

May 17, 2021

Dear Investor,

This letter is to advise you of a package you will be receiving shortly by mail pertaining to an annual and special meeting of investors of BMO Monthly Dividend Fund Ltd. and a special meeting of investors of BMO Floating Rate Income Fund (collectively, the “**Meeting**”) relating to, among other things, proposed fund mergers that we believe will be beneficial to you as a securityholder of BMO Floating Rate Income Fund and/or BMO Monthly Dividend Fund Ltd. (each a “**Terminating Fund**” and, collectively, the “**Terminating Funds**”).

The Meeting will be virtual (online) by way of live video webcast and teleconference, and will be held concurrently beginning at 10:00 a.m. (Toronto time) on Friday, June 18, 2021 (after first registering through the link meet.secureonlinevote.com beginning 30 minutes before the Meeting commences).

The purpose of the Meeting is to consider, and vote on, the following:

For securityholders of **BMO Floating Rate Income Fund** only:

- The merger of BMO Floating Rate Income Fund into BMO U.S. High Yield Bond Fund.
- The termination of BMO Floating Rate Income Fund which will only be considered, and voted on, if the above-noted merger is not approved.

For securityholders of **BMO Monthly Dividend Fund Ltd.** only:

- At the annual meeting of investors:
 - receipt of the annual financial statements of BMO Monthly Dividend Fund Ltd. for the twelve month period ending December 31, 2020 together with the auditor’s report thereon;
 - election of the directors of BMO Monthly Dividend Fund Ltd.; and
 - appointment of PricewaterhouseCoopers LLP as auditor of BMO Monthly Dividend Fund Ltd. for the ensuing year and authorizing the board of directors to fix the auditor’s remuneration.
- The merger of BMO Monthly Dividend Fund Ltd. into BMO Dividend Fund.

Documents contained in the package that will be sent to you by mail will include:

(1) *Notice of Annual and Special Meetings of Investors*

The notice outlines the reasons for holding the Meeting for each of the Terminating Funds. The notice describes the various ways in which securityholders can obtain a copy of the management information circular that explains your voting rights and contains full details of the proposed mergers and the matters relating to the annual meeting of investors of BMO Monthly Dividend Fund Ltd. The notice and the management information circular are also available on SEDAR at www.sedar.com.

(2) *Proxy*

The proxy form can be used for voting at the Meeting. Investors are only able to vote on the proposals relating to the securities of the Terminating Funds in which they are a securityholder.

We encourage you to exercise this voting right, which you can do in one of several ways: (a) in person by attending virtually and voting at the Meeting for your Terminating Fund(s); (b) by completing the proxy, voting for or against or withhold from voting on the proposal affecting your Terminating Fund(s), signing and dating it and returning it by fax to 1-888-496-1548 or by mail in the enclosed postage-paid envelope; (c) by voting the proxy online at www.SecureOnlineVote.com; or (d) by completing the proxy as indicated in (b) and designating on the proxy another individual who can attend virtually and vote for you at the Meeting for your Terminating Fund(s).

What is involved in our merger proposal?

The special meetings are being held to consider, and vote on, our proposal to merge the Terminating Funds into their corresponding mutual funds (each a “**Continuing Fund**” and, collectively, the “**Continuing Funds**”, and together with the Terminating Funds, the “**Funds**”) as set out in the chart below:

Terminating Funds	Continuing Funds
BMO Floating Rate Income Fund	BMO U.S. High Yield Bond Fund
BMO Monthly Dividend Fund Ltd.	BMO Dividend Fund

The proposed merger of each Terminating Fund into its corresponding Continuing Fund will allow investors in a Terminating Fund to become a securityholder of the applicable Continuing Fund. Subject to obtaining regulatory approval and securityholder approval of each Terminating Fund, we anticipate that the mergers will become effective on or about June 25, 2021 (the “**Effective Date**”).

As manager of the Funds, we believe the proposed mergers will be beneficial to securityholders of the Terminating Funds for the following reasons, among others (which can be found in the management information circular):

- (a) the Continuing Funds have broader investment objectives than their corresponding Terminating Funds, thereby providing greater flexibility to the portfolio manager, which may benefit investors across market cycles and credit cycles;
- (b) each Terminating Fund has variable operating expenses, which means its expenses are spread over a smaller asset base as the assets under management of each Terminating Fund continues to decline, while each Continuing Fund uses a fixed administration fee model, which means a consistent expense is charged to the fund, even if the assets under management of a Continuing Fund were to decline;
- (c) management fees in the Continuing Funds are the same as, or lower than, management fees in the Terminating Funds; and
- (d) each Continuing Fund has delivered stronger long term performance than its applicable Terminating Fund.

The distribution policies that apply to all series of securities of BMO Monthly Dividend Fund Ltd., the Terminating Fund, are different from the distribution policies for the corresponding series of securities of BMO Dividend Fund, the Continuing Fund. In particular, BMO Monthly Dividend Fund Ltd. pays a fixed monthly distribution and the corresponding series for BMO Dividend Fund pays a fixed quarterly distribution. If you wish to continue to receive fixed monthly distributions (instead of on a quarterly basis) after the Effective Date of the merger, you can switch the series of securities of the Continuing Fund that you will acquire on the Effective Date of the merger into Series T5 or Series F6 securities of the Continuing Fund. See the current simplified prospectus of the BMO Mutual Funds for the management fees, administration fees and trailing commissions, if any, that apply to each series of securities of the Continuing Fund.

No sales charges, redemption fees or other fees or commissions will be payable by securityholders of the Terminating Funds in connection with the mergers. The existing standard deferred charge or low load deferred charge schedule applicable to securities of a Terminating Fund will be carried over to the securities of the relevant Continuing Fund. If you do not wish to hold the applicable Continuing Fund(s) after the Effective Date of the mergers, you may, prior to the close of business on June 24, 2021, either redeem your securities of the Terminating Fund(s) or switch them into another BMO Mutual Fund.

We would appreciate your support for the proposed mergers of the Terminating Funds. We encourage you to either attend the Meeting for your Terminating Fund(s) virtually or to complete and return your proxy by fax or in the enclosed postage-paid envelope or by voting the proxy online at www.SecureOnlineVote.com. If you have any questions relating to the proposed mergers and purchased your Terminating Fund(s) through an adviser and/or dealer, please speak with your investment professional or contact Client Services at 1-800-668-7327. If you purchased your Terminating Fund(s) from a BMO Bank of Montreal branch, please contact your financial advisor, local BMO Bank of Montreal branch or the BMO Investment Centre at 1-800-665-7700.

Yours sincerely,



Ross F. Kappele, CFA
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