

UK Reporting Fund Regime

The following is a summary of the UK Reporting Fund Regime which may apply to UK Resident or Ordinarily Resident individuals owning shares in BMO Investments II (Ireland) plc, who are domiciled in the UK. It is intended as a general summary only, based on current law and practice in force as of June 2015. Such law and practice may be subject to change, and the below summary is not exhaustive. This summary should not be taken to constitute legal or tax advice and shareholders should consult their own professional advisers as to the UK tax treatment of returns from the holding of shares in BMO Investments II (Ireland) plc.

The Offshore Funds (Tax) Regulations 2009 and subsequent regulation amendments introduced provisions to modernise the UK offshore funds regime. These provisions replace the former "distributing fund regime" and came into effect for periods of account commencing on or after 1 December 2009 (although there are provisions for certain funds to enter the reporting regime at a later date). Any investor who makes a gain on the disposal of a unit in a fund that has maintained UK Reporting Fund status throughout the entire period of investor ownership would benefit from capital gains treatment on gains as opposed to income tax treatment, which is the default position for a gain on disposal of a unit in an offshore fund.

The Offshore Funds (Tax) Regulations 2009 provide that if an investor resident or ordinarily resident in the UK for taxation purposes holds an interest in an offshore fund and that offshore fund is a 'non-reporting fund', any gain accruing to that investor upon the sale or other disposal of that interest will be charged to UK tax as income and not as a capital gain.

In broad terms, a 'Reporting Fund' is an offshore fund that meets certain upfront and annual reporting requirements to HM Revenue & Customs and its investors. The annual duties include, but are not limited to, calculating and reporting the income returns of the offshore fund for each reporting period (as defined for UK tax purposes) on a per-share basis to all relevant shareholders (as defined for these purposes) and to HM Revenue & Customs. Once reporting fund status has been obtained from HM Revenue & Customs for the relevant share classes, it will remain in place permanently so long as the annual requirements are undertaken.

Under the UK reporting regime, investors will be taxed on cash distributions received plus any excess reportable income (if the distribution amount includes a return of capital, this may reduce the taxable amount). As a reporting fund, a fund will be required to report various information including cash distributions made and the excess of reportable income over cash distributions per unit to investors within six months of the end of the accounting period of the Fund. BMO Investments II (Ireland) plc changed its accounting year end from 30 September to a calendar year basis (31 December). As such, there are two reporting periods for the 12 months 1 October 2013 to 30 September 2014 and three months ended to 31 December 2014 for UK reporting status purposes. UK investors should make note of same when determining their personal tax liability. Income details per share class unit will be duly set out in the corresponding investor reports (Statement of Reportable Income) for both of these relevant periods. Going forward, a Statement of Reportable Income will be provided to investors by 30 June each year in respect of the results of the previous financial year.

Statement of Reportable Income

UK investors will be required to include any cash distributions received plus the excess of reportable income over those distributions on their tax return(s) in respect of the relevant period (if the distribution amount includes a return of capital, this may reduce the taxable amount). As a result, UK investors will pay income tax on the reportable income amount each year regardless of whether they received any actual cash distributions from the Fund or not.

Investors should refer to their tax advisors for further detail in relation to the implications of investing in reporting/non-reporting funds as the individual tax position will depend on the type of investor in the fund.

Please contact your accountant/ tax advisor for advice on how to report these amounts to HMRC.