

# Our Relationship

Thinking about investing with us? We're here to help! Read on for very important information about our relationship – like the kinds of products and services we can and can't offer you, what you can expect to pay, and how we get paid.

## Who are we?

When you open an investment account or buy or sell a BMO Mutual Fund – or any of the other investments we offer – you're dealing with BMO Investments Inc. (BMOII). We're:

- a subsidiary of Bank of Montreal (BMO) and a separate legal entity from BMO;
- registered as a mutual fund dealer in all provinces and territories across Canada; and
- regulated by the Mutual Fund Dealers Association of Canada and the securities regulators in your province or territory.

We're also an investment fund manager. This means some members of our team create and manage the BMO Mutual Funds we sell you – and that we're the main distributor of BMO Mutual Funds in the market.

## What products and services do we offer?

While our representatives can also help with your banking and borrowing needs, we primarily do 2 things:

1. We sell and provide advice about BMO Mutual Funds – and certain other BMO investments like GICs and term investments – that we think may be right for you based on your personal circumstances.
2. Some of our representatives also provide retirement and investment planning advice and services.

## What products and services don't we offer?

We don't	This means
sell or give advice about mutual funds managed by other fund companies (third party mutual funds)	<p>We only recommend BMO products.</p> <p>You can still transfer some third party mutual funds you already own to your BMOII account – and in some cases we can help you buy certain third party mutual funds you ask for – but we don't recommend or give advice about non-BMO mutual funds.</p>
sell or give advice about individual stocks, options, or other investments	<p>Our representatives are only licensed to help with mutual funds and certain term investments and deposit notes.</p> <p>If you want to buy or sell individual stocks or need advice about stocks or other investments, we can refer you to one of BMO's other investment teams, like BMO InvestorLine (for customers who don't need advice and want to buy and sell stocks on their own) or BMO Nesbitt Burns (for customers who want advice about stocks and other investments from a licensed advisor).</p>
provide any legal, accounting or tax advice	<p>It's always your responsibility to:</p> <ul style="list-style-type: none"> <li>• know your tax status, like your available account contribution room and whether you've ever qualified as a non-resident;</li> <li>• know and understand the potential consequences of any transactions in your BMOII account, including potential capital gains impacts and tax penalties for non-resident transactions or overcontributing to or withdrawing money from certain types of accounts, and</li> <li>• consult your accountant, lawyer, or other advisors before making any investment decisions, even if we've recommended the investment.</li> </ul>

## How do we decide what investments to recommend for you?

We offer advice based on what we know about your personal circumstances. While we can't predict how your investments will perform – and whether you'll make or lose money – our representatives always consider the following Know Your Client (KYC) information when identifying suitable investments for you:

- your goals for the investments in your account;
- how comfortable you are with risk, including the risk your investment returns could fluctuate and the risk you could lose money;
- when you expect to need money from the investments in your BMOII account; and
- other relevant factors, like the costs of a specific investment or whether you're investing with borrowed money.

That's why it's important that you always keep us up to date about any changes in your goals or circumstances.

## What are your risks?

The chances you'll make money – and the risk that you might lose money – vary by investment. Generally:

Investment type	Key risks
<b>Term and principal protected investments</b>	These investments – like GICs and Principle Protected Notes – usually guarantee you'll at least get back the money you invested (i.e., your money is protected and you won't lose the money you put in). Some investments also guarantee you'll make a certain amount when your investment matures. There are usually limits on your ability to sell these investments, and you may have to pay a penalty for selling early.
<b>Mutual funds</b>	The value of all mutual funds – like other securities – can go up or down depending on the investments in the fund, the number of interested buyers, and the markets. This means the fund's value could change over time – known as volatility – and you could lose money. The level of risk varies depending on the underlying investments in the fund, but generally the higher the potential return the higher the risk.  For more information about investing in mutual funds, see the CSA's <i>Understanding Mutual Funds</i> brochure at <a href="http://securities-administrators.ca">securities-administrators.ca</a>
<b>Borrowing to invest</b>	Investing with borrowed money increases your risk for many reasons, including the fact that you have to pay back your loan and interest even if you lose money on your investment.  Learn more in our Terms & Conditions or speak to us if you're considering using borrowed money to invest.

## What do you pay?

Depending on your investment and the type of account you have, you may incur some or all of the following costs:

Cost	Description
<b>Account Fees</b>	We charge annual fees for some BMOII accounts, like a \$10 registered plan fee for RRSP and RESP accounts.
<b>Transfer and Trading Fees</b>	You may have to pay certain fees – described in our Terms & Conditions – if you transfer your BMOII account elsewhere, or sell or switch your mutual funds shortly after buying them.
<b>Management Expense Ratio (MER)</b>	Whenever you invest in a mutual fund, there's an indirect cost – that varies from fund to fund – known as the MER. <ul style="list-style-type: none"> <li>• This is the fund's total management fees and operating expenses – including an ongoing trailing commission the fund pays to BMOII for the services and advice we provide you – expressed as a percentage of the fund's assets. For example, if a \$100 million fund has \$2 million in total annual management fees and expenses, its MER is 2%.</li> <li>• While you don't pay the MER directly, it affects you because management fees and expenses reduce the fund's returns. For example, if you buy a fund with a 2% MER, you don't pay 2% in fees. But, the fund's returns will be lower – and therefore you earn less – than if the fund had lower expenses.</li> </ul>

You should read a fund's Simplified Prospectus or Fund Facts to learn about other fees or costs. While some older funds also have sales charges – like deferred charges and commissions you may have to pay when buying or selling – you don't pay any sales charges when you buy or sell a new BMO Mutual Fund.

## How do we get paid?

BMOII and our representatives earn the following for the products and services we offer you:

Who	What we earn
<p><b>Our representatives</b></p>	<p>All our representatives earn a salary and periodic incentive pay. A portion of this incentive pay is based on:</p> <ul style="list-style-type: none"> <li>• how many mutual funds and other investments they sell (or, in the case of some of our Financial Planners, how much all their customers hold in their investment portfolios); and</li> <li>• whether they've achieved performance goals we set from time to time.</li> </ul> <p>Our Financial Planners also earn commissions based on the total value of the investments they manage for some of our customers.</p> <p>Our representatives also get credit when they refer you to another part of BMO – like BMO Private Wealth or BMO InvestorLine – if they think one of our partners is better able to help with your investment needs.</p> <p>We have strict controls to make sure our representatives never put their financial interests ahead of yours – and always put your interests first. For example:</p> <ul style="list-style-type: none"> <li>• While our representatives may earn more for selling mutual funds than some other types of investments, we treat all BMO Mutual Funds the same for compensation purposes. This means our representatives don't have a financial incentive to sell you a particular fund (like a fund with a higher MER). They're focused only on recommending funds they think may be right for you.</li> <li>• BMO limits the role that investment sales play in its incentive compensation formula – meaning our representatives' investment sales influence only a portion of their pay – and no one ever gets credit for sales or conduct that doesn't align with BMO's Code of Conduct (which you can find on <a href="http://bmo.com">bmo.com</a>).</li> <li>• We have robust surveillance processes where other staff – including Head Office staff – routinely review certain transactions and other account activity to verify that they're right for you.</li> </ul> <p>Read our Terms &amp; Conditions for more information about our staff's compensation.</p>
<p><b>BMOII</b></p>	<p>We earn:</p> <ul style="list-style-type: none"> <li>• an ongoing trailing commission – based on the value of your investment – for the services and advice we provide you. This is paid by the fund company and is part of the fund's MER;</li> <li>• a periodic payment from other parts of BMO – like BMO Private Wealth or BMO InvestorLine – when we refer you to them; and</li> <li>• any account and trading fees you pay.</li> </ul> <p>Our investment fund managers also earn any sales charges or fund fees relating to your BMO Mutual Funds.</p>

## Potential conflicts of interest

Sometimes we identify situations where our interests could potentially diverge from yours, like when one of our representatives has a personal interest in a transaction, or has a job or volunteer role outside BMO that could potentially take their focus away from serving you. These are called conflicts of interest.

We review all situations that could potentially pose a conflict of interest – including serious or “material” conflicts that could, by their nature, increase the risk someone might not put your interests first – and always actively manage or resolve them in your best interests. Where we cannot adequately manage or resolve a conflict in the best interest of our customers, we will avoid or eliminate the conflict.

See our Terms & Conditions for more information on how we handle potential conflicts of interest with you in mind.

## Referral arrangements

BMOII has entered into referral arrangements with BMO and the Affiliate Registrants (BMO Nesbitt Burns Inc., BMO Nesbitt Burns Financial Services Inc., BMO InvestorLine Inc., and BMO Private Investment Counsel Inc.) pursuant to which investment professionals may receive a benefit as part of their overall compensation for business that results from a referral. You do not pay additional charges or fees in connection with these referrals. All activity requiring registration under securities laws and regulations will be performed by an entity that is appropriately registered under Canadian securities laws.

BMOII has also entered into a referral arrangement with Plan Institute ("Plan") which has resulted in referrals to BMOII for the opening of certain RDSP accounts. Plan is not licensed under securities legislation to provide investment management services and its representatives may not provide investment management services or advice. All regulated investment management services and advice rendered pursuant to the referral arrangements are provided by a registered representative of BMOII. BMOII is not aware of any conflicts of interest resulting from its referral arrangements with Plan.

For additional information about referrals, please consult your investment professional.

## How do I know how my investments are doing?

We'll send you:

- a written confirmation every time there's a mutual fund transaction in your account;
- a quarterly account statement listing all the transactions in your account, the current value of your investments, and your personal rate of return (your investment's net gain or loss); and
- an annual statement listing the change in value of your account – over the year and since you opened your account – and the fees you paid and we received over the year.

We always rely on you to review the confirmations and statements we send you and to quickly let us know if you have any questions, concerns or think you might've found an error.

## Where do I get more information?

Read our Terms & Conditions for more important information about:

- our relationship,
- how your BMOII account works, and
- how you can resolve any complaints or concerns you might ever have with our service.

And you can always speak to one of our representatives – we're here to help!



Commissions, management fees and expenses (if applicable) all may be associated with investments in mutual funds. Trailing commissions may be associated with investments in certain series of securities of mutual funds. Please read the fund facts, ETF facts or prospectus of the relevant mutual fund before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Distributions are not guaranteed and are subject to change and/or elimination.

For a summary of the risks of an investment in the BMO Mutual Funds, please see the specific risks set out in the prospectus. ETF Series of the BMO Mutual Funds trade like stocks, fluctuate in market value and may trade at a discount to their net asset value, which may increase the risk of loss. Distributions are not guaranteed and are subject to change and/or elimination.

BMO Mutual Funds are managed by BMO Investments Inc., which is an investment fund manager and a separate legal entity from Bank of Montreal.

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