Financial Group.

From time to time the Manager may, on behalf of the funds, enter into transactions or arrangements with or involving other members of the BMO Financial Group, or certain other persons or companies that are related or connected to the Manager or the funds. These may include transactions or arrangements with or involving Bank of Montreal, BMO Nesbitt Burns Inc., BMO Private Investment Counsel Inc., BMOAM, BMO InvestorLine Inc., BMOAM Corp., the LGM Investments group of companies, F&C, Pyrford International Limited or other related mutual funds, and may involve the purchase or sale of portfolio securities through or from a

member of the BMO Financial Group, the purchase or sale of securities issued or guaranteed by a member of the BMO Financial Group, a fund entering into forward contracts, options on forwards or swaps with a member of the BMO Financial Group acting as counterparty, the purchase or redemption of securities of other mutual funds managed by us or by another member of the BMO Financial Group (including exchange traded funds) or the provision of services to the Manager. However, these transactions and arrangements will only be entered into where they are permitted under applicable securities legislation or by securities regulatory authorities having jurisdiction and, if applicable, approved by the IRC (or after having received the IRC's positive recommendation) and where they are, in the opinion of the Manager, in the best interests of the funds.

### **Proxy voting policies and procedures**

The Manager has delegated the voting of proxies of each fund's portfolio securities to that fund's portfolio manager as part of the portfolio manager's management of the fund's portfolio, subject to the Manager's continuing oversight. A portfolio manager voting proxies on behalf of a fund must do so in a manner consistent with the best interests of the fund and its securityholders.

The Manager has established policies and procedures to be considered, in conjunction with the portfolio manager's own policies and procedures, in determining how to vote on matters for which the funds receive proxy materials for a meeting of securityholders of an issuer. Due to the variety of proxy voting issues that may arise, the following summary of the proxy voting policies and procedures is not exhaustive and is intended to provide guidance but does not necessarily dictate how each issue must be voted in each instance. Further, the Manager or a portfolio manager may depart from their respective proxy voting policies and procedures or not vote a proxy, in order to avoid voting decisions that may be contrary to the best interests of a fund and its securityholders.

The policies and procedures established by the Manager (the "**Proxy Voting Guidelines**") include:

- (a) a standing policy for dealing with routine matters on which a fund may vote. In particular, the Proxy Voting Guidelines apply general guidelines to a number of routine matters. These guidelines vary, depending on the specific matter involved. Routine matters include: election of directors; appointment of auditors; changes in capital structure; and an increase in authorized stock;
- (b) the circumstances under which a fund will deviate from the standing policy for routine matters. The Proxy Voting Guidelines provide that a fund's portfolio manager may depart from the general guidelines with respect to routine matters, in order to avoid voting decisions that may be contrary to the best interests of the fund and the fund's securityholders. For example, the Proxy Voting Guidelines provide that funds will typically support management's recommendations regarding the appointment of an auditor, but may vote against such a recommendation if the fees for services are excessive or if there are other reasons to question the independence or quality of the company's auditors;

- (c) the policies under which, and the procedures by which, a fund will determine how to vote or refrain from voting on non-routine matters. These policies vary depending on the specific matter involved. Non-routine matters include: corporate restructurings; mergers and acquisitions; proposals affecting shareholder rights; corporate governance; executive compensation; social and environmental issues; and shareholder proposals. For example, with respect to shareholders rights, the Proxy Voting Guidelines provide that the funds will typically vote in favour of proposals that give shareholders a greater voice in the affairs of the company and oppose any measure that seeks to limit those rights; and
- (d) procedures to ensure that portfolio securities held by a fund are voted in accordance with the instructions of the Manager. This includes the requirement of each portfolio manager to provide to the Manager on a quarterly basis a certificate confirming that it has voted all securities held by the funds it manages in accordance with the Proxy Voting Guidelines.

The following three situations involving the voting of proxies present a potential material conflict of interest:

- voting proxies in respect of a shareholders meeting of the Manager or any of its affiliates;
- voting proxies of an issuer in respect of a proposed merger or other corporate reorganization or transaction involving the issuer (or any of its affiliates) and the Manager, or any of its affiliates; and
- voting proxies of an issuer in regard to the nomination or election of any officer or director of the Manager to the board of directors of that issuer.

In those instances where the Manager or an affiliate is not acting as portfolio manager, the voting responsibility will be outsourced to the portfolio manager who will vote the proxies in the best interests of the fund without reference to, or influence from the Manager. In those instances where the Manager or an affiliate acts as portfolio manager, the Manager will employ a leading, independent proxy agent (the “**Proxy Agent**”) who provides in-depth analysis, guidelines and voting recommendations for proxy proposals (e.g., International Shareholder Services) and vote the proxies to be consistent with the Proxy Agent’s recommendation.

A conflict of interest may exist if BMOAM, its personnel or another related entity has a business relationship with (or is actively soliciting business from) either the company soliciting the proxy or a third party that has a material interest in the outcome of a proxy vote or that is actively lobbying for a particular outcome of a proxy vote. Conflicts of interest also may arise if an individual employed by BMOAM that is involved in the proxy vote decision has a direct or indirect personal relationship or other interest in either the company soliciting the proxy or in a third party that has a material interest in the outcome of a proxy vote, or that is lobbying for a particular outcome of a proxy vote.

BMOAM has procedures in place to identify potential conflicts of interest. When BMOAM becomes aware of any vote that presents a conflict, BMOAM must vote such proxy question in a manner consistent with, and uninfluenced by considerations other than, the best interest of the fund and its securityholders.

The policies and procedures that the funds follow when voting proxies relating to portfolio securities are available on request, at no cost, by calling 1-800-665-7700 if you purchased your securities in a BMO Bank of Montreal branch or through the BMO Investment Centre or by calling 1-800-668-7327 if you purchased your securities through a dealer or by writing to the Manager, 100 King Street West, 43rd Floor, Toronto, Ontario M5X 1A1.

Each fund's proxy voting record for the most recent period ended June 30 of each year is, or will be, available free of charge to any securityholder of the fund upon request at any time after August 31 of the relevant year by calling 1-800-665-7700 if you purchased your securities in a BMO Bank of Montreal branch or through the BMO Investment Centre, or by calling 1-800-668-7327 if you purchased your securities through a dealer.

The proxy voting record is also available on the funds' websites at [www.bmo.com/mutualfunds](http://www.bmo.com/mutualfunds) or at [www.bmo.com/gam/ca](http://www.bmo.com/gam/ca).

### **Policies and procedures on short-term trading**

We have policies and procedures to detect and deter short-term or excessive trading that include the ability to refuse your present or future order(s) to buy or switch securities and charging a short-term trading fee.

We monitor for potential timing abuses both in branch offices and at our head office. We use an electronic trade surveillance system to review and flag trades for potential problems and we also review transaction records daily to detect short-term or excessive trading. Flagged trades are reviewed by compliance officers and warnings, verbal or written, may be sent. If, in our sole discretion, we determine that you are engaging in short-term trading, in addition to taking other available remedies, the relevant fund may reject your purchase or switch order(s) or may charge a short-term trading fee to be paid directly to the fund out of the redemption proceeds, reducing the amount otherwise payable to you on the redemption or switch. We have the option to waive this penalty at any time. If further short-term trading occurs, any further transactions, other than redemptions, may be refused.

The restrictions imposed on short-term trading, including the short-term trading fees, will generally not apply in connection with redemptions or switches: from money market funds and similar funds; initiated by us; under special circumstances, as determined by us in our sole discretion; or made under optional plans including Systematic Withdrawal Plans.

### **Interest of management**

We are entitled to receive management fees from the funds. See "*Management Agreement*" for more details. The fees received by us as management fees are disclosed in the audited financial statements of the funds.

BMOAM, BMOAM Corp. and F&C are related to us and, as portfolio managers or sub-advisors for certain funds, are entitled to receive fees from the Manager for investment advisory and portfolio management services.

The funds pay standard brokerage commissions at market rates to BMO Nesbitt Burns Inc. for trades executed by BMO Nesbitt Burns Inc.

Bank of Montreal, BMO Nesbitt Burns Inc. and BMO InvestorLine Inc. may buy or sell debt securities to or from the funds subject to certain conditions set out in NI 81-102, NI 81-107 and the requirements of the Canadian securities regulators. See “*Investment Restrictions and Practices*” for further information.

## **Fees and Expenses**

### **Management fees**

In return for our services, each series of each fund pays us a management fee (plus applicable taxes). The fee is calculated daily and payable monthly. The management fee that we may charge for the series of securities of each fund is disclosed in the simplified prospectus. Each Series I investor pays a separate fee (plus applicable taxes) to the Manager, which is a fee negotiated between the investor and the Manager.

We are responsible for paying:

- all expenses incurred for advice and recommendations about investment policies;
- fees charged by portfolio managers, other advisors or sub-distributors; and
- fees and expenses for services relating to the day-to-day operations of each fund, including, but not limited to advertising and promotional services, office overhead expenses related to the Manager’s activities, and all other services necessary or desirable to conduct and operate the funds’ business in an efficient manner.

If the basis of the calculation of a fee or expense that is charged to the No Load Series securities of a fund (or is charged directly to the securityholders by the fund or by us in connection with the holding of the securities of the fund) is changed in a way that could result in an increase in charges to the series or to its securityholders or if such a fee or expense is introduced, then the approval of securityholders will not be obtained. In the cases above, securityholders will be sent a written notice of the change at least 60 days prior to the effective date.

In addition, if the basis of the calculation of a fee or expense that is charged to any other series of a fund offered through this document is changed in a way that could result in an increase in charges to the series or to its securityholders or if such a fee or expense is introduced, and if this fee or expense is charged by an entity that is at arm’s length to the fund, then the approval of securityholders will not be obtained. In the cases above, securityholders will be sent a written notice of the change at least 60 days prior to the effective date.

We may waive all or a portion of any management fees from time to time without notice.

To encourage large investments in the funds or to accommodate special situations, we may reduce all or a portion of the management fees we charge. The reduction is based on a number of factors, including the type of investor, the number and value of securities held by an investor and the relationship between the investor and the Manager.

If your investments qualify, we will calculate the reduction in the management fees according to a schedule that we may change at our discretion. If we reduce our usual management fee for an investment in one of the funds, the fund will pay the reduction to you in the form of a special distribution, which is called a management fee distribution.

We calculate management fee distributions on each Valuation Day. They are distributed or paid regularly to eligible investors. We will reinvest the distribution in additional securities of the fund.

For the funds, management fee distributions are made first out of net income and net realized capital gains and then out of capital. See “*Income Tax Considerations*” below for information on the tax consequences of management fee distributions.

At all times, the Manager is entitled to charge the fund or the investor, as applicable, the maximum rate of management fee as set out in the simplified prospectus. For Series I securities, a separate management fee is negotiated with the investor. The Manager may reduce the rate of any management fee reductions or cancel any management fee reduction at any time.

### **Operating expenses**

Each fund pays all of its operating expenses directly. These operating expenses include: audit and legal fees and expenses; custodian and transfer agency fees; costs attributable to the issue, redemption and change of securities, including the cost of the securityholder record keeping system; expenses incurred in respect of preparing and distributing prospectuses, financial reports and other types of reports, statements and communications to securityholders; fund accounting and valuation costs; filing fees, including those incurred by the Manager; expenses incurred in respect of preparing and distributing fund facts; interest or other borrowing expenses; all reasonable costs and expenses incurred in relation to compliance with NI 81-107, including compensation and expenses payable to IRC members and any independent counsel or other advisors employed by the IRC, the costs of the orientation and continuing education of IRC members and the costs and expenses associated with IRC meetings; taxes of all kinds to which the fund is or might be subject; and costs associated with compliance with any new governmental or regulatory requirement introduced after December 1, 2007.

The funds allocate these operating expenses proportionately among their series. Operating expenses that are specific to a series are allocated to that series. For each series of a fund, we may, at our discretion, absorb all or a portion of these operating expenses at any given time. For Series I securities of the funds, separate fee and expense arrangements are negotiated with each Series I investor.

Certain operating expenses are subject to applicable taxes. The operating expenses paid by the funds are included in the management expense ratios of the funds.



## **Income Tax Considerations**

The following is a summary of the principal Canadian federal income tax considerations under the Tax Act as of the date hereof generally applicable to the funds and to a prospective purchaser of securities of a fund who is, at all relevant times, a Canadian resident individual (other than a trust) holding securities directly as capital property or in a registered plan, dealing at arm's length with the funds and not affiliated with the funds, each within the meaning of the Tax Act.

**THIS SUMMARY IS OF A GENERAL NATURE ONLY, IS NOT EXHAUSTIVE OF ALL POSSIBLE INCOME TAX CONSIDERATIONS, AND IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSTRUED TO BE, LEGAL OR TAX ADVICE. ACCORDINGLY, PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR OWN TAX ADVISOR WITH RESPECT TO THEIR PARTICULAR CIRCUMSTANCES.**

This summary is based on the current provisions of the Tax Act in force on the date hereof, the regulations enacted pursuant thereto, all specific proposals to amend the Tax Act and the regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and our understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency. This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, government or judicial decision or action or changes in the administrative policies or assessing practices of the Canada Revenue Agency, nor does it take into account or consider any provincial, territorial or foreign income tax considerations.

This summary assumes that each fund will at all material times qualify as a mutual fund trust under the Tax Act.

### **Taxation of the Funds**

Each fund is required to calculate its net income, including net taxable capital gains, in Canadian dollars, for each taxation year according to the rules in the Tax Act. A fund is generally required to include in the calculation of its income, interest as it accrues, dividends when they are received and capital gains and losses when they are realized. Trust income that is paid or payable to a fund during the trust's taxation year is generally included in the calculation of the fund's income for the taxation year of the fund in which the trust's taxation year ends. Foreign source income received by a fund (whether directly or indirectly from an underlying trust) will generally be net of any taxes withheld in the foreign jurisdiction. The foreign taxes so withheld will be included in the calculation of the fund's income. A fund may be deemed to earn income on investments in some types of foreign entities. Gains and losses realized on futures, forward contracts, options and other derivatives may be treated as ordinary income and loss or as capital gains and capital losses, depending on the circumstances.

In calculating a fund's net income, all of the fund's deductible expenses, including expenses common to all series of units of the fund and expenses specific to a particular series of units of the fund, will be taken into account for the fund as a whole.

A fund that invests in foreign denominated securities must calculate its adjusted cost base and proceeds of disposition in Canadian dollars based on the conversion rate on the date the securities were purchased and sold, as applicable. As a result, a fund may realize capital gains and losses due to changes in the value of foreign currency relative to the Canadian dollar. Capital gains realized during a taxation year are reduced by capital losses realized during the year. In certain circumstances, a capital loss realized by a fund may be denied or suspended and, therefore, may not be available to offset capital gains. For example, a capital loss realized by a fund will be suspended if, during the period that begins 30 days before and ends 30 days after the date on which the capital loss was realized, the fund (or a person affiliated with the fund for the purposes of the Tax Act) acquires a property that is, or is identical to, the particular property on which the loss was realized and owns that property at the end of that period.

Each fund is required to distribute to unitholders a sufficient amount of its net income and net capital gains, if any, for each taxation year so that it will not be liable for ordinary income tax under Part I of the Tax Act for any taxation year, after taking into account the capital gains refund.

A trust, such as a fund, is subject to a “loss restriction event” for the purposes of the Tax Act each time a person or partnership becomes a “majority-interest beneficiary” of the trust for the purposes of the Tax Act, which generally occurs when a beneficiary of the trust and its affiliates acquire beneficial interests in the trust of more than 50% of the fair market value of the trust. However, no person, partnership or affiliated group should become a “majority interest beneficiary” of a fund as long as the fund qualifies as an “investment fund” under the Tax Act by satisfying certain investment diversification and other conditions. If a fund experiences a “loss restriction event”, the taxation year of the fund will be deemed to end. The fund will realize its capital losses and may elect to realize its capital gains. Unused capital losses will expire and the ability of the fund to carryforward non-capital losses will be restricted.

### **Taxation of Unitholders**

Generally, an individual who holds units of a fund directly (not in a registered plan) will be required to include in computing his or her income the amount (computed in Canadian dollars) of the net income and the taxable portion of the net realized capital gains that is paid or payable to him or her by the fund in the year (including by way of management fee distributions), whether or not such amount has been reinvested in additional units. A unitholder may ultimately be paid and thus taxed on income, realized capital gains, and accrued capital gains that are in a fund at the time the units are purchased.

Distributions of capital to a unitholder by a fund are not included in income, but will reduce the adjusted cost base to the unitholder of the units on which the distribution was paid. To the extent that the adjusted cost base of a unitholder’s units is reduced to less than zero, the unitholder will be deemed to realize a capital gain and subsequently the adjusted cost base will be increased to nil.

Provided the appropriate designations are made by a fund, the amount, if any, of net realized taxable capital gains of the fund that is paid or payable to unitholders (including such amounts reinvested in additional units) will, effectively, retain its character for tax purposes and be treated

as taxable capital gains of the unitholders. Similarly, a fund may make a designation of its foreign source income so that unitholders are able to claim a foreign tax credit for foreign taxes paid and not deducted by a fund.

Upon the disposition or deemed disposition of a unit by a unitholder, whether by redemption, sale, transfer or otherwise, the unitholder will realize a capital gain (or capital loss) to the extent that the proceeds of disposition for the unit, less any expenses of disposition, are greater (or less) than the unitholder's adjusted cost base of the unit as determined for the purposes of the Tax Act. The redesignation of a unit of one series of a class of units of a fund for units of another series of the same class of the same fund should not be a disposition. The cost of the units received by a unitholder on the redesignation should be equal to the adjusted cost base to the unitholder of the units that were redesignated.

One-half of any capital gain realized by a unitholder will generally be included in the unitholder's income as a taxable capital gain and one-half of any capital loss realized by a unitholder may generally be deducted from taxable capital gains in accordance with the provisions of the Tax Act.

Management fees paid directly by you are generally not deductible in computing your income. You should consult with your tax advisor about the tax treatment of fees payable directly to us, your dealer or any other fees payable directly by you.

### **Taxation of Registered Plans**

A registered plan that holds securities of a fund and the planholder of that registered plan will not generally be subject to tax on the value of the securities or the income or capital gains distributed by the fund or a gain realized on the disposition of the securities of the fund provided the securities are a qualified investment under the Tax Act for the registered plan and, in the case of an RRSP, RRIF and TFSA, not a prohibited investment under the Tax Act for the registered plan. The 2017 Federal Budget proposed to extend these prohibited investment rules to RESPs and RDSPs effective March 23, 2017. See "*Eligibility for Registered Plans*" for further information about each fund's status under the Tax Act.

**Investors should consult their own tax advisor for advice regarding the implications of acquiring, holding or disposing of any securities of a fund in their registered plans, including whether or not securities of a fund are at risk of being or becoming a prohibited investment.**

### **Exchange of Tax Information**

As a result of due diligence and reporting obligations in the Tax Act, securityholders may be asked to provide their dealer with information about their citizenship and tax residence. If a securityholder is identified as a U.S. citizen (including a U.S. citizen living in Canada) or a foreign tax resident, information about the securityholder and their investment in the Funds will be reported to the CRA, unless units of the Funds are held in a registered plan. The CRA is expected to provide that information to the applicable foreign tax authorities if the applicable foreign government has entered into an exchange of information agreement with Canada.

## **Amendments to the Constatng Documents**

We may make certain amendments to the applicable constating documents (i.e., the Declaration of Trust) of each fund, as permitted by applicable legislation. You will be entitled to vote on certain material changes to a fund's constating documents. Please see "*Meetings of securityholders*" for more details.

### **Changes requiring written notice to unitholders**

In respect of any fund and subject to any longer notice requirements imposed under applicable securities legislation, the Trustee is permitted to amend the Declaration of Trust by giving not less than 30 days' notice to unitholders of the fund affected by the proposed amendment in circumstances where:

- (a) applicable securities legislation requires that written notice be given to unitholders before the change takes effect; or
- (b) the change would not be prohibited by applicable securities legislation and the Trustee reasonably believes that the proposed amendment has the potential to materially adversely impact the financial interests or rights of the unitholders, so that it is equitable to give unitholders advance notice of the proposed change.

### **Changes not requiring written notice to unitholders**

In respect of any fund, the Trustee is permitted to amend the Declaration of Trust, without the approval of or prior notice to the unitholders of such fund, if the Trustee reasonably believes that the proposed amendment does not have the potential to materially adversely impact the financial interests or rights of unitholders of the fund or that the proposed amendment is necessary to:

- (a) ensure compliance with applicable laws, regulations or policies of any governmental authority having jurisdiction over the fund or the distribution of its units;
- (b) remove any conflicts or other inconsistencies that may exist between any of the terms of the Declaration of Trust and any provisions of any applicable laws, regulations or policies affecting the fund, the Trustee or its agents;
- (c) make any change or correction in the Declaration of Trust that is a typographical correction or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission or error contained therein;
- (d) facilitate the administration of the fund as a mutual fund trust or make amendments or adjustments in response to any existing or proposed amendments to the Tax Act or its administration which might otherwise adversely affect the tax status of the fund or its unitholders; or
- (e) for the purpose of protecting the unitholders of the fund.

## **Material Contracts**

The material contracts relating to, or executed by each fund, are:

- the Declaration of Trust, as amended;
- the Management Agreement;
- the Custodial Agreement; and
- the amended and restated investment advisory and portfolio management agreement between the Manager and the portfolio manager.

You may inspect copies of these material contracts during normal business hours at our head office at 100 King Street West, 43rd Floor, Toronto, Ontario, M5X 1A1. To receive a copy of the Declaration of Trust, send us a written request.

## Certificate of the Funds and the Manager and Promoter of the Funds

BMO International Equity Fund  
BMO Japan Fund

(collectively, the “**Funds**”)

This annual information form, together with the simplified prospectus and the documents incorporated by reference into the simplified prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus, as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Prince Edward Island, Nova Scotia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Yukon Territory and Nunavut and do not contain any misrepresentations.

DATED: August 10, 2017

*(Signed) “Kevin R. Gopaul”*

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KEVIN R. GOPAUL  
Acting in the capacity of Chief  
Executive Officer  
BMO Investments Inc.

*(Signed) “Nelson C. Avila”*

\_\_\_\_\_  
NELSON C. AVILA  
Chief Financial Officer  
BMO Investments Inc.

**ON BEHALF OF THE DIRECTORS  
OF BMO INVESTMENTS INC.,  
the Trustee, Manager and Promoter**

*(Signed) “Ross F. Kappele”*

\_\_\_\_\_  
ROSS F. KAPPELE  
Director

*(Signed) “Robert J. Schauer”*

\_\_\_\_\_  
ROBERT J. SCHAUER  
Director

**Certificate of the Principal Distributor of the Funds**

BMO International Equity Fund  
BMO Japan Fund

(collectively, the “**Funds**”)

To the best of our knowledge, information and belief, this annual information form, together with the simplified prospectus and the documents incorporated by reference into the simplified prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus, as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Prince Edward Island, Nova Scotia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Yukon Territory and Nunavut and do not contain any misrepresentations.

DATED: August 10, 2017

**PRINCIPAL DISTRIBUTOR,  
BMO INVESTMENTS INC.**

*(Signed) “Kevin R. Gopaul”*

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KEVIN R. GOPAUL  
Acting in the capacity of Chief  
Executive Officer

## **BMO Mutual Funds**

BMO International Equity Fund (series A, F, I and Advisor Series)

BMO Japan Fund (series A, F, I and Advisor Series)

Offering series A securities, series F securities, series I securities and Advisor Series securities, as noted.

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The funds' fund facts, management reports of fund performance and financial statements contain more information about the funds. You can obtain a copy of these documents and other information about the funds, such as information circulars and material contracts, at no cost by:

- calling us toll-free at 1-800-665-7700 if you purchased your securities in a BMO Bank of Montreal branch or through the BMO Investment Centre or at 1-800-668-7327 if you purchased your securities through a dealer
- visiting BMO Investments Inc.'s website at [www.bmo.com/mutualfunds](http://www.bmo.com/mutualfunds) (in English) or [www.bmo.com/fonds](http://www.bmo.com/fonds) (en français) if you purchased your securities in a BMO Bank of Montreal branch or through the BMO Investment Centre
- visiting BMO Investment Inc.'s website at [www.bmo.com/gam/ca](http://www.bmo.com/gam/ca) (in English), or [www.bmo.com/gma/ca](http://www.bmo.com/gma/ca) (en français) if you purchased your securities through a dealer
- emailing us at [mutualfunds@bmo.com](mailto:mutualfunds@bmo.com) if you purchased your securities in a BMO Bank of Montreal branch or through the BMO Investment Centre
- emailing us at [clientservices.mutualfunds@bmo.com](mailto:clientservices.mutualfunds@bmo.com) if you purchased your securities through a dealer
- contacting your dealer directly
- visiting [www.sedar.com](http://www.sedar.com)

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1-800-665-7700

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1-800-668-7327