

## IRC 2019 Report to Securityholders

December 31, 2019

Dear Securityholder:

As Chair of the Independent Review Committee (the “IRC”) for certain publicly offered mutual funds (the “Funds”) managed by BMO Investments Inc. (the “Manager”), I am pleased to provide you with the 2019 Annual Report to Securityholders of the Funds, as required under National Instrument 81-107 – *Independent Review Committee for Investment Funds*.

The mandate of the IRC is to review conflict of interest matters identified and referred to the IRC by the Manager and to give an approval or a recommendation, depending on the nature of the conflict of interest matter. A “conflict of interest matter” is a situation where a reasonable person would consider the Manager or an entity related to the Manager to have an interest that may conflict with the Manager’s ability to act in good faith and in the best interest of both the funds and the unitholders. In each instance where a conflict of interest matter is identified and referred to the IRC, the focus of the IRC is to determine if the Manager’s proposed action achieves a fair and reasonable result for the Funds.

At least annually, the IRC will also review and assess the adequacy and effectiveness of the Manager’s written policies and procedures relating to conflict of interest matters in respect of the Funds, and will conduct a self-assessment of the IRC’s independence, compensation and effectiveness.

The members of the IRC, whose identities are listed in the report, bring to their roles a combination of educational and professional experience and skills to adequately address the scope of the conflict of interest matters that come before the IRC. Since the formation of the IRC, its members have been fully satisfied with the open and cooperative attitude of the Manager. The members of the IRC look forward to maintaining the highest level of cooperation and to continuing to carry out its mandate to ensure that the best interest of both the funds and the unitholders are paramount when the Manager is faced with a conflict of interest matter.

Marlene Davidge  
*Chair of the Independent Review Committee*

## Reporting Period

The Independent Review Committee (the “IRC”) for the publicly offered BMO Mutual Funds (the “Funds”) managed by BMO Investments Inc. (the “Manager”), as listed in Schedule “A” to this report, became operational on September 12, 2007. The information disclosed in this report covers the period beginning January 1, 2019 and ending December 31, 2019, the financial year-end for the Funds (inclusively, the “Period”).

## Members of the IRC

NAME	RESIDENCE	FIRST APPOINTED
Marlene Davidge Chair	Toronto, Ontario	September 6, 2018 <sup>1</sup>
Louise Vaillancourt	Montréal, Quebec	May 1, 2007 <sup>1</sup>
Wendy Hannam	Toronto, Ontario	March 22, 2017
Jim Falle	Port Perry, Ontario	March 22, 2017
Jacqueline Allen	Toronto, Ontario	June 6, 2018

<sup>1</sup> Louise Vaillancourt ceased to act as Chair of the IRC on December 31, 2018. On January 1, 2019, Marlene Davidge was appointed as Chair of the IRC. On April 4, 2019, Louise Vaillancourt retired as an IRC member.

The members of the IRC also serve as members of the IRC for BMO Exchange-Traded Funds, BMO Pooled Funds and BMO Private Portfolios. Each member of the IRC is independent of the Funds, the Manager and any person or company related to the Manager. During the Period, there were no relationships that may cause a reasonable person to question a member’s independence.

## Holdings of Securities

### Funds

As at December 31, 2019, IRC members beneficially owned, directly or indirectly, in aggregate, less than 10% of the outstanding units and/or shares of each series of the Funds.

## Manager

The Manager is an indirect wholly-owned subsidiary of the Bank of Montreal (the “Bank”). As at December 31, 2019, IRC members beneficially owned, directly or indirectly, in aggregate, less than 0.01% of the Bank’s outstanding common shares.

## Service Providers

As at December 31, 2019, IRC members did not beneficially own, directly or indirectly, any class or series of voting or equity securities of any other material person or company that provided mutual fund services to the Funds or the Manager during the Period.

## IRC Compensation and Indemnities

The members of the IRC are entitled to be compensated by the Funds and to be indemnified by the Funds in appropriate circumstances. The aggregate compensation, including expenses, paid by the Funds to the IRC for the Period was \$35,730. This amount was allocated among the Funds, in an equitable and reasonable manner.

The initial compensation of the IRC was set by the Manager. At least annually, the IRC will review compensation in a manner consistent with good governance practices, giving consideration to the following factors, among any other factors the IRC considers important:

- the best interest of both the funds and the unitholders of the Funds;
- the number, nature and complexity of the Funds;
- the nature and extent of the workload of each IRC member, including the commitment of time and energy that is expected from each member;
- industry best practices, including industry averages and surveys on IRC compensation, if available;
- the IRC’s most recent annual self-assessment; and
- the Manager’s recommendations about IRC compensation and expenses, if made.

During the Period, no amounts were paid to the IRC by the Funds pursuant to indemnities given by the Funds to the IRC.

## Conflict of Interest Matters

National Instrument 81-107 – *Independent Review Committee for Investment Funds* requires the IRC to review all conflict of interest matters identified and referred to the IRC by the Manager and to give an approval or a recommendation, depending on the nature of the conflict of interest matter. The IRC may also issue standing instructions to the Manager in conjunction with an approval or a recommendation to enable the Manager to act in the particular conflict of interest matter on a continuing basis.

The Manager must present its written policies and procedures on each conflict of interest matter and related standing instructions to the IRC for the IRC's review and assessment on an annual basis.

Below is a brief summary of the conflict of interest matters that have been identified by the Manager and referred by the Manager to the IRC for the IRC's approval or recommendation:

## Conflict of Interest Matter

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1. Investing in BMO common shares or BMO preferred shares

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2. Investing in debt securities of a related issuer in the secondary market and long-term debt securities of a related issuer in a primary offering

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3. Investing in securities during the period of distribution of those securities, or during the 60-day period following the period of distribution, where BMO Nesbitt Burns Inc. (BMONBI), an entity related to the Manager, acts as an underwriter in the distribution of those securities

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4. Purchasing government and/or non-government debt securities from BMONBI, who holds the debt securities as principal and/or selling government or non-government debt securities to BMONBI who purchases that debt security as principal

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5. Purchasing a security from or selling a security to another investment fund managed by the Manager or an affiliate of the Manager (Inter-Fund Trades)

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6. Monitoring services provided by portfolio managers of the Funds, including portfolio managers related to the Manager

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7. Voting securities held by the Funds (Proxy Voting)

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8. Personal trading by employees of the Manager

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9. Frequent trading by securityholders of the Funds

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10. Employee conflict of interest matters, including outside business activities and the acceptance of payments, gifts and entertainment

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11. Identifying and correcting net asset value (NAV) errors

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12. Errors and breaches

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13. Valuing assets of the Funds

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14. Determining and authorizing the payment of fund expenses

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15. Determining and authorizing the payment and allocation of income tax to BMO Corporate Class Funds

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16. Large securityholders and large redemptions

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17. Fund of Funds Investing

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18. Best execution and trade allocation

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## Compliance

During the Period, the Manager advised the IRC of two matters where it, or a portfolio adviser to a fund, acted in certain conflict of interest matters and failed to comply with certain conditions of the IRC's approval. These matters related to: 1) inter-fund trading, by a sub-advisor of the Manager, 2) trading in debt securities in the secondary market with a related entity acting as principal. The Manager provided the IRC with details in this regard and the Manager has taken steps to avoid a similar occurrence in the future. As required, the IRC notified the securities regulatory authority in each case.

## Schedule "A"

### *BMO Mutual Funds*

BMO Asian Growth and Income Fund  
BMO Canadian Large Cap Equity Fund  
BMO Canadian Stock Selection Fund  
BMO Enterprise Fund  
BMO Floating Rate Income Fund  
BMO Concentrated Global Balanced Fund  
*(formerly BMO Global Diversified Fund)*  
BMO Global Growth & Income Fund  
BMO Global Small Cap Fund  
BMO Growth & Income Fund  
BMO International Value Fund  
BMO Monthly Dividend Fund Ltd.  
BMO Monthly High Income Fund II  
BMO SelectTrust® Balanced Portfolio  
BMO SelectTrust® Conservative Portfolio  
BMO SelectTrust® Equity Growth Portfolio  
BMO SelectTrust® Growth Portfolio  
BMO SelectTrust® Income Portfolio