

## SIMPLIFIED PROSPECTUS

### INITIAL PUBLIC OFFERING AND CONTINUOUS OFFERING

May 14, 2025



This simplified prospectus qualifies, unless otherwise indicated, the distribution of CAD Units (defined below) of the following BMO exchange-traded funds (each, a “**BMO ETF**” and collectively, the “**BMO ETFs**”):

#### **Precious Metals BMO ETF**

BMO Covered Call Spread Gold Bullion ETF

#### **Non-Index BMO ETFs**

BMO Canadian Core Plus US Balanced ETF

BMO Canadian Equity Plus ETF

BMO Human Capital Factor US Equity ETF

BMO US Dividend Growth ETF (CAD Units and Hedged Units)

BMO US Equity Focused ETF (CAD Units and Hedged Units)

BMO US Large Cap Disciplined Value ETF

“BMO (M-bar roundel symbol)” is a registered trademark of Bank of Montreal, used under license.

No securities regulatory authority has expressed an opinion about these units and it is an offence to claim otherwise. This prospectus constitutes a public offering of these units in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these units.

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# Introduction

This document is a **simplified prospectus**. In this document:

- The funds offered under this simplified prospectus are referred to collectively as the **BMO ETFs** and each individually as a **BMO ETF**.
- Each BMO ETF is structured as a trust and issues **units** to its investors, and each such investor is a **unitholder**.
- The terms **we**, **us**, **our**, and **Manager** refer to BMO Asset Management Inc., acting in its capacity as the manager of the BMO ETFs.
- The term **BMOAM** refers to BMO Asset Management Inc., acting in its capacity as the portfolio adviser to the BMO ETFs.
- Your **financial advisor** is the individual with whom you consult for investment advice, and your **dealer** is the organization that employs your financial advisor.

This document contains selected important information to help you make an informed investment decision and to help you understand your rights as an investor.

This document is divided into two parts. The first part contains general information applicable to all of the BMO ETFs. The second part, which begins on page 50, contains specific information about each BMO ETF described in this document.

## Look for these boxes

To make this document easier to understand, we have included supplementary material in boxes like this one. These boxes provide additional detail about the information in the main text.

Additional information about each BMO ETF is available in the following documents:

- the most recently filed ETF Facts document;
- the most recently filed annual financial statements;
- any interim financial report filed after those annual financial statements;
- the most recently filed annual management report of fund performance; and
- any interim management report of fund performance filed after that annual management report of fund performance.

These documents are incorporated by reference into this simplified prospectus, which means that they legally form part of this document, just as if they were printed as a part of this document. You can get a copy of these documents, at your request, and at no cost, by calling us toll free at 1-800-361-1392, or from your dealer.

These documents are available on the BMO ETF's designated website at [www.bmogam.com/ca-en/resources/legal-and-regulatory-documents/#bmo-etfs](http://www.bmogam.com/ca-en/resources/legal-and-regulatory-documents/#bmo-etfs).

These documents and other information about the BMO ETFs are available at [www.sedarplus.ca](http://www.sedarplus.ca).

## Defined terms

This document contains many defined terms. The defined terms that appear most frequently appear in Table 1.

**Table 1: Defined terms**

<b>Term</b>	<b>Definition</b>
<b>Basket</b>	in relation to a particular BMO ETF, a group of securities or assets representing the constituents of the BMO ETF, as determined by us from time to time
<b>BMO Funds</b>	ETFs, mutual funds or other investment funds managed by the Manager or an affiliate, including the BMO ETFs
<b>BMO GAM</b>	BMO Global Asset Management
<b>business day</b>	each day that the TSX is open for trading
<b>CAD</b>	Canadian dollar
<b>CAD Units</b>	the Canadian dollar denominated series of units of certain BMO ETFs
<b>Cboe</b>	Cboe Canada Inc.
<b>CDS</b>	CDS Clearing and Depository Services Inc.
<b>CDS Participant</b>	a participant in CDS that holds Units on behalf of beneficial owners of Units
<b>CRA</b>	Canada Revenue Agency
<b>Custodian</b>	State Street Trust Company Canada in its capacity as custodian for each BMO ETF, except as otherwise indicated (see <b>Custodian</b> on page 8)
<b>Designated Broker</b>	a registered dealer, including BMO Nesbitt Burns Inc., an affiliate of ours, that has entered into a designated broker agreement with us, on behalf of one or more BMO ETFs, pursuant to which that registered dealer agrees to perform certain duties in relation to the BMO ETFs
<b>Distribution Reinvestment Plan</b>	the distribution reinvestment plan of each BMO ETF
<b>DPSP</b>	deferred profit-sharing plan
<b>eSecLending</b>	Securities Finance Trust Company
<b>ESG</b>	environmental, social and governance
<b>ETF</b>	exchange-traded fund
<b>ETF Dealer</b>	a registered dealer that may or may not be a Designated Broker, including BMO Nesbitt Burns Inc., an affiliate of ours, that has entered into a continuous distribution agreement with us, on behalf of one or more BMO ETFs, pursuant to which that registered dealer may subscribe for, purchase and redeem Units of those BMO ETF(s) on a continuous basis from time to time
<b>Exchange</b>	each of Cboe and TSX
<b>FHSA</b>	first home savings account
<b>GIC</b>	guaranteed investment certificate

<b>Term</b>	<b>Definition</b>
<b>Hedged Unit ETFs</b>	means, collectively, BMO US Dividend Growth ETF and BMO US Equity Focused ETF
<b>Hedged Units</b>	the Canadian dollar denominated series of units of certain BMO ETFs where the foreign currency denominated portfolio assets allocable to the series of units are hedged back to the Canadian dollar
<b>IRC</b>	the Independent Review Committee of the BMO ETFs
<b>LBMA</b>	London Bullion Market Association
<b>LIF</b>	life income fund
<b>LRIF</b>	locked-in retirement income fund
<b>NAV</b>	the net asset value of a BMO ETF or of a series of units of a BMO ETF, determined in accordance with the BMO ETF's constating documents
<b>NAVPS</b>	the net asset value per unit of a series of units of a BMO ETF, determined in accordance with the BMO ETF's constating documents
<b>NI 81-101</b>	National Instrument 81-101 <i>Mutual Fund Prospectus Disclosure</i>
<b>NI 81-102</b>	National Instrument 81-102 <i>Investment Funds</i>
<b>NI 81-105</b>	National Instrument 81-105 <i>Mutual Fund Sales Practices</i>
<b>NI 81-107</b>	National Instrument 81-107 <i>Independent Review Committee for Investment Funds</i>
<b>Non-Hedged Units</b>	the CAD Units of the Hedged Unit ETFs
<b>Non-Index BMO ETFs</b>	each BMO ETF that is a Non-Index BMO ETF is identified on the cover page as such
<b>Plan Agent</b>	State Street Trust Company Canada
<b>Precious Metals BMO ETF</b>	a BMO ETF that is a "precious metals fund" as defined by NI 81-102; each BMO ETF that is a Precious Metals BMO ETF is identified on the cover page as such
®	registered trademark, used under license
<b>RDSP</b>	registered disability savings plan
<b>registered plan</b>	a DPSP, FHSA, LIF, LRIF, RDSP, RESP, RLIF, RRIF, RRSP or TFSA
<b>RESP</b>	registered education savings plan
<b>RLIF</b>	restricted life income fund
<b>RRIF</b>	registered retirement income fund
<b>RRSP</b>	registered retirement savings plan

<b>Term</b>	<b>Definition</b>
<b>SIFT trust</b>	a specified investment flow-through trust within the meaning of the Tax Act
<b>T+3 Instruments</b>	any instruments for which trades customarily settle on the third business day following the date on which the terms of the trade are agreed
<b>Tax Act</b>	the <i>Income Tax Act</i> (Canada) and the Regulations promulgated thereunder as the same may be amended from time to time
<b>TFSA</b>	tax-free savings account
<b>™</b>	trademark, used under license
<b>Trading Day</b>	a day on which a regular session of the Exchange on which the Units of a BMO ETF are traded is held and the primary market or exchange for the majority of the securities held by the BMO ETF is open for trading
<b>Trustee</b>	BMO Asset Management Inc. in its capacity as the trustee of the BMO ETFs
<b>TSX</b>	Toronto Stock Exchange
<b>Underlying Fund</b>	any fund, including a fund that is an ETF, in which a BMO ETF invests, which may include BMO Funds
<b>Unit</b>	in relation to a particular BMO ETF, a redeemable, transferable unit of that BMO ETF, which represents an equal, undivided interest in the net assets of that BMO ETF, and which include CAD Units and Hedged Units
<b>US or U.S. or United States</b>	the United States of America
<b>Valuation Agent</b>	State Street Bank and Trust Company
<b>Valuation Currency</b>	the currency in which a BMO ETF's NAV is calculated, which is CAD for each BMO ETF
<b>Valuation Day</b>	any day that the TSX is open for trading or such other time as we may from time to time determine to be a day for valuation for any BMO ETF

# Responsibility for fund administration

## Manager

BMO Asset Management Inc. is the manager, as well as the trustee and portfolio adviser, of the BMO ETFs. Our principal office is located at 100 King Street West, 43rd Floor, Toronto, Ontario, M5X 1A1. You can contact us toll free at 1-800-361-1392 or email us at [bmo.etfs@bmo.com](mailto:bmo.etfs@bmo.com). Our website is [www.bmogam.com](http://www.bmogam.com).

As Manager, we are responsible for the overall business and operation of the BMO ETFs. We manage the BMO ETFs pursuant to the Declaration of Trust (as defined below). To learn more, **Declaration of Trust** on page 21.

Table 2 identifies each director and/or executive officer of the Manager and provides, for each such individual, that individual's municipality of residence and position and office held with the Manager.

**Table 2: Directors and executive officers of the Manager**

Name	Municipality of residence	Position and office held with the Manager
Nelson C. Avila	Toronto, Ontario	Chief Financial Officer
William E.P. Bamber	Toronto, Ontario	Head and Ultimate Designated Person, and Director
Amanda Custodio	Oakville, Ontario	Director
Denise (Carson) Fernandes	Toronto, Ontario	Chief Compliance Officer
Lisa Hofstatter	Oakville, Ontario	Director
Benjamin K. Iraya	Oakville, Ontario	Corporate Secretary
Gilles G. Ouellette	Toronto, Ontario	Chair and Director
Asma Panjwani	Toronto, Ontario	Head, Client Management and Distribution, and Director
Sara Petreich	Toronto, Ontario	Head of Exchange Traded Funds and Structured Solutions, and Director
Robert J. Schauer	Toronto, Ontario	Head Investment Funds Operations
Fiona Wong	Toronto, Ontario	Chief Anti-Money Laundering Officer

## Voting of Underlying Fund securities

A BMO ETF may invest some or all of its assets in an Underlying Fund.

When a BMO ETF owns securities of an Underlying Fund managed by us, or by one of our associates or affiliates, and the holders of that Underlying Fund's securities are entitled to vote, we will not cause the BMO ETF to vote the securities of that Underlying Fund. We may, at our discretion, arrange for the securities of that Underlying Fund to be voted by the BMO ETF's unitholders; however, we generally don't do this, because of the associated cost and complexity.

## Portfolio advisers

We are the portfolio adviser to each BMO ETF. As portfolio adviser to each BMO ETF, we provide investment advisory services to the BMO ETFs.

Table 3 provides the name, title, and role in the investment decision-making process by individuals employed by the portfolio adviser.

**Table 3: Portfolio managers of BMOAM**

Name	Title	Role in investment decisions
Paul Borean	Vice President, Portfolio Manager	Member of the Quantitative Investment Team, responsible for portfolio management and research of quantitative strategies
Raymond Chan	Director, Portfolio Manager	Member of the ETF Team, responsible for portfolio management and research of equity ETFs
Alizay Fatema	Vice President, Portfolio Manager	Member of the ETF Team, responsible for portfolio management of fixed income portfolios
Yadwinder Garg	Vice President, Portfolio Manager	Member of the Quantitative Investment Team, responsible for portfolio management and research of quantitative strategies
Jonathan Lau	Director, Portfolio Manager	Member of the ETF Team, responsible for portfolio management of equity portfolios with a focus on derivatives strategies
Olivia Li	Vice President, Portfolio Manager	Member of the ETF Team, responsible for portfolio management of equity portfolios with a focus on derivatives strategies
Ariel Liang	Director, Portfolio Manager	Member of the Quantitative Investment Team, responsible for portfolio management and research of quantitative strategies
Sachal Mahajan	Director, Portfolio Manager	Member of the Quantitative Investment Team, responsible for portfolio management and research of quantitative strategies
Matthew Montemurro	Managing Director, Head of Fixed Income & Equity Index ETFs	Leader of the Index ETF Team, responsible for strategy, portfolio management, and research of equity and fixed income ETFs
Jimmy Xu	Managing Director, Head of Liquid Alternatives	Leader of the Non-Linear ETF Team, responsible for strategy, portfolio management and research of derivatives based solutions and synthetic asset portfolios

The investment decisions of the individuals listed in Table 3 made on behalf of the Manager are not subject to the oversight, approval, or ratification of any committee. The investment decision-making process is supported by research, analysis, and internal investment committees.

Investment decisions are overseen by the Chief Investment Officer.



## Sub-Advisor

We have appointed BMO Capital Markets Corp. (**BMOCMC**) as a sub-advisor for BMO Canadian Core Plus US Balanced ETF, BMO Canadian Equity Plus ETF, BMO US Dividend Growth ETF, BMO US Equity Focused ETF and BMO US Large Cap Disciplined Value ETF. BMOCMC is a wholly-owned, indirect subsidiary of Bank of Montreal, the parent company of BMOAM.

The agreement with BMOCMC prescribes the duties and powers of BMOCMC, stipulates the standard of care that BMOCMC must exercise and sets out the fees that we pay to BMOCMC. The agreement with BMOCMC may be terminated on 90 days' notice. The agreement may also be terminated if BMOCMC becomes insolvent (or for certain other technical reasons), in which event the agreement will terminate immediately.

BMOCMC's principal place of business is located in New York, New York. As BMOCMC is resident outside Canada, and all or a substantial portion of its assets are situated outside Canada, there may be difficulties enforcing any legal rights against BMOCMC. BMOCMC is not a registered portfolio manager in Canada and is acting as a sub-advisor pursuant to an exemption from the requirement to be registered. As portfolio adviser, we are responsible for the advice given by BMOCMC as sub-advisor.

The individual principally responsible for making investment decisions in respect of the applicable BMO ETFs at BMOCMC is Brian Belski (Managing Director, Head of Investment Strategy Group, Global Markets). Mr. Belski is the leader of the BMO Investment Strategy Group, responsible for strategy and research of BMOCMC's equity portfolios and investment strategy research product.

## Brokerage arrangements

BMOAM is responsible for making trades on behalf of the BMO ETFs and makes decisions as to the purchase and sale of fund securities, including securities of the Underlying Funds and other assets of the BMO ETFs (such as cash and term deposits), as well as making

decisions regarding the execution of portfolio transactions of the BMO ETFs, including the selection of market, broker and the negotiation of commissions.

BMOAM receives goods or services from dealers or brokers in exchange for directing brokerage transactions to such dealers or brokers. The types of goods and services received are order execution goods and services such as data analysis, software applications and data feeds, and may also include research related to order execution. Research provided by an executing dealer or broker may include:

- advice as to the value of securities and the advisability of effecting transactions in securities; and
- 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.

This research is provided by the executing dealer directly, and not by a party other than the executing dealer.

BMOAM may review and approve a dealer or broker for use if their ability to provide order execution goods and services, which may include research related to order execution, adds value to BMOAM's investment decision-making process. BMOAM considers a dealer's or broker's regulatory status, creditworthiness and its ability to efficiently process trade orders and settle trades when considering the approval of such dealer or broker. BMOAM conducts trade cost analysis to make a good faith determination that the BMO ETFs receive a reasonable benefit considering the use of the order execution goods and services and related research, and the amount of brokerage commissions paid. BMOAM determines which dealers or brokers are allocated brokerage business based on their ability to provide best execution of trades, the competitiveness of the commission costs, and the range of services and quality of research received.

BMOAM uses the same criteria in selecting all of its dealers and brokers, regardless of whether the dealer or broker is an affiliate of BMOAM. Currently, BMOAM has in place brokerage arrangements with BMO Nesbitt Burns Inc. (BMONB), BMOCMC, and BMO Capital Markets Limited (**BMOCM Limited**), each of which is an affiliate of BMOAM. BMONB, BMOCMC, and BMOCM Limited may provide order execution goods and services, which may include research related to order execution.

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

A list of any other dealer or broker that provides order execution goods and services will be provided upon request, at no cost, by calling 1-800-361-1392.

## Directors, executive officers, and trustees

BMO Asset Management Inc. is the Trustee of each BMO ETF pursuant to a declaration of trust (see **Declaration of Trust** on page 21). Our principal office is located in Toronto, Ontario.

As Trustee, we have the exclusive authority over the assets and affairs of each BMO ETF and a fiduciary duty to act in the best interests of the unitholders of each BMO ETF.

## Custodian

State Street Trust Company Canada is the Custodian of the BMO ETFs. Its principal office is located in Toronto, Ontario.

The Custodian holds the assets of each BMO ETF pursuant to an agreement with us (see **Custody agreement** on page 23).

All of the BMO ETFs' marketable securities are held at the Custodian's principal office, with the exception of foreign assets, which may be held by local sub-custodians appointed by the Custodian or under their authority in various foreign jurisdictions where a BMO ETF may have assets invested. The Custodian 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 BMO ETFs will be listed in the compliance report prepared by the Custodian and filed on SEDAR+ on behalf of the BMO ETFs pursuant to the requirements of NI 81-102.

State Street Trust Company Canada is not affiliated with us.

## Valuation Agent

State Street Bank and Trust Company acts as the valuation agent of the BMO ETFs and provides certain fund accounting and valuation services to the BMO ETFs including, without limitation, calculating the NAV, NAVPS, net income and net realized capital gains of the BMO ETFs.

The principal office of State Street Bank and Trust Company is located in Toronto, Ontario.

State Street Bank and Trust Company is not affiliated with us.

## Auditor

PricewaterhouseCoopers LLP, Chartered Professional Accountants, is the auditor of the BMO ETFs. Its principal office is located in Toronto, Ontario.

The auditor audits the annual financial statements of the BMO ETFs.

## Registrar and transfer agent

State Street Trust Company Canada acts as the registrar and transfer agent in respect of the BMO ETFs. As registrar and transfer agent, State Street Trust Company Canada processes orders and makes arrangements to keep a record of all holders of Units of the BMO ETFs.

The principal office of State Street Trust Company Canada is located in Toronto, Ontario. State Street Trust Company Canada maintains the register of Units of the BMO ETFs in Toronto, Ontario.

State Street Trust Company Canada is not affiliated with us.

## Securities lending agents

One of the following entities acts as agent for securities lending transactions for each BMO ETF that may engage in securities lending:

- State Street Bank and Trust Company
- eSecLending

The principal office of each entity is located in Boston, Massachusetts.

Each of these entities acts as a securities lending agent pursuant to an agreement with us. Pursuant to the terms of each agreement, the securities lending agent determines the value of the loaned securities and the collateral on each business day to ensure that the collateral received from each borrower has a market value of not less than 105% of the market value of the loaned securities.

Neither entity is affiliated with us.

## State Street Securities Lending Agreement

State Street Bank and Trust Company acts as a securities lending agent for certain BMO ETFs pursuant to an agreement with us, acting on behalf of the BMO ETFs, dated as of June 12, 2018, as amended, restated, or supplemented from time to time (the **State Street Securities Lending Agreement**).

This State Street Securities Lending Agreement sets forth the terms and conditions under which State Street Bank and Trust Company, together with any of its affiliates that it appoints as its agents pursuant to the terms of the agreement, is authorized by us to act on behalf of the BMO ETFs with respect to the lending of certain securities of the BMO ETFs held by the Custodian or by State Street Bank and Trust Company as sub-custodian.

Pursuant to the terms of State Street Securities Lending Agreement, State Street Bank and Trust Company agrees to indemnify a BMO ETF from all direct losses, damages, liabilities, costs, or expenses (for the purposes of this section, **Losses**) actually incurred by the BMO ETF and arising directly from a claim brought, or a demand made, by a third party arising from State Street Bank and Trust Company's failure to satisfy its standard of care, provided, however, that such indemnification shall not apply:

- in the event that State Street Bank and Trust Company's failure to perform is caused by events or circumstances beyond its reasonable control including, without limitation, nationalization, expropriation, currency restriction, acts of war or terrorism, riot, revolution, acts of God or other similar event or acts; and
- to the extent any Losses arise from any negligent action or omission on the part of the BMO ETF or its agents.

Either party may terminate this agreement upon five business days' notice, by written notice to the other party.

## **eSecLending Securities Lending Agreement**

eSecLending acts as agent for securities lending transactions for certain BMO ETFs pursuant to an agreement with us, acting on behalf of the BMO ETFs, dated as of February 22, 2024, as amended, restated, or supplemented from time to time (the **eSecLending Securities Lending Agreement**).

The eSecLending Securities Lending Agreement sets forth the terms and conditions under which eSecLending is authorized by us to act on behalf of the BMO ETFs with respect to the lending of certain securities of the BMO ETFs held by the Custodian.

Pursuant to the terms of the eSecLending Securities Lending Agreement, eSecLending agrees to indemnify a BMO ETF for all losses, costs, expenses, damages, charges, liabilities, demands or claims, including legal and accounting fees (for the purposes of this section, **Losses**) insofar as such Losses are caused by or arise directly out of:

- a material breach by eSecLending of its obligations;
- any inaccuracy of any representation or warranty made by eSecLending; and
- the negligence, bad faith, wilful misconduct or breach of the standard of care by eSecLending in the performance of its duties;

except, in each case, to the extent that any such Losses are caused by the negligence, bad faith or wilful misconduct of the Manager or a BMO ETF.

Either party may terminate the eSecLending Securities Lending Agreement immediately, by written notice to the other party, if:

- any representation made by the other party in respect of the eSecLending Securities Lending

Agreement is found to be incorrect or untrue in any material respect when made or deemed to have been reaffirmed;

- the other party has notified the terminating party of its inability to, or its intention not to perform, its obligations under the eSecLending Securities Lending Agreement;
- the other party fails to perform any material obligation under the eSecLending Securities Lending Agreement, and has not cured such failure within five business days after notice of such failure from the terminating party;
- the other party has its license, charter or other authorization necessary to conduct the services or a material portion of its activities withdrawn, suspended or revoked by any applicable federal or state government or agency thereof; or
- eSecLending notifies us in writing that it will not implement changes requested by us, or any of the BMO ETFs, because it has determined, in its sole discretion, that it is not commercially practicable to, as applicable, implement changes that may be required by an entity with regulatory authority over the BMO ETFs, and/or implement changes to the eSecLending Securities Lending Agreement, in order to comply with NI 81-102, or to its internal controls and procedures to ensure they are adequate and appropriate.

## **Promoter**

The Manager has taken the initiative in founding and organizing the BMO ETFs and, accordingly, may be considered to be the promoter of the BMO ETFs within the meaning of securities legislation of certain provinces and territories of Canada.

## **Designated Brokers**

On behalf of the BMO ETFs, we have entered into agreements with Designated Brokers pursuant to which each Designated Broker agrees to perform certain duties

relating to one or more BMO ETFs, including without limitation:

- to subscribe for a sufficient number of Units of a BMO ETF to satisfy the original listing requirements of the applicable Exchange;
- to subscribe for Units of a BMO ETF on an ongoing basis in connection with the rebalancing of and adjustments to the BMO ETF's portfolio, as well as when cash redemptions of Units of a BMO ETF occur; and
- to post a liquid two-way market for the trading of a BMO ETF's Units on the applicable Exchange.

We may, in our discretion from time to time, reimburse any Designated Broker for certain expenses incurred by that Designated Broker in performing these duties.

The agreements provide that we may, from time to time but not more than once per quarter, require a Designated Broker to subscribe for Units of a BMO ETF for cash in a dollar amount not to exceed 0.30% of the BMO ETF's NAV. The number of Units issued will be the subscription amount divided by the NAVPS next determined following our delivery of a subscription notice to that Designated Broker. Payment for the Units of a BMO ETF must be made by that Designated Broker, and the Units will be issued, by no later than the first Trading Day after the subscription notice has been delivered.

## **Independent Review Committee and Fund Governance**

In accordance with NI-81-107, we have established an Independent Review Committee for the BMO ETFs. The IRC reviews and provides input on conflict of interest matters in respect of the Manager and the BMO ETFs. As required under NI 81-107, we have policies and procedures relating to conflicts of interest matters.

The IRC currently consists of four members:

- Jacqueline Allen
- Marlene Davidge (Chair)
- Jim Falle
- Wendy Hannam

The composition of the IRC may change from time to time, but it will be composed of individuals who are independent of the BMO ETFs, of us, and of entities related to us.

The mandate of the IRC is to review and assess the adequacy and effectiveness of:

- BMOAM's policies and procedures relating to conflicts of interest matters in respect of the BMO ETFs
- Any standing instructions it has provided to BMOAM pertaining to conflicts of interest matters in respect of the BMO ETFs
- BMOAM's and the BMO ETFs' compliance with any conditions imposed by the IRC in a recommendation or approval

In addition, the IRC will, no less frequently than annually, review and assess the independence of its members, the compensation of its members, its effectiveness and the contribution and effectiveness of its members. The IRC provides BMOAM with a report of the results of such assessment.

The IRC prepares, at least annually, a report of its activities for investors. You may obtain a copy of its reports, at no cost, in any of the following ways:

- by visiting [www.bmogam.com/ca-en/resources/legal-and-regulatory-documents/](http://www.bmogam.com/ca-en/resources/legal-and-regulatory-documents/)
- by writing to us at BMO Asset Management Inc., 100 King Street West, 43rd Floor, Toronto, Ontario, M5X 1A1

This report and other information about the IRC are also available at **[www.sedarplus.ca](http://www.sedarplus.ca)**.

## Fund governance

We have established appropriate policies, procedures, practices and guidelines to ensure the proper management of the BMO ETFs, including, as required by NI 81-107, policies and procedures relating to conflicts of interest (see **Policies and practices** on page 14).

## Reporting to Unitholders

The fiscal year of the BMO ETFs is the calendar year or such other fiscal period permitted or deemed under the Tax Act. The annual financial statements of a BMO ETF shall be audited by the auditor in accordance with Canadian generally accepted auditing standards. The auditor will be asked to report on the fair presentation of the annual financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (**IFRS Accounting Standards**), which is one of the financial reporting frameworks included in Canadian generally accepted accounting principles. We will ensure that the BMO ETFs comply with all applicable reporting and administrative requirements.

We, on behalf of each BMO ETF, will provide unitholders of that BMO ETF with unaudited interim

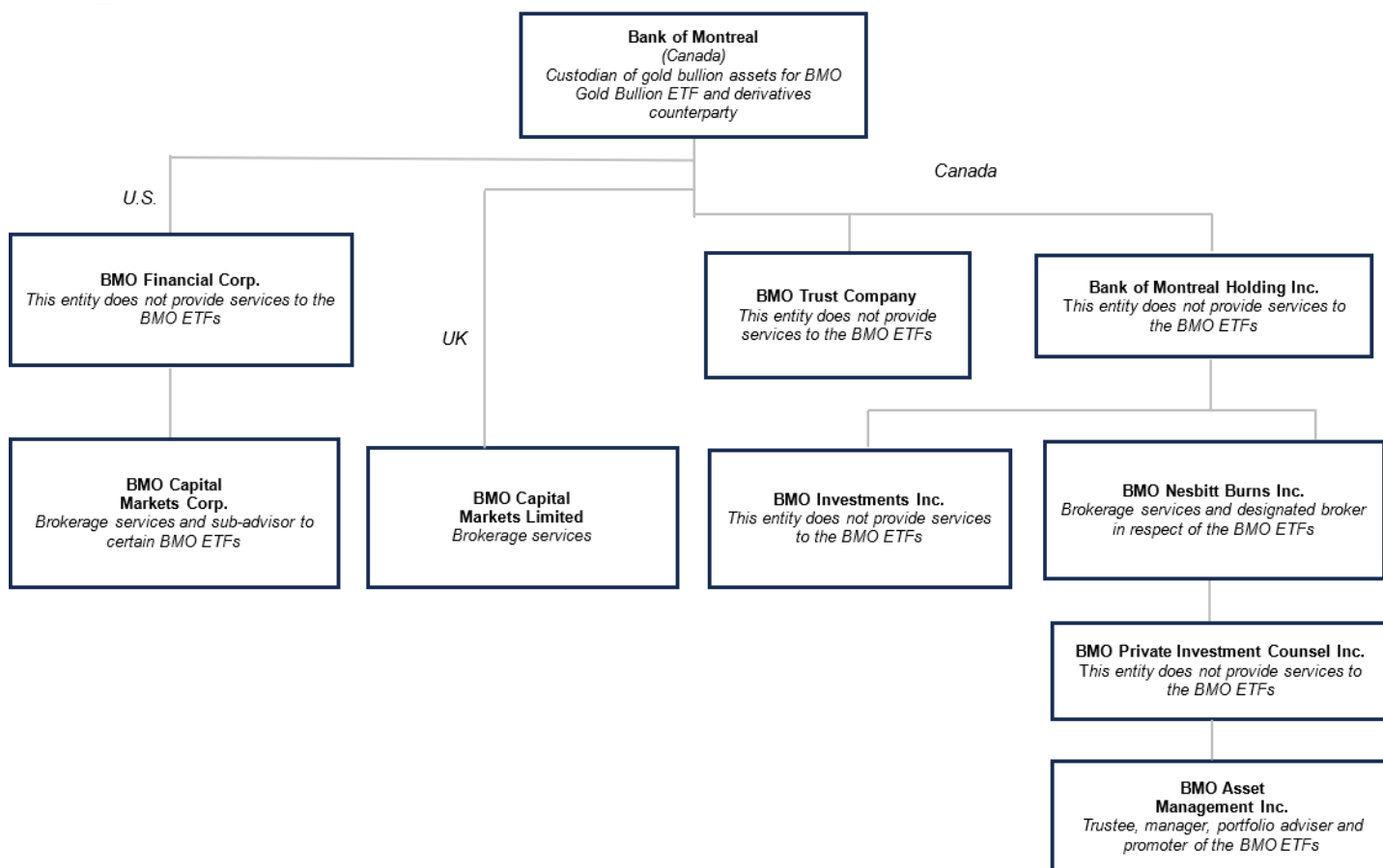
financial statements, audited annual financial statements, interim MRFPs and the most recently filed annual MRFPs of that BMO ETF, in accordance with applicable laws.

Any tax information necessary for unitholders to prepare their annual federal income tax returns will be distributed to them within 90 days after the end of each financial year of the BMO ETFs occurring in December of each calendar year.

We will keep adequate books and records reflecting the activities of the BMO ETFs. A unitholder or his or her duly authorized representative has the right to examine the books and records of the applicable BMO ETF during normal business hours at our registered office. Notwithstanding the foregoing, a unitholder will not have access to any information that, in our opinion, should be kept confidential in the interests of the BMO ETFs.

## Affiliated entities

The following chart depicts the relationships among the affiliated entities that provide services to the BMO ETFs or to us in connection with the BMO ETFs. All of the entities depicted are wholly owned by Bank of Montreal, directly or indirectly, unless otherwise indicated.



The amount of fees paid by the BMO ETFs to each affiliated entity named above, if applicable, is included in the audited financial statements of the BMO ETFs.

## Dealer-manager disclosure

An investment fund is a **dealer-managed investment fund** as defined in NI 81-102 if a dealer, or a principal shareholder of a dealer, owns more than 10% of the voting rights of the portfolio adviser of that investment fund.

The BMO ETFs are dealer-managed investment funds. As a result, the BMO ETFs are subject to the restrictions set out in section 4.1 of NI 81-102:

- Generally, a dealer-managed investment fund must not knowingly invest in a class of securities of an issuer, either in the distribution

(primary offering) or in the 60-day period following the distribution (secondary market), if a related entity acted as an underwriter in the distribution of securities of that class of securities, unless certain exceptions apply (the **related underwriting prohibition**).

- In addition, a dealer-managed investment fund must not knowingly invest in securities of an issuer of which a partner, director, officer or employee of the portfolio adviser is a partner, director, or officer of the issuer of the securities, unless certain exceptions apply.

In both cases, an exception is made for an investment in a class of securities issued or fully and unconditionally guaranteed by the government of Canada or the government of a province or territory of Canada. Another exception is made in respect of the related

underwriting prohibition if, among other things, the IRC of the BMO ETF has approved the transaction and the transaction complies with NI 81-102.

## Policies and practices

### Use of derivatives

The BMO ETFs may use derivatives for hedging or non-hedging purposes in accordance with NI 81-102. In addition, certain Underlying Funds in which the BMO ETFs may invest may use derivatives for hedging or non-hedging purposes in accordance with NI 81-102.

BMOAM, as portfolio manager of the BMO ETFs, is responsible for managing the risks associated with the use of derivatives. Written policies and procedures are in place to manage the risks associated with the BMO ETFs' use of derivatives.

For the risks associated with the use of derivatives, see **Derivative risk** on page 52.

BMO GAM has written policies and procedures that set out the objectives and goals for derivatives trading and the risk management procedures applicable to the use of derivatives for hedging or non-hedging purposes.

The policies and procedures are established by BMOAM and reviewed periodically by BMO GAM personnel, some of whom are members of the board of directors of the Manager. The policies and procedures set out the risk management procedures applicable to derivatives trading, and set out specific procedures for the authorization, documentation, reporting, monitoring and review of derivative strategies to ensure that these functions are performed by individuals independent of those who trade. Limits and controls on derivatives trading are part of the compliance regime of BMO GAM.

No simulations are conducted to test the portfolio of a BMO ETF under stress conditions.

### What is a derivative?

A derivative is a contract between two parties whose value is determined with reference to an underlying interest, such as the market price of an asset (*e.g.*, a currency, commodity, or share) or the value of an index or an economic indicator (*e.g.*, a stock market index or a specified interest rate).

Derivatives can generally be classified as options, forwards, futures, or swaps. An option gives its holder the right, but not the obligation, to buy or sell the underlying interest at a specified price within a specified period of time. (A call option gives its holder the right to buy; a put option gives its holder the right to sell.) A forward is a commitment to buy or sell the underlying interest at a specified price on a specified future date. A future is similar to a forward, except that futures are traded on exchanges. A swap is a commitment to exchange one set of payments for another set of payments.

Some derivatives are settled by one party delivering the underlying interest to the other party, who pays the specified price in full; other derivatives are settled by a single cash payment representing the final net value of the contract.

A BMO ETF is permitted to enter into derivatives transactions with or through a related party subject to IRC review and certain other conditions.

### Securities lending, repurchase and reverse repurchase transactions

The BMO ETFs may:

- engage in securities lending;
- execute repurchase transactions; and/or
- execute reverse repurchase transactions.

Written policies and procedures are in place to manage the risks associated with the BMO ETFs' securities lending program.



### What are securities lending agreements, repurchase agreements and reverse repurchase agreements?

In a securities lending agreement, a BMO ETF loans portfolio securities to a borrower. For as long as the loan remains outstanding, the borrower must compensate the BMO ETF for the loan of the securities and must also provide collateral to the BMO ETF to secure the loan.

In a repurchase agreement, a BMO ETF sells portfolio securities at one price and simultaneously agrees to repurchase these securities on a specified future date at a specified price. Until the repurchase is complete, the counterparty must provide collateral to the BMO ETF to secure its commitment to resell the portfolio securities to the BMO ETF.

In a reverse repurchase agreement, a BMO ETF purchases securities at one price and simultaneously agrees to sell those securities on a specified future date at a specified price. Until the agreement is completed, the counterparty must provide collateral to the BMO ETF to secure its commitment to repurchase the securities from the BMO ETF.

The securities lending program of the BMO ETFs is administered by either State Street Bank and Trust Company or eSecLending pursuant to the terms of the State Street Securities Lending Agreement or the eSecLending Securities Lending Agreement, respectively.

Each of the State Street Securities Lending Agreement and eSecLending Securities Lending Agreement complies with the applicable provisions of NI 81-102. We manage the BMO ETFs' risks associated with securities lending (see **Securities lending, repurchase agreement and reverse repurchase agreement risk** on page 55) by requiring the applicable securities lending agent to:

- 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 BMO ETF under a securities lending transaction or sold by a BMO ETF under a repurchase transaction and the cash or collateral held by the BMO ETF;
- request, on any business day on which the market value of the cash or collateral held by the BMO ETF is less than 102% of the market value of the securities borrowed by or sold to a counterparty, that the counterparty provide additional cash or collateral to the BMO ETF to make up the shortfall; and
- ensure that the collateral to be delivered to the BMO ETF 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 BMO ETF.

Any transaction may be terminated by a BMO ETF at any time and the loaned securities recalled within the normal and customary settlement period for such transaction.

We review our written policies and procedures periodically to ensure that the risks associated with securities lending transactions are being properly managed. Each of State Street Bank and Trust Company and eSecLending will use risk measurement procedures or simulations to test each portfolio under stress, where applicable.

Although permitted to do so, none of the BMO ETFs currently engages in repurchase or reverse repurchase transactions.

## Short selling

Certain BMO ETFs may engage in short selling.

### What is short selling?

To execute a short sale, a BMO ETF borrows securities from a lender and sells them on the open market. At a later date, the BMO ETF closes out the short position by purchasing the same securities on the open market and delivering those securities to the lender. In the interim, the BMO ETF must compensate the lender for the loan of the securities and must also provide collateral to the lender to secure the loan.

A BMO ETF's gain (loss) on a short sale equals the amount by which its proceeds from the initial short sale, less the compensation it pays to the lender, is greater (less) than the amount it pays to purchase the securities to close out the short position.

A BMO ETF will only engage in short sales as permitted by Canadian securities regulatory authorities, and only if the strategy is consistent with the BMO ETF's investment objectives.

For the risks involved in short selling, see **Short selling risk** on page 55.

BMOAM, as portfolio manager of the BMO ETFs, is responsible for managing the risks associated with selling securities short. Written policies and procedures are in place to manage the risks associated with the BMO ETFs' short sales.

The written policies and procedures set out the objectives and goals for short selling and the risk management procedures applicable to short selling.

The Manager reviews the written policies and procedures periodically.

To manage the risks associated with engaging in short selling, a BMO ETF will be subject to the controls and

restrictions described in this section, as stated in our written policies and procedures.

A BMO ETF will not sell short any of the following:

- a security that the BMO ETF is otherwise not permitted by securities legislation to purchase at the time of the short sale transaction;
- an illiquid asset; or
- a security of an investment fund other than an index participation unit.

Unless the borrowing agent is the BMO ETF's custodian or sub-custodian, if a BMO ETF deposits portfolio assets with a borrowing agent as security in connection with a short sale of securities, the market value of portfolio assets deposited with the borrowing agent must not, when aggregated with the market value of portfolio assets already held by the borrowing agent as security for outstanding short sales of securities by the BMO ETF, exceed 10% of the net asset value of the BMO ETF at the time of deposit.

A BMO ETF must not deposit portfolio assets as security in connection with a short sale of securities with a dealer outside of Canada unless that dealer:

- is a member of a stock exchange and is subject to a regulatory audit; and
- has a net worth, determined from its most recent audited financial statements, in excess of the equivalent of \$50 million.

At the time the BMO ETF sells the security short:

- the BMO ETF has borrowed or arranged to borrow from a borrowing agent the security that is to be sold under the short sale;
- the aggregate market value of the securities of the issuer of the securities sold short by the BMO ETF does not exceed 5% of the net asset value of the BMO ETF; and

- the aggregate market value of the securities sold short by the BMO ETF does not exceed 20% of the net asset value of the BMO ETF.

A BMO ETF that sells securities short must hold cash cover in an amount that, together with portfolio assets deposited with borrowing agents as security in connection with short sales of securities by the BMO ETF, is at least 150% of the aggregate market value of the securities sold short by the BMO ETF on a daily mark-to-market basis.

A BMO ETF must not borrow cash or sell securities short if, immediately after entering into a cash borrowing or short selling transaction, the aggregate value of cash borrowed combined with the aggregate market value of the securities sold short by the BMO ETF would exceed 50% of the BMO ETF's net asset value.

If the aggregate value of cash borrowed combined with the aggregate market value of the securities sold short by the BMO ETF exceeds 50% of the BMO ETF's net asset value, the BMO ETF must, as quickly as is commercially reasonable, take all necessary steps to reduce the aggregate value of cash borrowed combined with the aggregate market value of securities sold short to 50% or less of the BMO ETF's net asset value.

A BMO ETF that wishes to engage in short selling will, unless its investment strategies already include short selling, provide existing unitholders with not less than 60 days' written notice prior to commencing short selling transactions.

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

## Personal trading

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 BMO ETFs. Under this policy, certain 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 BMO ETFs and have not been made available to the employee because of that employee's position, knowledge of or relationship with the BMO ETFs.

## Transactions with related or connected persons or companies

We are 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 BMO ETFs, or we on behalf of the BMO ETFs, may enter into transactions or arrangements with or involving other members of the BMO Financial Group.

From time to time, we may, on behalf of the BMO ETFs, 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 us or the BMO ETFs. These may include transactions or arrangements with or involving any of the following:

- Bank of Montreal
- BMO Capital Markets Corp.
- BMO Capital Markets Limited
- BMO Investments Inc.
- BMO Nesbitt Burns Inc.
- other related investment 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 BMO ETF entering into cash-settled forward contracts, options, swaps, or other types of over-

the-counter derivatives with a member of the BMO Financial Group acting as counterparty;

- the purchase or redemption of securities of other mutual funds, including ETFs, managed by us or by an affiliate of ours; or
- the provision of services to us.

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 BMO ETFs.

## Proxy voting

As portfolio adviser to the BMO ETFs, we have written policies and procedures that the BMO ETFs follow when voting proxies relating to portfolio securities. We vote proxies on behalf of a BMO ETF in the best interests of the BMO ETF and its unitholders.

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 not necessarily dictate how each issue must be voted in each instance. Further, we may depart from our 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 BMO ETF and its unitholders.

Each BMO ETF'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 unitholder of a BMO ETF upon request at any time after August 31 of that year. The proxy voting record of a BMO ETF is available on the BMO ETFs' designated website at [www.bmogam.com/ca-en/resources/legal-and-regulatory-documents/#bmo-etfs](http://www.bmogam.com/ca-en/resources/legal-and-regulatory-documents/#bmo-etfs).

Our Responsible Investment team (the **RI Team**), comprised of ESG experts, oversees and executes proxy voting for the BMO ETFs. The RI Team works alongside our other portfolio managers and investment analysts. The RI Team undertakes engagement activities as well as proxy voting research and analysis, and also supports the development of our publicly available Corporate Governance Guidelines (**CGG**) and Expectations on Environmental, Social and Governance Practices, which set out our expectations of companies regarding good ESG practices as well as guides our voting on ESG matters. The RI Team focuses on corporate engagement with North American investee companies and actively votes at company meetings for the Canadian market. We have retained a third-party engagement and voting service provider to provide us with proxy voting and responsible engagement overlay (**reo®**) services to ensure our coverage extends to international markets and to execute votes on our behalf and in line with the CGG. The RI Team monitors and can override any vote instructions by reo® across all markets.

We have established proxy voting policies and procedures for the BMO ETFs, which include the CGG, the Expectations on Environmental, Social and Governance Practices, and standing voting directions (collectively, the **Proxy Voting Guidelines**). The Proxy Voting Guidelines inform the voting on matters for which the BMO ETFs receive proxy materials for an issuer.

In providing proxy voting services, we through reo® use International Shareholder Services (**ISS**), a third-party proxy voting administrator, to auto-execute, without further guidance, the majority of votes in accordance with standing voting directions which reflect the CGG. When ISS or reo® needs guidance on the standing voting directions or when the RI Team wishes to further consider how to vote on certain matters, they consult with the RI Team and obtain instructions on how to proceed.

Although the RI Team generally adheres to the Proxy Voting Guidelines in executing votes and in addition relies on reo® and ISS to execute votes, any proxy issues that differ from the Proxy Voting Guidelines are

considered by taking into account the particular circumstances involved. This provides needed flexibility in making prudent judgments in the proxy voting process. Further, we may depart from the Proxy Voting Guidelines in order to avoid voting decisions that may be contrary to the best interests of a BMO ETF and its unitholders.

The RI Team actively engages investee companies prior to, during and after proxy season to inform voting decisions and communicate good ESG expectations.

Due to the variety of proxy voting issues that may arise, the following summary of the Proxy Voting Guidelines is not exhaustive and is intended to provide guidance but does not necessarily dictate how each issue must be voted in each instance. The Proxy Voting Guidelines include:

- a standing policy for dealing with routine matters on which a BMO ETF may vote, such as election of directors, appointment of auditors and an issuance of shares;
- the circumstances under which a BMO ETF will deviate from the standing policy for routine matters. For example, the Proxy Voting Guidelines provide that the BMO ETFs will typically support management's recommendation regarding appointing auditors, but may vote against such recommendation where auditor independence is in question;
- the policies under which, and the procedures by which, a BMO ETF will determine how to vote on non-routine matters such as mergers and acquisitions, spin-offs and other corporate restructurings, shareholder rights (other than the issuance of shares), corporate governance, compensation, and social and environmental matters. For example, with respect to mergers and acquisitions, spin-offs and other corporate restructurings, the Proxy Voting Guidelines provide that the BMO ETFs will typically support incumbent management provided that

the financial terms, synergistic benefits and management quality are sound; and

- procedures to ensure that a BMO ETF's portfolio securities are voted in accordance with the BMO ETF's instructions.

We have a policy in place to identify and deal with potential conflicts of interest in proxy voting such as the following proxy voting situations:

- voting proxies at a company's shareholder meeting where the company is a client of, or has another type of business relationship with, BMO Financial Group;
- voting proxies at a Bank of Montreal or an affiliate's shareholder meeting (including meetings of BMO Funds) or a company's shareholder meeting relating to a corporate action such as a merger or acquisition involving the company (or any of its affiliates) and a member of BMO Financial Group;
- voting proxies at a company's shareholder meeting where an officer, director or employee of the Manager or BMO Financial Group serves on the board or is nominated for election to that company;
- voting proxies at a company's shareholder meeting with a potential voting outcome that favours one client (including one investment fund) over another; and
- voting proxies at a company's shareholder meeting where different portfolio managers of ours prefer different voting outcomes.

A copy of the policies and procedures relating to proxy voting is available on request, at no cost, by calling 1-800-361-1392 or by writing to the Manager at 100 King Street West, 43<sup>rd</sup> Floor, Toronto, Ontario M5X 1A1.

## Conflicts of Interest

The directors and officers of the Manager may be directors, officers, shareholders or unitholders of one or more issuers in which the BMO ETFs may acquire securities. The Manager and its affiliates, including other BMO Financial Group entities, may be managers or portfolio managers of one or more issuers in which the BMO ETFs may acquire securities and may be managers or portfolio managers of funds that invest in the same securities as the BMO ETFs. Such transactions will only be undertaken where permitted by applicable securities legislation and upon obtaining any required regulatory or IRC approvals.

When a BMO ETF invests in Underlying Funds, it will predominantly, if not exclusively, invest in BMO Funds.

Where the Manager chooses to invest in BMO Funds, it generally does so because there are economic efficiencies that can be accessed when investing in BMO Funds and because it has greater familiarity with (i) the capabilities of the investment teams providing investment management to those BMO Funds, (ii) the consistency of the underlying investment strategy of the BMO Funds with the BMO ETF's overall investment objective, and (iii) how those BMO Funds will react to a wide range of market conditions. In particular, investing in BMO Funds gives the Manager an increased ability to waive management fees, thereby helping to keep the BMO ETFs themselves commercially viable.

Investing in BMO Funds creates conflicts of interest because it provides collateral benefits to the Manager, including both an increase in the Manager's total assets under management and an increase in the assets of BMO ETFs and BMO Funds, potentially increasing the commercial viability of BMO ETFs and BMO Funds through an increase in assets and greater economies of scale. Despite the predominant use of BMO Funds for the reasons mentioned above, the Manager has the sole discretion to select unaffiliated Underlying Funds in any asset class at any time even if a BMO Fund exists in a similar asset class.

The Manager, acting in its capacity as the portfolio manager, may enter into any of the following transactions with a related entity on behalf of a BMO ETF (each a **related party transaction**): (i) investing in securities of an issuer related to the Manager; (ii) investing in securities underwritten by an entity related to the Manager; (iii) buying debt securities from or selling debt securities to an entity related to the Manager acting as principal; and (iv) buying securities from or selling securities to a mutual fund managed by the Manager or an affiliate that is subject to NI 81-102 or a separately managed account for which the Manager is the portfolio manager. On behalf of a BMO ETF, the Manager will enter into any of the related party transactions provided the related party transaction complies with applicable securities legislation, including having been approved by the IRC. The Manager may also, acting on behalf of a BMO ETF, engage a related entity as a dealer or counterparty or service provider, provided it does so in compliance with applicable securities legislation, including by obtaining a positive recommendation from the IRC.

## Interests of management and others in material transactions

On behalf of the BMO ETFs, we may enter into various continuous distribution agreements with registered dealers, which may or may not be Designated Brokers, pursuant to which the registered dealers may subscribe for Units of the BMO ETFs (see **Purchases** on page 27).

We receive fees for our services to the BMO ETFs (see **Fees and expenses** on page 33).

The BMO ETFs pay standard brokerage commissions at market rates to BMO Nesbitt Burns Inc., BMO Capital Markets Corp. and BMO Capital Markets Limited for trades executed by these entities. See **Brokerage arrangements** on page 7.

BMOAM, on behalf of the BMO ETFs, may enter into Related-Party Transactions (see **IRC approvals** on page 59 and **Affiliated entities** page 12).

No Designated Broker or ETF Dealer has been involved in the preparation of this document or has performed any review of the contents of this document. As such, the Designated Brokers and ETF Dealers do not perform many of the usual underwriting activities in connection with the distribution of Units of the BMO ETFs under this simplified prospectus. The Units do not represent an interest or an obligation of a Designated Broker, any ETF Dealer, or any affiliate of a Designated Broker or ETF Dealer, and a unitholder does not have any recourse against any such party in respect of amounts payable by a BMO ETF to the applicable Designated Broker or ETF Dealer.

## Remuneration of directors, officers, and trustees

### Trustee compensation

We do not receive any additional fees for serving as the Trustee of the BMO ETFs.

### Employee compensation

Robert J. Schauer of Toronto, Ontario is the Chief Financial Officer of each of the BMO ETFs. Otherwise, the BMO ETFs do not have employees and the management functions of each BMO ETF are carried out by employees of the Manager.

### Independent review committee compensation

The members of the IRC of the BMO ETFs are entitled to compensation.

For the years ended December 31, 2023 and December 31, 2024, members of the IRC received the following amounts in annual fees and reimbursement for expenses in connection with performing their duties for the existing ETFs managed by us:

IRC Member	Total Individual Compensation for YE2023	Total Individual Compensation for YE2024
Jacqueline Allen	\$39,200	\$42,751
Marlene Davidge (Chair)	\$56,347	\$61,453
Jim Falle	\$39,200	\$42,751
Wendy Hannam	\$39,200	\$42,751

A flat fee of \$500 is charged to each BMO ETF with the remaining fees and expenses allocated proportionally among the BMO ETFs based on their respective NAV complexity. The NAV complexity for each BMO ETF is determined using factors assigned to the BMO ETF. These factors include the existence of a fund-of-fund structure and the number of series offered by the BMO ETF, both of which increase the allocation of fees and expenses to a BMO ETF.

## Material contracts

### Declaration of Trust

The BMO ETFs have been established under an amended and restated declaration of trust dated May 14, 2025 (the **Declaration of Trust**), as amended or as amended and restated from time to time. We act as the trustee, manager and portfolio adviser to the BMO ETFs pursuant to the Declaration of Trust.

As the manager, we administer the BMO ETFs' day-to-day operations, supervise their investments, help manage the investment and reinvestment of their assets and distribute their units, or cause them to be distributed. The Declaration of Trust provides that we are entitled to management fees in return for the services that we provide.

We may resign as the Trustee and/or the Manager of any of the BMO ETFs upon 60 days' notice to the unitholders. If we resign as Manager, we may appoint a successor but, unless the successor is an affiliate of ours, the successor must be approved by the unitholders. If we

are in material default of our obligations under the Declaration of Trust and such default has not been cured within 30 days after notice of the same has been given to us, the unitholders may remove us and appoint a successor trustee and/or manager.

As Manager, we are entitled to fees for our services as manager under the Declaration of Trust (see **Management Fees** on page 33). In addition, we and our affiliates and each of their directors, officers, employees and agents will be indemnified by each of the BMO ETFs for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against any of them in the exercise of the Manager's duties under the Declaration of Trust, if they do not result from the Manager's wilful misconduct, bad faith, negligence or breach of its obligations under the Declaration of Trust.

The management and trustee services of the Manager are not exclusive and nothing in the Declaration of Trust or any agreement prevents the Manager from providing similar services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the BMO ETFs) or from engaging in other business activities.

## Amendments to the Declaration of Trust

Pursuant to the terms of the Declaration of Trust, unitholder approval is only required if the nature of an amendment to the Declaration of Trust is a matter for which applicable laws provide such approval is required.

Except for changes to the Declaration of Trust described below that do not require approval of or prior notice to unitholders, we may amend the Declaration of Trust from time to time upon not less than 30 days' prior written notice to unitholders of the BMO ETFs.

We may amend the Declaration of Trust without the approval of or notice to unitholders of the BMO ETFs for the following purposes:

- to remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any law or regulation applicable to or affecting the BMO ETFs;
- to make any change or correction in the Declaration of Trust which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- to bring the Declaration of Trust into conformity with applicable laws, rules and policies of the securities regulatory authorities or with current practice within the securities industry, provided that any such amendment does not adversely affect the rights, privileges or interests of unitholders of the BMO ETFs;
- to maintain, or permit us to take such steps as may be desirable or necessary to maintain the status of a BMO ETF as a "mutual fund trust" for the purposes of the Tax Act;
- to change the taxation year end of a BMO ETF as permitted under the Tax Act;
- to establish one or more BMO ETFs;
- to change the name of a BMO ETF;
- to create additional classes and series of units of a BMO ETF and to redesignate existing classes and series of units of a BMO ETF, unless the rights attaching to such units are changed or are adversely affected thereby;
- to provide added protection to unitholders of the BMO ETFs; or
- if, in our opinion, the amendment is not prejudicial to unitholders of the BMO ETFs and is necessary or desirable. Any amendments to the Declaration of Trust made by us without the consent of unitholders of the BMO ETFs will be



disclosed in the next regularly scheduled report to such unitholders.

## Custody agreement

State Street Trust Company Canada provides custodial services to the BMO ETFs under a custodial agreement dated June 1, 2018, as amended, restated, or supplemented from time to time, among the Manager, BMO Investments Inc., and State Street Trust Company Canada.

Any party may terminate this agreement upon 90 days' notice, by written notice to the other parties, unless a different period is agreed to in writing by the parties. In addition, we may terminate the agreement immediately, by written notice to the Custodian, if:

- the Custodian ceases to be qualified to act as a custodian of the BMO ETFs pursuant to NI 81-102;
- there is a change of control of the Custodian;
- the Manager is required by applicable law or by the direction of a securities regulatory authority to cease acting as an investment fund manager of the BMO ETFs;
- the Custodian commits a material or persistent breach of the agreement that is not capable of being remedied, or that is capable of being remedied but is not remedied within 60 days or such other period as may be agreed between the Manager and the Custodian, after receiving notice from the Manager requiring the same to be remedied; or
- the Custodian becomes bankrupt or insolvent or upon the passing of a resolution for its dissolution or the issuance of an order for its dissolution or the making of a general assignment for the benefit of its creditors.

## License Agreement – Irrational Capital

The Manager has entered into a license agreement dated May 14, 2025 (the **Strategy License Agreement**) with Irrational Capital LLC (**Irrational Capital**) pursuant to which it has the right, subject to the terms of the Strategy License Agreement, to use one or more strategy methodologies developed by Irrational Capital, with input from the Manager, to support the management of BMO Human Capital Factor US Equity ETF based on those methodologies.

The Strategy License Agreement has an initial term of three years and automatically renews for successive one-year periods unless terminated by either party. The Strategy License Agreement may be terminated by either party upon 90 days' prior written notice before the end of the then-current term.

## Inspection of material contracts

You may inspect copies of these material contracts during normal business hours by visiting our principal office at 100 King Street West, 43rd Floor, Toronto, Ontario M5X 1A1.

To receive copies of the Declaration of Trust, please send us a written request at the preceding address.

## Legal proceedings

There are no ongoing material legal proceedings, which include administrative proceedings, to which any of the BMO ETFs or its Manager is a party.

## Designated website

A mutual fund is required to post certain regulatory disclosure documents on a designated website. The designated website of the BMO ETFs is [www.bmogam.com/ca-en/resources/legal-and-regulatory-documents/#bmo-etfs](http://www.bmogam.com/ca-en/resources/legal-and-regulatory-documents/#bmo-etfs).

# Valuation of portfolio investments

The Valuation Agent values each BMO ETF's holdings in its Valuation Currency before calculating its NAV.

## Valuation methods

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 the Valuation Agent considers to be the fair value.

Bonds, debentures, short-term investments and other debt securities are marked-to-market based on prices obtained from a recognized pricing service at the valuation time on the valuation date.

Money market instruments are valued at amortized cost which approximates fair value due to their short-term nature.

Securities listed or dealt in on any stock exchange are valued at their closing sale price (or such other value as the securities regulatory authorities may permit) last reported at the valuation time on the valuation date on the principal stock exchange on which such security is traded, or, if no reliable closing sale price is available at that time, the security shall be fair valued, and in the case of gold bullion, its market value based on that day's announced LBMA Gold Price PM. If there is no announced LBMA Gold Price PM on a business day, the gold bullion is valued at the most recently announced LBMA Gold Price PM or an alternative market price as determined by us.

Mutual fund securities that are not listed on any stock exchange are valued at the respective net asset value for such securities quoted by the trustee or the manager of that investment fund on the relevant valuation date.

Foreign-currency accounts are expressed in the BMO ETF's Valuation Currency on the following basis:

- investments and other assets are valued at the applicable rate of exchange at the valuation date; and
- purchases and sales of investments, income and expenses are recorded at the applicable rate of exchange on the dates of the transactions.

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, a foreign exchange gain or loss is recognized.

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. Any difference resulting from revaluation will be treated as an unrealized gain or loss. Deferred credits will be deducted before the BMO ETF's NAV is calculated.

Futures contracts are valued at outstanding current margin payable or receivable.

Bullion, coins, certificates and other evidences of precious metals are valued at current market value.

Restricted securities are valued at the lesser of:

- the value thereof based on reported quotations in common use, and
- the percentage of the market value of unrestricted securities of the same class, equal to the percentage that the BMO ETF'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 investments are valued at the Valuation Agent's best estimate of fair value.

If the Valuation Agent considers any of these valuation principles inappropriate under the circumstances, or if it cannot value an investment according to these principles, the Valuation Agent may estimate the fair value of an investment using established fair valuation procedures, such as consideration of public information, broker quotes and valuation models. It may also use external fair value service providers. The value calculated on fair-value securities for the purposes of calculating a BMO ETF's NAV may differ from the securities' most recent closing market price.

The Valuation Agent may also fair-value securities in the following circumstances:

- when there is a halt in the trading of a security that is normally traded on an exchange;
- on securities that trade on markets that have closed prior to the time as of which the BMO ETF's NAV is calculated 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 BMO ETF's ability to liquidate its investments in that country.

We have valued the BMO ETFs' investments in accordance with the disclosed practices, and, in particular, in accordance with the foregoing outlined principles. We do not have discretion to deviate from the valuation methods described above.

## Calculation of net asset value

The Valuation Agent calculates the NAV of each BMO ETF in its Valuation Currency in accordance with the rules and policies of the Canadian Securities Administrators or in accordance with any exemption therefrom that the BMO ETF may obtain. The NAV of a BMO ETF, calculated in this way and applying the principles described in the preceding section, may differ from the NAV of that BMO ETF as determined under IFRS Accounting Standards.

The NAV of each BMO ETF and the NAVPS of each series of each BMO ETF is calculated as at 4:00 p.m. Eastern Time on each Valuation Day.

Except as described in the following section, the NAV of a particular series equals its proportionate share of all of the assets of the BMO ETF minus:

- the liabilities of the BMO ETF that are specifically attributable to that series; and
- the series' proportionate share of the liabilities of the BMO ETF that are not specifically attributable to any series.

The NAVPS of a particular series equals its NAV divided by the number of units of that series then issued and outstanding.

## Modifications for Hedged Units

A BMO ETF may offer Hedged Units. Where this is the case, the BMO ETFs contains two classes of units:

- the **Special Class** is comprised of the BMO ETF's Hedged Units; and
- the **Ordinary Class** is comprised of the BMO ETF's Non-Hedged Units

If a BMO ETF contains two classes, then after calculating the NAV of the BMO ETF but before calculating the NAV of any series of that BMO ETF, the Valuation Agent allocates the fair value of the derivative

instruments that the BMO ETF holds for currency hedging purposes exclusively to the Special Class.

## Publication of NAVPS data

The NAVPS for the Units of the BMO ETFs are published at [www.bmo.com/gam/ca](http://www.bmo.com/gam/ca) and <https://www.bmogam.com/ca-en/products/exchange-traded-funds>.

# Purchases, switches, and redemptions

The Units offered by the BMO ETFs are described in the section **Series of the BMO ETFs** on page 61.

The BMO ETFs are offered for sale on a continuous basis, which means that subject to certain restrictions, you can purchase or redeem Units of a BMO ETF at any time.

In compliance with NI 81-102, each BMO ETF will not issue units to the public until orders aggregating not less than \$500,000 have been received and accepted by the BMO ETF from investors other than the Manager or its directors, officers or securityholders.

When you buy or sell Units of a BMO ETF on an Exchange, you are engaging in secondary market trading (see **Secondary market trading** on page 30).

As permitted by Canadian securities regulators, we may suspend your right to redeem and/or exchange Units:

- if normal trading is suspended on an exchange within or outside Canada on which securities are listed and posted for trading, or on which “specified derivatives” as defined in NI 81-102 are traded, that represent more than 50% by value, or underlying market exposure, of the total assets of that BMO ETF without allowance for liabilities and if those securities are not traded on any other exchange that represents a reasonably practical alternative for the BMO ETF;
- with the consent of securities regulators, if the BMO ETF determines that it is not practical to sell the BMO ETF’s assets or fairly determine the value of the BMO ETF’s net assets; or
- of a BMO ETF whose investment objective is to track the performance of an Underlying Fund, if the right to redeem the securities of that Underlying Fund is suspended.

If your right to redeem and/or exchange Units of a BMO ETF is suspended, and you do not withdraw your redemption order, we will redeem your Units of a BMO ETF at their NAVPS determined after the suspension ends.

## Purchases

### By Designated Brokers and other registered dealers

Generally, only a Designated Broker or a registered dealer may purchase Units directly from a BMO ETF. The BMO ETFs reserve the right to reject any subscription order placed by a Designated Broker or registered dealer.

On any Trading Day, a Designated Broker or registered dealer may place a subscription order for the following number of Units of a BMO ETF:

- a prescribed number of Units, which number we may, in our discretion, increase or decrease from time to time;
- an integral multiple thereof; or
- such other number of Units as we may permit.

If we receive the subscription order by 9:00 a.m. Eastern Time on a particular Trading Day, or such later time on that Trading Day as we may permit, the BMO ETF will issue the requested number of Units to the Designated Broker or registered dealer:

- in the case of a BMO ETF that invests a portion of its portfolio assets in T+3 Instruments, by the third business day after the subscription notice is accepted;
- in the case of a BMO ETF that does not invest a portion of its portfolio assets in T+3 Instruments, by the second business day after the date on which the subscription order is accepted; or

- in such shorter period as we may determine in response to changes in applicable law or general changes to settlement procedures in applicable markets,

in each case provided that the BMO ETF has received payment for the Units.

For each prescribed number of Units issued by a BMO ETF, the Designated Broker or registered dealer must make a payment whose value is equal to the NAV of the Units next determined following the receipt of the purchase order. This payment must take one of three forms, as determined by us in our sole discretion:

- a Basket and cash;
- cash; or
- a combination of instruments and cash specified by us.

For each BMO ETF, we will make the Basket available to the BMO ETF's Designated Broker and registered dealers on each Trading Day.

No fees will be payable by a BMO ETF to a Designated Broker or registered dealer in connection with the issuance of Units.

On the issuance of Units, we may, in our discretion, charge an administrative fee to a Designated Broker or registered dealer to offset any expenses of the issuance.

## By other unitholders

A BMO ETF may issue additional Units directly to the holders of those Units, via the automatic reinvestment of special dividends and certain other distributions.

## Switches

You may not switch into or out of any series of a BMO ETF.

## Redemptions

### For cash

On any Trading Day, a unitholder may redeem Units for cash at a redemption price per Unit equal to the lesser of:

- 95% of the closing price per Unit on the applicable Exchange on the effective day of the redemption; and
- the NAVPS on the effective day of the redemption.

Because unitholders will generally be able to sell Units at the market price on the applicable Exchange through a registered dealer subject only to customary brokerage commissions, unitholders are advised to consult their dealers or investment advisors before redeeming their Units for cash.

If we receive the redemption order by 9:00 a.m. on a particular Trading Day, or such later time on that Trading Day as we may permit, the BMO ETF will redeem the Units and pay the proceeds of redemption:

- in the case of a BMO ETF that invests a portion of its portfolio assets in T+3 Instruments, by the third business day after the subscription notice is accepted;
- in the case of a BMO ETF that does not invest a portion of its portfolio assets in T+3 Instruments, by the second business day after the date on which the subscription order is accepted; or
- in such shorter period as we may determine in response to changes in applicable law or general changes to settlement procedures in applicable markets.

The cash redemption request forms may be obtained from any registered dealer.

## For Baskets and cash

On any Trading Day, a unitholder may place an exchange order for the following number of Units:

- a prescribed number of Units, which number we may, in our discretion, increase or decrease from time to time;
- an integral multiple thereof; or
- such other number of Units as we may permit,

requesting that the Units be exchanged for one of three forms of payment, as determined by us in our sole discretion, whose value is equal to the NAV of the Units on the effective date of the exchange order:

- a Basket and cash;
- cash; or
- a combination of instruments and cash specified by us.

## Non-Resident Unitholders

At no time may:

- non-residents of Canada;
- partnerships that are not Canadian partnerships; or
- a combination of non-residents of Canada and such partnerships (all as defined in the Tax Act),

be the beneficial owners of a majority of the Units of a BMO ETF. We may require declarations as to the jurisdictions in which a beneficial owner of Units is resident and, if a partnership, its status as a Canadian partnership. If we become aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% of the Units of a BMO ETF then outstanding are, or may be, non-residents and/or partnerships that are not Canadian partnerships, or that such a situation is imminent, we may make a public announcement thereof. If we determine that more than 40% of such Units are beneficially held by non-residents and/or partnerships that are not Canadian partnerships, we may send a notice to such non-resident unitholders and partnerships, chosen in inverse order to the order of acquisition or in

such manner as we may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not less than 30 days. If the unitholders receiving such notice have not sold the specified number of Units or provided us with satisfactory evidence that they are not non-residents or partnerships other than Canadian partnerships within such period, we may on behalf of such unitholders sell such Units and, in the interim, will suspend the voting and distribution rights attached to such Units. Upon such sale, the affected holders will cease to be beneficial holders of Units and their rights will be limited to receiving the net proceeds of sale of such Units.

Notwithstanding the foregoing, we may determine not to take any of the actions described above if we have been advised by legal counsel that the failure to take any of such actions would not adversely impact the status of a BMO ETF as a mutual fund trust for purposes of the Tax Act or, alternatively, may take such other action or actions as may be necessary to maintain the status of the BMO ETF as a mutual fund trust for purposes of the Tax Act.

## Exchanges

On any Trading Day, unitholders may exchange the prescribed number of Units (or an integral multiple thereof) for a Basket and cash.

To effect an exchange of Units, a unitholder must submit an exchange request in the form prescribed by us from time to time to the applicable BMO ETF at its registered office by 9:00 a.m. on a Trading Day (or such later time on such Trading Day as we may permit). The exchange price will be equal to the NAV of the series of Units on the effective day of the exchange request, payable by delivery of a Basket and cash. The Units will be redeemed in the exchange.

If an exchange request is not received by the submission deadline noted immediately above on a Trading Day, the exchange order will be effective only on the next Trading Day. Settlement of exchanges for a Basket and cash will be made:

- in the case of a BMO ETF that invests a portion of its portfolio assets in T+3 Instruments, by the third business day after the effective day of the exchange request;
- in the case of a BMO ETF that does not invest a portion of its portfolio assets in T+3 Instruments, by the second business day after the effective day of the exchange request; or
- in such shorter period as we may determine in response to changes in applicable law or general changes to settlement procedures in applicable markets.

The securities to be included in the Basket delivered on an exchange shall be selected by the manager in its discretion.

Unitholders should be aware that the NAVPS will decline on the ex-dividend date of any distribution payable in cash on Units. A unitholder that is no longer a holder of record on or after the ex-dividend date will not be entitled to receive that distribution.

If the securities held by a BMO ETF are cease traded at any time by order of a securities regulatory authority or other relevant regulator or stock exchange, the delivery of such securities to a unitholder on an exchange in the prescribed number of Units may be postponed until such time as the transfer of the securities is permitted by law.

## Secondary market trading

You may buy or sell Units of the BMO ETFs on the relevant Exchange or another marketplace, through registered dealers, in the province or territory where you reside.

The TSX has conditionally approved the listing of the Units of BMO Covered Call Spread Gold Bullion ETF (the **TSX BMO ETF**) on the TSX.

Listing is subject to the TSX BMO ETF fulfilling all of the requirements of the TSX on or before May 5, 2026. Subject to satisfying the TSX's original listing requirements, the TSX BMO ETF will be listed on the

TSX and offered on a continuous basis, and an investor will be able to buy or sell these Units on the TSX through registered brokers and dealers in the province or territory where the investor resides.

Cboe Canada has conditionally approved the listing of the Units of BMO Canadian Core Plus US Balanced ETF, BMO Canadian Equity Plus ETF, BMO Human Capital Factor US Equity ETF, BMO US Dividend Growth ETF, BMO US Equity Focused ETF and BMO US Large Cap Disciplined Value ETF (collectively, the **Cboe BMO ETFs**) on Cboe.

Listing is subject to the Cboe BMO ETFs fulfilling all of the requirements of Cboe Canada on or before May 5, 2026. Subject to satisfying Cboe Canada's original listing requirements, the Cboe BMO ETFs will be listed on Cboe Canada and offered on a continuous basis, and an investor will be able to buy or sell these Units on Cboe Canada through registered brokers and dealers in the province or territory where the investor resides.

From time to time as may be agreed by a BMO ETF and the Designated Brokers and the ETF Dealers, the Designated Brokers and the ETF Dealers may agree to accept the constituent securities of the BMO ETF as payment for Units of a BMO ETF from prospective purchasers.

You may incur brokerage commissions when you buy or sell Units of a BMO ETF. No fees are payable by you to us or to any BMO ETF in connection with the buying or selling of Units of the BMO ETF on the relevant Exchange or on another marketplace.

The provisions of the so-called "early warning" requirements set out in Canadian Securities Legislation do not apply in connection with the acquisition of Units of a BMO ETF. In addition, the BMO ETFs have obtained exemptive relief from the securities regulatory authorities to permit unitholders to acquire more than 20% of the Units of a BMO ETF through purchases on an Exchange without regard to the take-over bid requirements of Canadian Securities Legislation, provided that any such unitholder, and any person acting jointly or in concert with the unitholder, undertakes to us



not to vote more than 20% of the Units of a BMO ETF at any meeting of unitholders.

For each BMO ETF, Table 4 identifies:

- the Exchange on which those Units are listed for trading;

- each series of Units of the BMO ETF; and
- the ticker under which the Units of the BMO ETF may be traded.

**Table 4: Exchanges, series, and tickers**

Fund	Exchange	Series of Units	Ticker
BMO Canadian Core Plus US Balanced ETF	Cboe	CAD Units	ZBCB
BMO Canadian Equity Plus ETF	Cboe	CAD Units	ZBEC
BMO Covered Call Spread Gold Bullion ETF	TSX	CAD Units	ZWGD
BMO Human Capital Factor US Equity ETF	Cboe	CAD Units	ZHC
BMO US Dividend Growth ETF	Cboe	CAD Units Hedged Units	ZBDU ZBDU.F
BMO US Equity Focused ETF	Cboe	CAD Units Hedged Units	ZBEU ZBEU.F
BMO US Large Cap Disciplined Value ETF	Cboe	CAD Units	ZBVU

## Short-term trading

At the present time, the Manager is of the view that it is not necessary to impose any short-term trading restrictions on the BMO ETFs as Units of the BMO ETFs are generally traded by investors on an exchange in the secondary market in the same way as other listed securities. In the few situations where the BMO ETFs are not purchased in the secondary market, purchases usually involve a Designated Broker or a Dealer upon whom the Manager may impose a redemption fee, which is intended to compensate the applicable BMO ETF for any costs and expenses incurred in relation to the trade.

## Optional services

### Distribution reinvestment plans

We offer a distribution reinvestment service for holders of Units of BMO ETFs. Using this service, you can elect to have all cash distributions that you receive on these Units automatically reinvested in additional units of the same type (for the purposes of this section, **Plan Units**).

This service is governed by the distribution reinvestment agreement between us, on behalf of the BMO ETFs, and the Plan Agent, as may be amended, and by the terms of a **Distribution Reinvestment Plan**, a copy of which is available through your dealer. The key terms of the Distribution Reinvestment Plan are summarized in this section.

You cannot participate in the Distribution Reinvestment Plan if you are not a resident of Canada. If you cease to be a resident of Canada, you will be required to terminate your participation in the Distribution Reinvestment Plan.

If you wish to enroll in the Distribution Reinvestment Plan as of a particular distribution record date, you should notify the CDS Participant through which you hold Units of a BMO ETF sufficiently in advance of that distribution record date to allow such CDS Participant to notify CDS by 4:00 p.m. on the distribution record date.

Distributions that you are due to receive will be used to purchase Plan Units on your behalf in the market. No fractional Plan Units will be purchased under the Distribution Reinvestment Plan. Any funds remaining after the purchase of whole Plan Units will be credited to you via its CDS Participant in lieu of fractional Plan Units.

You may voluntarily terminate your participation in the Distribution Reinvestment Plan as of a particular distribution record date by notifying your CDS Participant sufficiently in advance of that distribution record date. You should contact your CDS Participant to obtain details of the appropriate procedures for terminating your participation in the Distribution

Reinvestment Plan. Beginning on the first distribution payment date after such notice is received from you and accepted by a CDS Participant, distributions to you will be made in cash. Any expenses associated with the preparation and delivery of such termination notice will be borne by you to exercise your right to terminate participation in the Distribution Reinvestment Plan.

We may, at any time and in our sole discretion:

- amend, modify or suspend the Distribution Reinvestment Plan, provided that we receive prior approval for the amendments from the applicable Exchange(s); or
- terminate the Distribution Reinvestment Plan,

by giving prior notice to:

- registered participants in the Distribution Reinvestment Plan;
- the CDS Participant through which you hold Units of a BMO ETF;
- the Plan Agent; and
- if necessary, the applicable Exchange(s).

If we terminate the Distribution Reinvestment Plan in this way, we will provide this notice not less than 30 days prior to the date of its termination.

## Fees and expenses

This section describes the fees and expenses you may pay if you invest in a BMO ETF. Some of these fees and expenses are payable by you. Others are payable by the BMO ETF and will indirectly reduce the value of your investment in the BMO ETF.

### Fees and expenses payable by the BMO ETFs

#### Management Fees

Each BMO ETF pays us a **Management Fee** as set forth in Table 5 below based on the average daily NAV of the

**Table 5: Management Fee rates (%)**

Fund	Management Fee (%)
BMO Human Capital Factor US Equity ETF	0.35
BMO Canadian Core Plus US Balanced ETF	0.40
BMO Canadian Equity Plus ETF BMO US Dividend Growth ETF BMO US Equity Focused ETF BMO US Large Cap Disciplined Value ETF	0.45
BMO Covered Call Spread Gold Bullion ETF	0.65

applicable BMO ETF. The Management Fee, plus applicable taxes, will be accrued daily and paid quarterly in arrears. The Manager may, from time to time in its discretion, waive all or a portion of the management fee charged.

#### Operating expenses

Each BMO ETF that incurs any of the following expenses (**Fund Expenses**) pays those expenses itself:

- the costs and expenses incurred in relation to compliance with NI 81-107, including expenses related to the implementation and ongoing operation of the IRC;
- costs associated with compliance with any new governmental or regulatory requirement introduced after the BMO ETF was established;

- brokerage expenses and commissions;
- income and withholding taxes as well as all other applicable taxes; and
- extraordinary expenses.

A BMO ETF that offers more than one series of units will allocate all Fund Expenses that are specific to a particular series to that series and will allocate its remaining Fund Expenses proportionately among its series.

We pay all of each BMO ETF's operating expenses, except for its Fund Expenses. The operating expenses of each BMO ETF that we pay (its administration expenses) include, but are not limited to:

- custodian costs
- fund accounting costs
- audit fees
- transfer agency costs
- Index Provider costs
- Plan Agent costs
- costs attributable to the issue, redemption and change of Units, including the costs of the unitholder record-keeping system
- costs associated with the preparation and distribution of offering documents and continuous disclosure documents
- costs of communicating with unitholders
- regulatory filing fees
- legal fees and expenses

## Fees and expenses of fund of fund structures

If a BMO ETF invests in an Underlying Fund, there may be fees and expenses payable by the Underlying Fund in addition to the fees and expenses payable by the BMO ETF. However, we will ensure that there is no duplication of management fees for the same services in respect of a BMO ETF that invests in any Underlying Fund. Furthermore, a BMO ETF that invests in an Underlying Fund will not pay sales charges or redemption fees in relation to its purchases or redemptions of securities of that Underlying Fund.

## IRC fees and expenses

Each member of the IRC receives compensation for the duties he or she performs as an IRC member and is entitled to reimbursement of all reasonable expenses in connection with the performance of these duties (see **Independent review committee compensation** on page 21).

## Management fee distributions

To achieve effective and competitive management fees, we may agree to charge a reduced management fee as compared to the management fee we would otherwise be entitled to receive from a BMO ETF with respect to investments in that BMO ETF by certain unitholders. An amount equal to the difference between the fee otherwise chargeable and the reduced fee of the BMO ETF will be distributed in cash by the BMO ETF to those unitholders as a **Management Fee Distribution**.

The availability, amount and timing of Management Fee Distributions will be determined from time to time at our sole discretion. Management Fee Distributions will generally be calculated and applied based on a unitholder's average holdings of Units (excluding Units lent by those unitholders under the terms of securities lending agreements) over each applicable period as specified by us from time to time.

Management Fee Distributions will be available only to the beneficial owners of such units (including Designated Brokers and ETF Dealers) and not to the holdings of Units by dealers, brokers or other CDS Participants that hold Units on behalf of beneficial owners. In order to receive a Management Fee Distribution for any applicable period, a beneficial owner of Units must submit a claim for a Management Fee Distribution that is verified by a CDS Participant on the beneficial owner's behalf and provide us with such further information as we may require in accordance with the terms and procedures established by us from time to time.

Management Fee Distributions will be paid first out of a BMO ETF's net income, then out of its capital gains, and thereafter out of capital.

We reserve the right to discontinue or change Management Fee Distributions at any time.

## **Fees and expenses payable directly by you**

For fees and expenses payable directly by you, the applicable rate of GST, HST or QST, as applicable, will be determined based on your province or territory of residence.

### **Short-term trading fees**

At the present time, the Manager is of the view that it is not necessary to impose any short-term trading restrictions on the BMO ETFs as Units of the BMO ETFs are generally traded by investors on an exchange in the secondary market in the same way as other listed securities. In the few situations where the BMO ETFs are not purchased in the secondary market, purchases usually involve a Designated Broker or a Dealer upon whom the Manager may impose a redemption fee, which is intended to compensate the applicable BMO ETF for any costs and expenses incurred in relation to the trade.

### **Brokerage commissions**

You may buy and sell Units of a BMO ETF on an Exchange through registered brokers and dealers. You may have to pay brokerage commissions when you buy or sell these units.

### **Broker/dealer fees**

We may charge a Designated Broker or ETF Dealer a fee to offset certain transaction costs and other costs associated with the listing, issue, exchange and/or redemption of Units of a BMO ETF.

This charge is payable to the applicable BMO ETF and does not apply to you if you buy and sell Units of a BMO ETF on an Exchange.

### **Exchange/redemption fees**

If we process an exchange or redemption of Units of a BMO ETF, we may decide, in our sole discretion, to offset certain transaction costs associated with that exchange or redemption, by charging an administrative

fee of up to 0.05% of the value of the Units exchanged or redeemed.

This charge will not apply to you if you buy and sell Units of a BMO ETF on an Exchange.

## **Changes to fees and expenses**

In general, we will not seek the prior approval of the holders of Units of a BMO ETF for:

- any change to the basis of the calculation of a fee or expense that is charged to that BMO ETF, or directly to the unitholders by the BMO ETF or the Manager in connection with the holding of those Units, even if that change could result in an increase in that fee or expense; or
- the introduction of a fee or expense to be charged to that BMO ETF, or directly to the unitholders by the BMO ETF or the Manager in connection with the holding of those units.

In these cases, we will send unitholders a written notice of the change at least 60 days before the effective date of the change.

## **Dealer compensation**

### **Trailing commissions**

We don't pay any trailing commissions in respect of the BMO ETFs.

### **Marketing support programs**

We pay for marketing materials that we give to dealers to help support their sales efforts. We may provide monetary support to a participating dealer in the form of co-operative marketing support. We may also pay up to 50% of the direct costs of a participating dealer relating to marketing and educational practices related to the BMO ETFs.

We may provide costs in support of events sponsored by participating dealers or industry associations. We may pay up to 10% of the total direct costs incurred by certain participating dealers or industry associations to hold educational seminars or conferences for their representatives to teach them about, among other things, new developments in the investment industry, financial planning or new financial products. The participating dealer makes all decisions about where and when the conference is held and who may attend.

We may arrange seminars for dealers' representatives, in which we inform them about new developments in our products and services and certain industry matters. When we do this, we invite dealers to send their representatives to our seminars and we do not decide who attends. The representatives must pay their own travel, accommodation and personal expenses in connection with their attendance.

We will pay for any new compensation programs that we may introduce as well as a portion of marketing and educational programs.

### **Equity interests**

BMO Private Investment Counsel Inc. owns 100% of the issued shares of the Manager. BMO Private Investment

Counsel Inc. is a wholly-owned subsidiary of Bank of Montreal.

BMO Nesbitt Burns Inc., BMO InvestorLine Inc. and BMO Private Investment Counsel Inc., all wholly-owned, indirect subsidiaries of Bank of Montreal, may sell Units of the BMO ETFs. Such sales are made on the same basis as those made by other dealers, with no preferential compensation.

# Income tax considerations

This section provides a general summary of principal Canadian federal income tax considerations under the Tax Act for the BMO ETFs and for a prospective investor in a BMO ETF. It assumes that:

- you are a Canadian resident individual, other than a trust;
- you are not affiliated with and deal at arm's length with the BMO ETFs; and
- you hold your Units as capital property.

**This summary is of a general nature only and is not exhaustive of all possible income tax considerations; therefore, you should consult your tax advisor about your own tax situation.**

In this section, except as otherwise indicated, terms enclosed within quotation marks have the meanings assigned to them by the Tax Act.

This summary is based on the assumptions that:

- no BMO ETF will be a SIFT trust at any time;
- none of the issuers of securities held by the BMO ETF will be a "foreign affiliate" of the BMO ETF;
- none of the securities held by a BMO ETF will be a "tax shelter investment";
- none of the securities held by a BMO ETF will be an interest in a "non-resident trust" other than an "exempt foreign trust"; and
- none of the securities held by a BMO ETF will be an interest in a trust (or partnership which holds such an interest) which would require the BMO ETF (or the partnership) to report significant amounts of income in connection with such interest pursuant to the rules in section 94.1 or 94.2 of the Tax Act.

## Status of the BMO ETFs

This summary assumes that each BMO ETF will qualify or be deemed to qualify as a "mutual fund trust" for the purposes of the Tax Act at all material times. If a BMO ETF were not to qualify as a "mutual fund trust" for any period of time, the tax considerations could be materially different from those described below. See "Funds that do not qualify as "mutual fund trusts"".

## How the BMO ETFs are taxed

### Taxation of the BMO ETFs

Generally, each BMO ETF is subject to tax under Part I of the Tax Act on its net income, including net taxable capital gains, as calculated under the Tax Act for a taxation year (after deducting available loss carryforwards) to the extent that it is not paid or made payable to unitholders. A BMO ETF will be entitled for each taxation year throughout which it is "mutual fund trust" to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of units during the year (**Capital Gains Refund**). The Capital Gains Refund in a particular taxation year may not completely offset the tax liability of the BMO ETF for such taxation year which may arise upon the sale of its investments in connection with the redemption of Units. The Declaration of Trust requires each BMO ETF to distribute a sufficient amount of its net income and net realized capital gains, if any, for each taxation year of the BMO ETF to unitholders so that the BMO ETF will not be liable in any taxation year for ordinary income tax (after taking into account any applicable losses of the BMO ETF and any Capital Gains Refunds to which the BMO ETF is entitled). If in a taxation year the income for tax purposes of a BMO ETF exceeds the cash available for distribution by the BMO ETF, the BMO ETF will distribute its income through a payment of reinvested distributions.

A BMO ETF 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. Net income, including net taxable capital gains, is affected by fluctuations in the value of the Canadian dollar relative to foreign currency where amounts of income, expense, cost or proceeds of disposition are denominated in foreign currency.

A BMO ETF will include in computing its income taxable distributions received on securities held by it, including any special distributions, the taxable portion of capital gains realized by the BMO ETF on the disposition of securities held by it, income earned by any securities lending activity and futures trading activity and taxable capital gains or income realized through transactions in options. A BMO ETF will include in computing its income any interest accruing to it on bonds held by that BMO ETF. In the case of a BMO ETF holding real return or inflation-adjusted bonds, any amounts in respect of inflation-related adjustments to the principal amount of the bonds will be deemed to be interest for this purpose. Any such amounts of accrued interest and amounts deemed to be interest will be reflected in distributions to unitholders.

If a BMO ETF invests in an Underlying Fund that is a Canadian resident trust other than a SIFT trust, the Underlying Fund may designate a portion of amounts it distributes to the BMO ETF as may reasonably be considered to consist of:

- taxable dividends (including eligible dividends) received by the Underlying Fund on shares of taxable Canadian corporations; and
- net taxable capital gains realized by the Underlying Fund.

Any such designated amounts will be deemed for tax purposes to be received or realized by the BMO ETF as a taxable dividend or taxable capital gain, respectively. An Underlying Fund that pays foreign withholding tax may make designations such that a BMO ETF may be treated as having paid its share of such foreign tax. If a BMO ETF owns 10% or more of the securities of a class

of a non-resident trust, the BMO ETF will generally be required to include in the calculation of its income its proportionate share of the non-resident trust's undistributed net income (including net taxable capital gains), as calculated under the Tax Act.

In certain cases, capital losses realized by a BMO ETF on a disposition of an investment may be effectively denied or temporarily suspended and therefore not available to offset capital gains.

In determining the income of a BMO ETF, gains or losses realized upon transactions in securities undertaken by the BMO ETF will constitute capital gains or capital losses of the BMO ETF in the year realized unless the BMO ETF is considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the BMO ETF engaged in a transaction or transactions considered to be an adventure or concern in the nature of trade. Each of the BMO ETFs (other than BMO Covered Call Spread Gold Bullion ETF) will purchase the securities in its portfolio with the objective of receiving dividends, interest or other distributions thereon and will take the position that gains and losses realized on the disposition of its securities are capital gains and capital losses. The Manager has advised that each of the BMO ETFs that hold "Canadian securities", as such term is defined for purposes of the Tax Act, will elect in accordance with the Tax Act to have each such security treated as capital property. Such election will ensure that gains or losses realized by the BMO ETF on the disposition of "Canadian securities" are taxed as capital gains or capital losses. In part based on such election, BMO Covered Call Spread Gold Bullion ETF will also take the position that gains and losses realized on the disposition of its securities are capital gains and capital losses.

There can be no assurance that tax laws applicable to the BMO ETFs, including the treatment of certain gains and losses as capital gains and losses, will not be changed in a manner which could adversely affect the BMO ETFs or the unitholders of the BMO ETFs. Furthermore, there can be no assurance that the CRA will agree with the tax treatment adopted by a BMO ETF in filing its tax return and the CRA could reassess a BMO ETF on a basis that



results in tax being payable by the BMO ETF or an increase in the taxable component of distributions considered to have been paid to unitholders. A reassessment by the CRA may result in a BMO ETF being liable for unremitted withholding tax on prior distributions to non-resident unitholders. Such liability may reduce the NAV of, or trading prices of, Units of the BMO ETF.

If a BMO ETF realizes capital gains as a result of the transfer or disposition of its property undertaken to permit an exchange or redemption of Units by a unitholder, allocation of fund-level capital gains may be permitted pursuant to the Declaration of Trust. Rules in the Tax Act will restrict the ability of a “mutual fund trust” to allocate and designate capital gains as part of the exchange or redemption price of Units to an amount determined by a formula which is based on:

- the amount of capital gains designated to unitholders on an exchange or redemption of Units in the taxation year,
- the total amount paid for exchanges or redemptions of the Units in the taxation year,
- the portion of the BMO ETF’s NAV that is referable to the Units at the end of the taxation year and the end of the previous taxation year,
- the BMO ETF’s NAV at the end of the taxation year, and
- the BMO ETF’s net taxable capital gains for the taxation year.

In general, the formula is meant to limit the BMO ETF’s designation to an amount that does not exceed the portion of the BMO ETF’s taxable capital gains considered to be attributable to investors who redeemed in the year. These restrictions are referred to as the **ATR Rule**. The Manager does not intend to allocate capital gains to exchanging or redeeming unitholders in a manner that would result in the allocated amounts being non-deductible under the Tax Act.

Each BMO ETF will include gains and deduct losses on income account, rather than as capital gains and losses, in connection with investments made through derivative transactions, including short sales of securities other than “Canadian securities”, except where such derivatives are used to hedge portfolio securities held on capital account provided there is sufficient linkage, subject to the DFA Rule discussed below. Such gains and losses will be recognized for tax purposes at the time they are realized by the BMO ETF.

The Tax Act contains rules (the **DFA Rules**) that target certain financial arrangements (described in the DFA Rules as “derivative forward agreements”) that seek to reduce tax by converting, through the use of derivatives contracts, the return on an investment that would have the character of ordinary income to capital gains. The DFA Rules are broad in scope and could apply to other agreements or transactions (including certain options). If the DFA Rules were to apply in respect of derivatives utilized by a BMO ETF, gains realized in respect of the property underlying such derivatives could be treated as ordinary income rather than capital gains. Based on the option writing strategy of the BMO ETFs, such options will not be subject to the DFA Rules.

Premiums received on options written by a BMO ETF that are on capital account, which are not exercised prior to the end of the taxation year, will constitute capital gains of the BMO ETF in the taxation year received. Premiums received on options written by a BMO ETF that are on income account will be included in the income of the BMO ETF in the year in which the option expires unexercised, if applicable.

In accordance with the CRA’s published administrative policies, premiums received on the writing of call options that are subsequently exercised are to be added in computing the proceeds of disposition of the securities disposed of (if the options are on capital account) or are to be included in income (if the options are on income account), upon the exercise of such call options. In addition, where the premium was in respect of a call option on capital account granted in a previous year so that it constituted a capital gain in the previous year, such capital gain is to be reversed. Premiums received

on the writing of put options that are subsequently exercised are to be deducted in computing the cost of the securities acquired upon the exercise of such put options. In addition, where the premium was in respect of a put option on capital account granted in a previous year so that it constituted a capital gain in the previous year, such capital gain is to be reversed.

In accordance with the CRA's published administrative policies, the amount of option premium paid will constitute a capital loss (if the option is on capital account) or will be deducted from income (if the option is on income account), in the year in which the option expires unexercised. Premiums paid on call options are to be added to the cost of the securities acquired if the call options are exercised. Premiums paid on put options are to be deducted from the proceeds of disposition if the put options are exercised.

A BMO ETF may derive income or gains from investments in countries other than Canada, and as a result, may be liable to pay income or profits tax to such countries. To the extent that such foreign tax paid by a BMO ETF exceeds 15% of the amount included in the BMO ETF's income from such investments, such excess may generally be deducted by the BMO ETF in computing its net income for the purposes of the Tax Act. To the extent that such foreign tax does not exceed 15% of the amount included in the BMO ETF's income from such investments and has not been deducted in computing the BMO ETF's income, the BMO ETF may designate in respect of a unitholder a portion of its foreign source income that can reasonably be considered to be part of the BMO ETF's income distributed to such unitholder so that such income and a portion of the foreign tax paid by the BMO ETF may be regarded as foreign source income of, and foreign tax paid by, the unitholder for the purposes of the foreign tax credit provisions of the Tax Act.

A BMO ETF will be entitled to deduct an amount equal to the reasonable expenses that it incurs in the course of issuing Units. Such issue expenses paid by a BMO ETF and not reimbursed will be deductible by the BMO ETF ratably over a five-year period subject to reduction in any taxation year which is less than 365 days. In

computing its income under the Tax Act, a BMO ETF may deduct reasonable administrative and other expenses incurred to earn income. Recent amendments to the Tax Act (the **EIFEL Rules**) generally limit the deductibility of interest and financing expenses of a Canadian resident corporation or trust that is not an "excluded entity" to a fixed ratio of tax EBITDA (as calculated in accordance with the EIFEL Rules). If the EIFEL Rules apply to a BMO ETF, the amount of interest and other financing expenses otherwise deductible by the BMO ETF may be reduced and the taxable component of distributions by the BMO ETF to its unitholders may be increased accordingly.

Losses incurred by a BMO ETF in a taxation year cannot be allocated to unitholders, but may be deducted by the BMO ETF in future years in accordance with the Tax Act.

The Tax Act contains loss restriction event rules that apply to trusts such as the BMO ETFs. The loss restriction event rules generally apply at any time when a unitholder of the trust (counted together with its affiliates) becomes a "majority-interest beneficiary" of the trust (i.e., holds more than 50% of the fair market value of the units of the trust) or a group of unitholders of the trust becomes a "majority interest group of beneficiaries" of the trust. A BMO ETF that experiences a "loss restriction event":

- will be deemed to have a taxation year end, which could result in a distribution of the BMO ETF's taxable income at such time to unitholders, so that the BMO ETF is not liable for income tax on such amounts, and
- will be subject to the loss restriction rules generally applicable to corporations that experience an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on its ability to carry forward losses.

BMO ETFs that qualify as "investment funds" are exempt from such adverse consequences. An "investment fund" for this purpose includes a trust that

meets certain conditions, including satisfying certain of the conditions necessary to qualify as a “mutual fund trust”, not using any property in the course of carrying on a business and complying with certain asset diversification requirements. BMO Covered Call Spread Gold Bullion ETF will not qualify as an “investment fund”. Because of the way Units are bought and sold, it may not be possible for a BMO ETF to determine if or when a loss restriction event has occurred. Therefore, there can be no assurance that a BMO ETF has not been, or will not in the future, become subject to the loss restriction event rules and there can be no assurance regarding when distributions resulting from a loss restriction event will be made.

## **SIFT Rules**

Each BMO ETF will be a SIFT trust during any taxation year in which it holds “non-portfolio property”.

A BMO ETF that is a SIFT trust will generally be subject to tax at rates applicable to a Canadian corporation on income from its “non-portfolio property” and net taxable capital gains realized on the disposition of its “non-portfolio property”. In addition, unitholders who receive distributions of this type of income and capital gains from a SIFT trust are deemed to receive an eligible dividend from a Canadian corporation for tax purposes. The total of the tax payable by a SIFT trust on its non-portfolio earnings and the tax payable by its taxable unitholders on the distribution of those earnings will generally be more than the tax that would have been payable if the BMO ETF was not a SIFT trust.

The Declaration of Trust requires each BMO ETF to restrict its investments and activities so that it will not be a SIFT trust.

## **Funds that do not qualify as “mutual fund trusts”**

The BMO ETFs will be established in 2025. Each of the BMO ETFs is expected to qualify as a “mutual fund trust” for purposes of the Tax Act by the time it files its first tax return in which it will make an election to be deemed to be a mutual fund trust effective from the date

of its creation. It is the Manager’s intention that the conditions prescribed in the Tax Act for qualification as a mutual fund trust once met will be satisfied on a continuing basis by each BMO ETF.

A BMO ETF that does not qualify or ceases to qualify as a “mutual fund trust”, may be liable to pay alternative minimum tax and/or tax under Part XII.2 of the Tax Act, and would not be entitled to the Capital Gains Refund (as defined herein). Recent amendments to the Tax Act will exempt unit trusts from the alternative minimum tax regime if the total fair market value of the units of the trust that are listed on a “designated stock exchange” for purposes of the Tax Act (which includes the TSX and Cboe) represents all or substantially all of the total fair market value of all the units of the trust. The Manager has advised that the BMO ETFs are expected to qualify for this new exception.

A BMO ETF that does not qualify as a “mutual fund trust” will be treated as a “financial institution” for purposes of certain mark-to-market rules in the Tax Act if more than 50% of the units of the BMO ETF are held by one or more unitholders that are themselves considered to be “financial institutions” under those rules. In this case, most of the BMO ETF’s investments would be considered mark-to-market property, with the following results:

- the BMO ETF will be deemed to have disposed of, and re-acquired, its mark-to-market property at the end of each taxation year, as well as at such time as it becomes, or ceases to be, a financial institution; and
- the gains and losses from these deemed dispositions will be ordinary income and losses, not capital gains and capital losses.

Given the manner in which Units are distributed, there will be circumstances in which it will not be possible to control or identify whether a BMO ETF has, or has ceased to, become a “financial institution”. As a result, there can be no assurance that a BMO ETF is not a “financial institution” or will not in the future become a “financial institution” and no assurance as to when and

to whom any distributions arising on the change in “financial institution” status of a BMO ETF will be made, or that a BMO ETF will not be required to pay tax on any undistributed income or taxable capital gains realized by the BMO ETF on such event.

If at any time in a year a BMO ETF that does not qualify as a “mutual fund trust” has an investor that is a “designated beneficiary”, the BMO ETF may be subject to a special tax at a rate of 40% under Part XII.2 of the Tax Act on its “designated income”. A “designated beneficiary” includes a non-resident person. “Designated income” includes income from carrying on business in Canada (which may include gains on certain derivatives) and capital gains from dispositions of “taxable Canadian property”. If possible, where a BMO ETF is subject to tax under Part XII.2, the BMO ETF may make designations which will result in unitholders that are not “designated beneficiaries” receiving a tax credit with respect to their share of the Part XII.2 tax paid by the BMO ETF.

## **How you are taxed on your Fund Units**

### **Fund Units held in a registered plan**

If you hold Units in a registered plan, any distributions that you receive on the Units and any capital gains that you realize on a disposition of the Units are generally sheltered from tax until you decide to make withdrawals from the plan. Withdrawals from a registered plan, other than a withdrawal from a TFSA or certain permitted withdrawals from a RESP, RDSP or FHSA, are generally taxable. This assumes the Units are a “qualified investment” and not a “prohibited investment” for your registered plans.

Units are qualified investments for registered plans, provided the BMO ETF is a “mutual fund trust” within the meaning of the Tax Act, or the Units are listed on a “designated stock exchange” within the meaning of the Tax Act, which includes the TSX and Cboe. The TSX has conditionally approved the listing of the units of the TSX BMO ETF on the TSX and Cboe Canada has

conditionally approved the listing of the units of the Cboe BMO ETFs on Cboe.

Units may be a “prohibited investment” for your registered plan, even though they are a “qualified investment”. Units will not be a “prohibited investment” for your registered plan as long as you deal at arm’s length with the BMO ETF or you do not have a “significant interest” in the BMO ETF.

Under a safe harbour rule for new mutual funds, Units of a BMO ETF will not be a “prohibited investment” for your registered plan at any time during the first 24 months of the BMO ETF’s existence, provided the BMO ETF is, or is deemed to be, a “mutual fund trust” under the Tax Act during that time and is in substantial compliance with NI 81-102 or follows a reasonable policy of investment diversification.

If you hold Units in a registered plan and you redeem some or all of these Units for Baskets and cash, some or all of the investments that you receive may not be a “qualified investment” for your registered plan and may be a “prohibited investment” for your registered plan.

**We encourage you to consult your financial advisor or your tax advisor about the tax considerations associated with registered plans.**

### **Fund Units not held in a registered plan**

#### **Distributions on Fund Units**

If you hold Units in a non-registered account, and you receive distributions on Units in a particular year, you must include the amount of the net income and the taxable portion of net capital gains distributed to you when computing your income for tax purposes for that year, whether you receive these distributions in cash or they are reinvested in additional Units (including Plan Units acquired under the Distribution Reinvestment Plan). To the extent that a distributing BMO ETF so designates under the Tax Act, its distributions of net capital gains, taxable dividends on securities of taxable Canadian corporations and foreign source income to you will effectively retain their character in your hands and

be subject to the special tax treatment applicable to income of that character.

A BMO ETF may make a distribution that consists, in whole or in part, of a return of capital. A return of capital is not taxable to you, but it reduces the adjusted cost base (**ACB**) of your Units. If the ACB of your Units is reduced to less than zero, you will realize a capital gain to the extent that your ACB is less than zero and the ACB of your Units will be increased by the amount of that capital gain.

You will be informed each year of the composition of the amounts distributed to you, including amounts in respect of both cash and reinvested distributions. This information will indicate whether distributions are to be treated as ordinary income, taxable dividends (including eligible dividends), taxable capital gains, return of capital or foreign source income, and as to the foreign tax deemed paid by you on that foreign source income as applicable.

## Dispositions of Fund Units

If you dispose or are deemed to dispose of a Unit, whether by redemption, sale, transfer or otherwise, a capital gain (or capital loss) will be realized to the extent that the proceeds of disposition, less any costs of disposition, are greater (or less) than the ACB of the Unit. Refer to “How to calculate your adjusted cost base” (below) for more details.

If you redeem Units for cash or exchange Units for a Basket of Securities and cash, the BMO ETF may allocate and designate as payable capital gains to you as partial payment of your redemption price or exchange price, as applicable. Any capital gains so allocated and designated must be included in the calculation of your income in the manner described above, but subject to the restrictions imposed under the Tax Act, including the ATR Rule, should be deducted from your redemption price or exchange price, as the case may be, for the Units in determining your proceeds of disposition. The cost for tax purposes of securities acquired by a redeeming unitholder on the exchange or redemption of Units will

generally be the fair market value of such securities at that time.

Generally, you must include one-half of any capital gain in your income for tax purposes as a taxable capital gain, and you may deduct one-half of any capital loss against your taxable capital gains, subject to the provisions of the Tax Act.

In certain situations, loss restriction rules may limit or eliminate your ability to deduct a capital loss. For more information, contact your tax advisor.

Amounts designated by a BMO ETF to you as taxable capital gains or dividends from taxable Canadian corporations (including eligible dividends), and taxable capital gains realized on the disposition of Units may increase your liability for alternative minimum tax.

## How to calculate your adjusted cost base

You must calculate a separate ACB for each series of each BMO ETF whose Units you hold. You must calculate the ACB in Canadian dollars.

For each series of each BMO ETF whose Units you hold, your total ACB generally equals:

- the sum of all amounts that you paid to purchase those Units, including any sales charges that you paid;
- plus the sum of all distributions that you received on, and reinvested in, the series;
- minus the sum of any returns of capital included in the distributions that you received on the series;
- minus the ACB of any Units that you redeemed.

Your ACB per Unit equals the total ACB divided by the number of Units you hold.

### **Portfolio turnover and distributions**

In general, the higher a BMO ETF's portfolio turnover rate, the greater the chance that it will realize capital gains and that its unitholders will receive a capital gains distribution from the BMO ETF.

There is not necessarily a relationship between a BMO ETF's portfolio turnover rate and its performance.

### **Tax Implications of the BMO ETFs' Distribution Policy**

When an investor purchases Units, a portion of the price paid may reflect income or capital gains accrued and/or realized before such person acquired such Units. When these amounts are payable to such unitholder as distributions, they must be included in the unitholder's income for tax purposes subject to the provisions of the Tax Act, even though the BMO ETF earned or accrued these amounts before the unitholder owned the Units, and such amounts may have been reflected in the price paid by the unitholder for the Units. This may particularly be the case if Units are purchased near year-end before the final distributions have been made.

- is identified as a tax resident of a country other than Canada or the U.S.; or
- does not provide the required information and indicia of U.S. or non-Canadian status is present,

details about that unitholder (or, if applicable, its controlling persons) and the unitholder's investment in the BMO ETF will be reported to the CRA, unless the investment is held within a registered plan. The CRA will provide that information to the U.S. Internal Revenue Service (in the case of U.S. citizens or tax residents) or the relevant tax authority of any country that is a signatory of the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information or that has otherwise agreed to a bilateral information exchange with Canada under the Common Reporting Standard (in the case of non-Canadian tax residents other than U.S. tax residents).

Investment income received by a BMO ETF from sources within foreign countries may be subject to foreign income tax withheld at the source. Canada has entered into tax treaties with certain foreign countries which may entitle a BMO ETF to a reduced rate of tax on such income. Some countries require the filing of tax reclaim or other forms, which could include requests for information about the BMO ETF's unitholders, to receive the benefit of the reduced tax rate. A BMO ETF may provide the required information about its unitholders to foreign tax authorities in order to reclaim foreign income tax owing to it.

## **International information reporting**

Generally, unitholders (or in the case of certain unitholders that are entities, the "controlling persons" thereof) will be required to provide their dealer with information related to their citizenship and tax residence and, if applicable, a foreign tax identification number.

If a unitholder (or, if applicable, any of its controlling persons):

- is identified as a "Specified U.S. Person", including a U.S. resident or U.S. citizen residing in Canada;

## What are your legal rights?

This section is a general summary. For more information, see the securities law of your province or territory or consult your lawyer.

Securities legislation in certain of the provinces and territories of Canada provides you with the right to withdraw from an agreement to purchase Units of a BMO ETF. This right may be exercised within 48 hours after receipt or deemed receipt of a simplified prospectus or ETF facts document or any amendment thereto.

In several of the provinces and territories, the securities legislation further provides you with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the simplified prospectus or any amendment thereto contains a misrepresentation or the ETF facts are not delivered to you, provided that the remedies for rescission, revisions of the price or damages are exercised by you within the time limit prescribed by the securities legislation of the purchaser's province or territory. You should refer to the applicable provisions of the securities legislation of the province or territory for the particulars of these rights or should consult with a legal adviser.

We have received exemptive relief from the requirement in securities legislation to include an underwriter's certificate in the simplified prospectus. As such, purchasers of Units of a BMO ETF will not be able to rely on the inclusion of an underwriter's certificate in the simplified prospectus or any amendment for the statutory rights and remedies that would otherwise be available against an underwriter that would have been required to sign an underwriter's certificate.

## Additional information

### Registration and transfer through CDS

Registration of interests in, and transfers of, Units of a BMO ETF will be made only through the book-entry only system of CDS. These Units may be purchased, transferred, and surrendered for exchange or redemption only through a CDS Participant. All rights of an owner of these Units must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds such Units.

Upon purchase of any Units of a BMO ETF, the purchaser will receive only the customary confirmation. All distributions and redemption proceeds in respect of these Units will be made or paid initially to CDS, which payments will be forwarded by CDS to the CDS Participants and, thereafter, by such CDS Participants to the applicable unitholders.

Any reference in this simplified prospectus to a holder of Units of a BMO ETF means, unless the context otherwise requires, the owner of the beneficial interest in such Units.

Neither the BMO ETFs nor the Manager will have any liability for:

- any aspect of the records maintained by CDS relating to the beneficial interests in the Units of the BMO ETFs or the book-entry accounts maintained by CDS;
- maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or
- any advice or representation made or given by CDS, whether contained in this simplified prospectus or otherwise, or made or given with respect to the rules and regulations of CDS or

any action taken by CDS or at the direction of the CDS Participants.

The rules governing CDS provide that it acts as the agent and depository for the CDS Participants. As a result, CDS Participants must look solely to CDS, and persons other than CDS Participants having an interest in the Units of the BMO ETFs must look solely to CDS Participants for payment made by the BMO ETFs to CDS.

The ability of a beneficial owner of Units of the BMO ETFs to pledge such Units or otherwise take action with respect to such owner's interest in such Units, other than through a CDS Participant, may be limited due to the lack of a physical certificate.

A BMO ETF may terminate the registration of its Units through the book-entry only system, in which case certificates for these Units in fully-registered form will be issued to beneficial owners of such Units or to their nominees.



## Exemptions and approvals

If a BMO ETF has received the approval of a securities regulatory authority to vary from any of the investment restrictions and requirements contained in securities legislation, including NI 81-102, the details of the permitted variations are described in the section

**Exemptions from NI 81-102** on page 58.

If a BMO ETF or the Manager has received the approval of a securities regulatory authority to vary from any other requirement of NI 81-102, any requirement of NI 81-101, or any requirement of NI 81-105, the details of the permitted variations are described in this section.

## Appointment of eSecLending as Agent

The Manager has received relief that permits the Manager to appoint eSecLending as agent to act on behalf of the BMO ETFs to administer securities lending, repurchase and reverse repurchase transactions entered into by the BMO ETFs, even though eSecLending is not a custodian or a sub-custodian of the BMO ETFs.

## ETF relief

Each BMO ETF has received exemptive relief to:

- relieve the BMO ETF from the requirement to prepare and file a long-form prospectus for the Units in accordance with National Instrument 41-101 *General Prospectus Requirements* in the form prescribed by Form 41-101F2 *Information Required in an Investment Fund Prospectus*, subject to the terms of the relief, provided that the BMO ETF files a simplified prospectus for the Units in accordance with the provisions of NI 81-101, other than the requirements pertaining to the filing of a fund facts document;
- relieve the BMO ETF from the requirement that a prospectus offering Units contain a certificate of the underwriters;

- relieve a person or company purchasing Units of a BMO ETF in the normal course through the facilities of an Exchange from the take-over bid requirements of Canadian securities legislation;
- permit the BMO ETF to borrow cash from its custodian and, if required by that custodian, to provide a security interest over any of its portfolio assets as a temporary measure to fund the portion of any distribution payable to investors that represents, in the aggregate, amounts that are owing to, but not yet been received by, the BMO ETF; and
- treat each series of Units of the BMO ETFs as if such series were two separate funds in connection with their compliance with the provisions of Parts 9, 10 and 14 of NI 81-102.

## Fund data relief

The Manager has received exemptive relief to permit the following to be referenced in sales communications relating to a BMO ETF, subject to certain sales communication disclosure requirements:

- Lipper Fund Awards
- Lipper Leader Ratings
- FundGrade A+ Awards
- FundGrade Ratings

## T+3 settlement relief

Each BMO ETF that may invest a portion of its portfolio assets in securities, the trades in respect of which customarily settle on the third business day after the date upon which pricing for the securities is determined, has received exemptive relief from the securities regulatory authorities to permit such BMO ETF to settle primary market trades in the Units no later than the third business day following the date on which pricing for the Units is determined. This settlement cycle differs from the standard settlement cycle for secondary market trades in

the Units, which customarily occurs no later than the second business day following the date on which pricing for the Units is determined.

# Certificate of the BMO ETFs and the Manager and Promoter of the BMO ETFs

This 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: May 14, 2025

## **BMO ASSET MANAGEMENT INC. As Manager and Trustee of the BMO ETFs**

*(signed) "William E.P. Bamber"*

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William E.P. Bamber  
acting in the capacity of  
Chief Executive Officer

*(signed) "Nelson C. Avila"*

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Nelson C. Avila  
Chief Financial Officer

## **On behalf of the Board of Directors of BMO ASSET MANAGEMENT INC.**

*(signed) "Sara Petrcich"*

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Sara Petrcich  
Director

*(signed) "Asma Panjwani"*

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Asma Panjwani  
Director

## **BMO ASSET MANAGEMENT INC. as promoter of the BMO ETFs**

*(signed) "William E.P. Bamber"*

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William E.P. Bamber  
acting in the capacity of  
Chief Executive Officer

# Specific information about each of the BMO ETFs described in this document

## What is a mutual fund and what are the risks of investing in a mutual fund?

### What is a mutual fund?

A mutual fund is a pool of money contributed by people with similar investment objectives. A mutual fund is managed by investment professionals who select the investments that are held by the mutual fund. The mutual fund's investors share its income, expenses, gains, and losses in proportion to the value of the mutual fund's units that they hold.

Each BMO ETF is a mutual fund. All of the BMO ETFs are subject to NI 81-102. The Precious Metals BMO ETF is a "precious metals fund" as defined in NI 81-102.

Each BMO ETF is a trust, and the securities that it issues to its investors are units.

### What are the risks of investing in a mutual fund?

Mutual funds own different types of investments, depending on their investment objectives. The value of these investments will change from day to day, reflecting changes in interest rates, economic conditions, and market and company news. In addition to changes in the condition of markets generally, local, regional or global events such as the imposition of or increase in tariffs or other financial or trade restrictions, or the perception that these events could occur, could have a significant impact on the value of these investments. Recent tariff actions from the U.S. and other countries have resulted in market uncertainty and volatility. It remains unclear the extent to which additional tariffs and/or other trade restrictions may be imposed, whether any changes to the currently announced tariffs will be applied, how long they may be in effect and the extent to which further

retaliatory measures will be imposed. Policy and legislative changes in one country, including tariff changes or trade restrictions, may have a significant effect on North American markets generally, on Canadian markets specifically, as well as on the value of securities held by a BMO ETF. The economies of certain foreign markets may also be more vulnerable to diplomatic developments, the imposition of economic sanctions against a particular country or countries, changes in international trading patterns, trade barriers, and other protectionist or retaliatory measures. As a result of these changes, the value of a BMO ETF's units may increase or decrease, and the value of your investment in a BMO ETF may be greater or less when you redeem it than when you purchased it.

The full amount of your investment in any BMO ETF is not guaranteed. Unlike bank accounts or GICs, mutual fund units are not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer.

In exceptional circumstances, a mutual fund may suspend redemptions (see **Purchases, switches, and redemptions** on page 27).

What follows is a summary of the various risks that may be applicable to an investment in a BMO ETF. To find out which of these risks apply to a particular BMO ETF, see **What are the risks of investing in the BMO ETFs?** on page 65, as well as the individual BMO ETF profiles in the second part of this document.

### Changes in legislation risk

There can be no assurance that securities or other laws will not be changed in a manner that adversely affects a BMO ETF or the unitholders of a BMO ETF.

## Commodity risk

The price of a commodity may change due to factors including:

- changes in demand from government, industry and consumers;
- supply chain disruptions;
- inventory adjustments;
- variations in production costs, including storage, labour and energy costs; and
- costs associated with regulatory compliance, including environmental regulations applicable to the commodity.

If a BMO ETF has exposure to a commodity, whether because of a direct or indirect investment in that commodity or because of investment in an issuer whose business has exposure to that commodity, its performance may be affected by changes in the price of that commodity.

## Concentration risk

A BMO ETF may concentrate its investments by:

- investing in relatively few issuers; and/or
- investing primarily or exclusively in a particular asset, industry, sector, country, and/or region.

A BMO ETF that has concentrated its investments in one more of these ways may be less diversified than other mutual funds. It may underperform other mutual funds if there is a downturn in the region, country, sector and/or securities in which the BMO ETF has concentrated its investments.

If a BMO ETF's investment objectives and/or strategies require it to concentrate its investments in this way, that BMO ETF will generally maintain the concentration of its investments, despite unfavourable conditions for

investment in the region, country, sector and/or securities in which it has concentrated its investments.

## Credit risk

The issuer of a debt instrument may not be able to pay interest or repay the principal when it is due.

Many debt instruments have been assigned credit ratings by independent credit rating agencies. Credit risk is generally lower if the instrument has a high credit rating and higher if the instrument has a low credit rating or no credit rating. A credit rating agency may change the rating it has assigned to a debt instrument at any time, and such a change may impact the market value of that debt instrument.

A debt instrument with a low credit rating or no credit rating may be difficult to value due to the unavailability of market quotations. It may be less liquid than a higher-rated instrument, and its value may be more volatile.

A BMO ETF is also subject to credit risk when it places money on deposit with a deposit-taking institution such as a bank or trust company. The deposit-taking institution may fail to return the deposit upon demand, and any resulting loss to the BMO ETF is not expected to be covered by any applicable deposit insurance regimes.

## Currency risk

The value of an investment that is denominated in, or that pays income in, a currency other than a BMO ETF's Valuation Currency (for the purposes of this section and the following section, a **foreign currency**) is affected by changes in the value of that foreign currency relative to the Valuation Currency. As a result, currency fluctuations may adversely affect the BMO ETF's NAV. For example, if the U.S. dollar rises relative to the Canadian dollar, U.S. securities will be worth more in Canadian dollars. On the other hand, if the U.S. dollar falls, U.S. securities will be worth less in Canadian dollars.

BMO ETFs or series of BMO ETFs whose strategy includes currency hedging will seek to minimize this risk. To the extent that a BMO ETF or series of a BMO

ETF does not hedge its foreign currency risk, the value of the assets attributable to that BMO ETF or series, or of the income derived from those assets, could be adversely affected by currency exchange rate movements.

### **Currency hedging risk**

Certain series of certain BMO ETFs, may seek to reduce or eliminate currency risk by entering into derivatives such as forwards. The pursuit of this type of hedging strategy entails the following risks:

- There is no guarantee that the hedging strategy will be successful. To the extent that the hedging strategy is incomplete or unsuccessful, the BMO ETF will remain exposed to foreign currency risk.
- The BMO ETF may from time to time be unable to enter into, or to exit from, the derivatives on which the hedging strategy depends.
- There may be circumstances in which a hedging transaction reduces currency gains that would otherwise arise for the BMO ETF.

### **Cybersecurity risk**

As the use of technology has become more prevalent in the course of business, the Manager and the BMO ETFs have become potentially more susceptible to operational risks through breaches in cybersecurity. A breach in cybersecurity refers to both intentional and unintentional events that may cause a BMO ETF to lose proprietary information, suffer data corruption, or lose operational capacity. This in turn could cause a BMO ETF to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures, and/or financial loss. Cybersecurity breaches may involve unauthorized access to a BMO ETF's digital information systems (for example, through hacking or malicious software coding), but may also result from outside attacks such as denial-of-service attacks (efforts to make network services unavailable to intended users). In addition, cybersecurity breaches of a BMO ETF's

third-party service providers (who may include administrators, transfer agents, custodians, and sub-advisors) or issuers that a BMO ETF invests in can also subject a BMO ETF to many of the same risks associated with direct cybersecurity breaches.

The Manager and the BMO ETFs have established risk management systems designed to reduce the risks associated with cybersecurity. However, there is no guarantee that these systems will be effective, especially since the BMO ETFs do not directly control the cybersecurity systems of issuers or third-party service providers.

### **Derivative risk**

Although derivatives are often used by mutual funds to avoid risk, they have their own kinds of risk.

## What is a derivative?

A derivative is a contract between two parties whose value is determined with reference to an underlying interest, such as the market price of an asset (such as a currency, commodity or share) or the value of an index or an economic indicator (such as a stock market index or a specified interest rate).

Derivatives can generally be classified as options, forwards, futures or swaps. An option gives its holder the right, but not the obligation, to buy or sell the underlying interest at a specified price within a specified period of time. (A call option gives its holder the right to buy; a put option gives its holder the right to sell.) A forward is a commitment to buy or sell the underlying interest at a specified price on a specified future date. A future is similar to a forward, except that futures are traded on exchanges. A swap is a commitment to exchange one set of payments for another set of payments.

Some derivatives are settled by one party delivering the underlying interest to the other party, who pays the specified price in full. Other derivatives are settled by a single cash payment representing the final net value of the contract.

A BMO ETF that uses derivatives may be subject to the following risks:

- There is no guarantee a market will exist when a BMO ETF wants to exit a derivative. This could prevent the BMO ETF from realizing a profit or limiting a loss on the derivative.
- Certain derivatives are traded on exchanges that may set daily trading limits that may prevent a BMO ETF from entering or exiting a derivative when it wishes to do so.
- If the counterparty to a derivative default on its obligations to the BMO ETF, the BMO ETF may incur a loss.

- When entering into a derivative, a BMO ETF may be required to provide collateral to the counterparty to that derivative. If the counterparty becomes insolvent, the BMO ETF may not recover all or any of the collateral it provided to the lender.
- A BMO ETF that holds a long or short position in a future whose underlying interest is a commodity will always seek to close out that position by entering into an offsetting future prior to the first date on which the mutual fund might be required to make or take delivery of the commodity under the future. However, there is no guarantee the BMO ETF will be able to do so. This could result in the BMO ETF having to make or take delivery of the commodity.
- Any use of derivatives for hedging purposes may be ineffective, and may limit, reduce or eliminate the BMO ETF's opportunity for profit in respect of the investment(s) being hedged.

Furthermore, certain BMO ETFs may use derivatives to implement 'covered call' or 'put write' strategies, which entail additional risks:

- in a 'covered call' strategy, a BMO ETF sells a call option whose underlying interest is contained within the BMO ETF's portfolio, which limits the return that the BMO ETF may earn on that investment; and
- in a 'put write' strategy, a BMO ETF sells a put option whose underlying interest is not contained within the BMO ETF's portfolio, which exposes the BMO ETF to the risk of loss should the value of that underlying interest decrease.

## Equity risk

Equity instruments, often called stocks or shares, give the holder an ownership stake in their issuer. The price of an equity instrument is influenced by the outlook for

its issuer and by general economic, industry and market trends.

## Foreign market risk

The value of foreign securities may be influenced by the policies of foreign governments and by political, economic or social instability. There may be less information about foreign issuers than about Canadian issuers and there may be lower standards of government supervision and regulation in foreign financial markets. A BMO ETF that holds foreign securities may have difficulty enforcing its legal rights as an investor in jurisdictions outside Canada.

## Interest rate risk

The value of a BMO ETF that invests in bonds, other debt instruments or preferred shares will be affected by changes in interest rates.

Generally, the interest rate on such an instrument is fixed when it is issued. As a result, the instrument's price will increase when interest rates fall, but it will also decrease when interest rates rise.

Convertible bonds also pay interest at a fixed rate. Therefore, the price of a convertible bond may also vary inversely with interest rates. However, because a convertible bond can be converted into equity on specified terms, its price may be less sensitive to changes in interest rates than the price of a similar non-convertible bond.

Certain instruments pay a floating or variable rate of interest. While the value of such an instrument is generally less sensitive to changes in interest rates, its yield will generally rise and fall with such changes.

A fixed-rate instrument may provide its issuer with the right to repay some or all of the principal amount prior to its maturity. A BMO ETF that holds an instrument of this type is exposed to additional interest-rate-related risks:

- during periods of rising interest rates, the issuer may not exercise this right, in which case the

value of the obligation will decrease and the BMO ETF's performance may suffer from its inability to invest in higher-yielding instruments; and

- during periods of falling interest rates, the issuer may exercise this right, in which case any reinvestment of proceeds may occur at less favourable interest rates than those prevailing when the instrument was originally acquired.

## Large transaction risk

Units of a BMO ETF may be purchased and redeemed by certain investors, including financial institutions and other mutual funds, who may purchase or redeem large numbers of Units of a BMO ETF at one time.

The purchase or redemption of a substantial number of a BMO ETF's Units may require its portfolio adviser to change the composition of its portfolio significantly or force the portfolio adviser to buy or sell investments at unfavourable prices, which can affect the BMO ETF's performance and may also have adverse tax consequences (see **Income tax considerations** on page 37).

## Liquidity risk

A BMO ETF that holds illiquid investments may be unable to sell these securities. This may be because there is a limited trading market for the securities, or because their trading is subject to legal restrictions. An illiquid security may trade at a price that differs significantly from its value. Unitholders of a BMO ETF that holds illiquid investments may receive such investments on termination of the BMO ETF if the BMO ETF is unable to liquidate those investments prior to the termination.

## Portfolio management risk

Each BMO ETF depends on the portfolio adviser to manage its portfolio in a manner consistent with its investment objective and investment strategies. There is no certainty that the portfolio adviser will perform this function well.



## Secondary market trading risk

Although the Units the BMO ETFs are or will be listed on an Exchange, there can be no assurance that an active public market for the Units will develop or be sustained.

There can be no assurance that Units will trade at prices that reflect their NAVPS. The Units may trade on an Exchange at a premium or a discount to their NAVPS. However, as Designated Brokers and ETF Dealers subscribe for and exchange the Units at the series' NAVPS, we do not expect the Units to trade at a large premium or discount to their NAVPS for a sustained period of time.

The trading of Units on an Exchange may be halted by the activation of security-specific or market-wide 'circuit breakers', which halt trading for a specific period of time when the price of a particular security or the overall market declines by a specified percentage. The trading of Units may also be halted if:

- those Units are delisted from an Exchange without first being listed on another exchange; or
- Exchange officials determine that such action is appropriate in the interest of a fair and orderly market or to protect investors.

## Securities lending, repurchase agreement and reverse repurchase agreement risk

Certain BMO ETFs may enter into securities lending agreements, repurchase agreements (**repos**), and/or reverse repurchase agreements (**reverse repos**).

A BMO ETF that enters into any of these agreements is subject to the risk that the counterparty to the agreement defaults on its obligations to the BMO ETF. In this case, the BMO ETF may incur a loss if the collateral it holds is worth less than:

- the portfolio securities it has loaned (in the case of a securities lending agreement) or sold (in the case of a repurchase agreement), or

### What are securities lending agreements, repurchase agreements and reverse repurchase agreements?

In a securities lending agreement, a BMO ETF loans portfolio securities to a borrower. For as long as the loan remains outstanding, the borrower must compensate the BMO ETF for the loan of the securities and must also provide collateral to the BMO ETF to secure the loan.

In a repurchase agreement, a BMO ETF sells portfolio securities at one price and simultaneously agrees to repurchase these securities on a specified future date at a specified price. Until the repurchase is complete, the counterparty must provide collateral to the BMO ETF to secure its commitment to resell the portfolio securities to the BMO ETF.

In a reverse repurchase agreement, a BMO ETF purchases securities at one price and simultaneously agrees to sell those securities on a specified future date at a specified price. Until the agreement is completed, the counterparty must provide collateral to the BMO ETF to secure its commitment to repurchase the securities from the BMO ETF.

- the amount by which the securities it has purchased have declined (in the case of a reverse repurchase agreement).

## Series risk

A BMO ETF may issue units of more than one series. Each series of a BMO ETF has its own expenses, which the BMO ETF tracks separately. If a BMO ETF cannot pay the expenses of one series using that series' proportionate share of its assets, it may have to pay those expenses out of the other series' proportionate share of its assets, which could lower the investment return of those other series.

## Short selling risk

Certain BMO ETFs may engage in short selling.

## What is short selling?

To execute a short sale, a BMO ETF borrows securities from a lender and sells them on the open market. At a later date, the BMO ETF closes out the short position by purchasing the same securities on the open market and delivering those securities to the lender. In the interim, the BMO ETF must compensate the lender for the loan of the securities and must also provide collateral to the lender to secure the loan.

A BMO ETF's gain (loss) on a short sale equals the amount by which its proceeds from the initial short sale, less the compensation it pays to the lender, is greater (less) than the amount it pays to purchase the securities to close out the short position.

A BMO ETF that engages in short selling is subject to these risks:

- There can be no assurance that the borrowed securities will decline in value during the term of the short position; they may increase in value instead.
- The BMO ETF may experience difficulties in repurchasing the borrowed securities if a liquid market for those securities does not exist at that time.
- The lender may require the BMO ETF to return the borrowed securities at any time, which may require the BMO ETF to close out the short sale at an inopportune time.
- The lender may become insolvent, in which case the BMO ETF may not recover all or any of the collateral it provided to the lender.

## Underlying fund risk

A BMO ETF may invest some or all of its assets in the securities of one or more Underlying Funds. Such a BMO ETF is exposed to the same risks as the Underlying Fund(s) in which it invests.

The performance of a BMO ETF that invests substantially all of its assets in one or more Underlying Funds may differ from the performance of its Underlying Fund(s) for one or more of the following reasons:

- the fees and expenses of the BMO ETF may differ from the fees and expenses of its Underlying Fund;
- there may be a delay between the time an investor purchases Units of a BMO ETF and the time the BMO ETF makes the corresponding purchase of Underlying Fund securities; and
- the BMO ETF may, instead of investing in its Underlying Fund(s), hold cash or short-term debt instruments for liquidity reasons.

## Investment risk classification methodology

The investment risk level of a mutual fund is required to be determined in accordance with the standardized risk classification methodology mandated by the Canadian Securities regulatory authorities. It is based on a mutual fund's historical volatility as measured by the 10-year standard deviation of the returns of the mutual fund.

### What is standard deviation?

Standard deviation is one of the most widely-accepted ways to quantify the volatility of a fund's returns. The greater the standard deviation, the greater the volatility.

In cases where a BMO ETF is new or has less than 10 years of performance history, we determine its investment risk level using a proxy fund or a reference index. A proxy fund is another BMO ETF that has at least 10 years of performance history, and that has the same portfolio manager, investment objectives and strategies as the mutual fund whose investment risk level we are determining. If we cannot identify a proxy fund, we will choose an appropriate reference index, whose

standard deviation we expect to approximate the standard deviation of the BMO ETF, to determine the BMO ETF's investment risk level.

Table 6 identifies each BMO ETF for which we have used a proxy fund or one or more reference indices, and for each such BMO ETF, identifies the proxy fund or reference indices we have used and the weight, if applicable, assigned to each.

**Table 6: Proxy funds and reference indices**

Fund	Series of Units	Reference index or fund
BMO Canadian Core Plus US Balanced ETF	CAD Units	40% S&P/TSX Composite Index, 40% FTSE Canada Universe Bond Index, 20% S&P 500 Index
BMO Canadian Equity Plus ETF	CAD Units	67% S&P/TSX Composite Index, 33% S&P 500 Index
BMO Covered Call Spread Gold Bullion ETF	CAD Units	London Bullion Market Association Gold Price (CAD)
BMO Human Capital Factor US Equity ETF	CAD Units	S&P 500 Index Total Return (CAD)
BMO US Dividend Growth ETF	CAD Units	S&P 500 Index
	Hedged Units	S&P 500 Index
BMO US Equity Focused ETF	CAD Units	S&P 500 Index
	Hedged Units	S&P 500 Index
BMO US Large Cap Disciplined Value ETF	CAD Units	Russell 1000 Value Index

Table 7 provides a description of each reference index listed in Table 6.

**Table 7: Reference index descriptions**

Reference index	Description of reference index
FTSE Canada Universe Bond Index	The FTSE Canada Universe Bond Index is a broad measure of the Canadian investment-grade fixed income market consisting of federal, provincial and corporate bonds.
London Bullion Market Association Gold Price (Canadian Dollars)	The London Bullion Market Association Gold Price is determined by an auction process conducted by the ICE Benchmark Administration and published by the LBMA.
Russell 1000 Value Index	The Russell 1000 Value Index measures the performance of the large-cap value segment of the US equity universe.
S&P 500 Index	The S&P 500 Index is designed to measure the performance of the large-cap segment of the US equity market, and is composed of 500 constituent companies.

Reference index	Description of reference index
S&P/TSX Composite Index	The S&P/TSX Composite Index is a market capitalization-weighted index of securities of the largest and most liquid companies on the TSX.

We assign each BMO ETF to one of the following investment risk categories:

- low
- low to medium
- medium
- medium to high
- high

Other types of risks, both measurable and non-measurable, exist. See **What are the risks of investing in the BMO ETFs?** on page 65 for further details on the risks associated with investing in a BMO ETF.

Just as historical performance may not be indicative of future returns, historical volatility may not be indicative of future volatility. We review each BMO ETF's risk rating annually and at any time when we no longer deem its risk rating to be reasonable under the circumstances. You may obtain a more detailed explanation of our risk classification methodology, at no cost by calling us toll free at 1-800-361-1392.

## Investment restrictions

### Investment restrictions and practices

Each BMO ETF has a fundamental investment objective that may only be changed with the approval of a majority of the votes cast at a meeting of the BMO ETF's investors called for that purpose. Each BMO ETF pursues its investment objective using investment strategies that we may change from time to time. Refer to the BMO ETF's profile for a description of its investment objective and its investment strategies.

Each BMO ETF is a mutual fund and is subject to NI 81-102, and the BMO Precious Metals BMO ETF is a "precious metals fund" as defined in NI 81-102. Except

as indicated in the following sections, each BMO ETF is subject to, and is managed in accordance with, the investment restrictions and practices set forth in NI 81-102. These investment restrictions and practices are designed in part to ensure that each BMO ETF's investments are diversified and relatively liquid, and to ensure the proper administration of each BMO ETF.

## Exemptions from NI 81-102

### Investment in certain affiliated funds

The Manager has received relief that permits the BMO ETFs to invest a portion of its assets in:

- any collective investment scheme that is not an investment fund and that is, or will be, managed by us or by an affiliate of ours;
- BMO Georgian Alignment II Access Fund LP, an Ontario limited partnership that is a non-redeemable investment fund and that is not a reporting issuer;
- BMO Partners Group Private Markets Fund, an Ontario trust that is a mutual fund and that is not a reporting issuer; and

any future investment fund that is managed by us or by an affiliate of ours and that has similar non-traditional investment strategies.

### Investment in securities underwritten by a related entity

We have received relief that permits the BMO ETFs to invest in debt instruments that have been:

- issued by corporations that are not reporting issuers in Canada, regardless of whether these

instruments have a designated rating (as defined in NI 81-102) and

- underwritten by an entity related to the BMO ETFs, to us or an entity related to us,

provided certain conditions are met, including that the BMO ETFs have received prior IRC approval.

### ***In specie* transactions**

We have received relief that permits the BMO ETFs to engage in *in specie* transactions, provided certain conditions are met.

### **Investment in Rule 144A securities**

The BMO ETFs may rely on an exemption from the requirements in securities legislation relating to purchasing and holding illiquid assets with respect to certain debt instruments that qualify for, and may be traded pursuant to, the exemption from the registration requirements of the *Securities Act* of 1933, as amended (the **U.S. Securities Act**), as set out in Rule 144A of the U.S. Securities Act for resales of certain fixed income securities to “qualified institutional buyers” (as such term is defined in the U.S. Securities Act). This relief is subject to certain conditions.

### **IRC approvals**

The BMO ETFs have received the approval of the IRC, and may rely upon such approval and the relevant requirements of NI 81-107, to vary certain of the investment restrictions and requirements contained in securities legislation, including NI 81-102, to engage in certain transactions with related parties (each, a **Related-Party Transaction**).

The following sections provide a summary of each Related-Party Transaction. In respect of each Related-Party Transaction, the IRC has provided its approval by way of a standing instruction.

The IRC reviews Related-Party Transactions at least quarterly. In its review, the IRC considers whether the

investment decisions in respect of the Related-Party Transactions:

- were made by the Manager in the best interests of the BMO ETFs and were free from any influence of the Manager or an entity related to the Manager and without taking into account any consideration relevant to the Manager or an entity related to the Manager;
- were in compliance with the conditions of the policies and procedures of the Manager;
- were in compliance with the applicable standing instruction of the IRC; and
- achieved a fair and reasonable result for the BMO ETF.

In the event an investment decision in respect of a Related-Party Transaction is not made in accordance with a condition imposed by securities legislation or by the IRC in its approval, we are required to notify the IRC and the IRC is required to notify the Canadian securities regulatory authorities as soon as practicable. The IRC is also required to report such a transaction in its annual report to the unitholders of the BMO ETFs.

For additional information about the mandate, duties, and responsibilities of the IRC, see **Independent Review Committee** on page 11.

### **Transactions in securities of related issuers**

The investment restrictions and requirements contained in applicable securities legislation prohibit a registered portfolio adviser from knowingly causing a fund to purchase a security of an issuer related to it, its manager or an entity related to its manager.

However, in accordance with NI 81-107, a fund may make or hold an investment in the security of an issuer related to it, its manager or an entity related to its manager, if certain conditions are met, including that the purchase is made on an exchange on which the securities of the issuer are listed and traded.

In addition, in accordance with NI 81-107, a fund may make an investment in the secondary market in a non-exchange traded debt security of an issuer related to it, its manager or an entity related to the manager, and continue to hold the debt security, if certain conditions are met, including that certain pricing conditions are met.

Lastly, in accordance with NI 81-107, a fund may make an investment in a long-term debt security of an issuer related to it, its manager or an entity related to the manager, provided that the investment is made under a distribution of the long-term debt security of that issuer (*i.e.*, in a primary offering), and if certain conditions are met, including the following:

- the debt security has a term to maturity greater than 365 days;
- the debt security is not asset-backed commercial paper; and
- immediately after the investment is made, the fund complies with holding limits.

## **Principal trades in debt securities**

The investment restrictions and requirements contained in applicable securities legislation prohibit a fund from purchasing a security from or selling a security to an entity related to it, its manager or an entity related to its manager, unless the security is traded on an exchange and certain pricing conditions are met.

However, in accordance with NI 81-107, a fund may purchase a debt security of any issuer from, or sell a debt security of any issuer to, a dealer related to the portfolio manager, acting as principal (*i.e.*, for its own account), if certain conditions are met, including that certain pricing conditions are met.

## **Investments in securities underwritten by a related entity**

The investment restrictions and requirements contained in applicable securities legislation prohibit a fund from knowingly making an investment in a class of securities

of an issuer during, or for 60 days after, the period in which a related entity acts as an underwriter in the distribution of securities of that class of securities, except as a member of the selling group distributing five percent or less of the securities underwritten. This prohibition also does not apply to an investment in a class of securities issued or fully and unconditionally guaranteed by the government of Canada or the government of a jurisdiction in Canada.

However, in accordance with NI 81-102, this prohibition does not apply to an investment in a class of securities of a reporting issuer in Canada if certain conditions are met. If the investment is made during the distribution, the conditions include that the distribution of securities of the reporting issuer is made by prospectus or under an exemption from the prospectus requirement. If the investment is made during the 60 days after the distribution, the conditions include that the investment is made on an exchange on which the securities of the reporting issuer are listed and traded or that, in the case of a debt security that does not trade on an exchange, certain pricing conditions are met.

## **Inter-fund trades**

The investment restrictions and requirements contained in applicable securities legislation prohibit a portfolio manager of a fund or managed account from knowingly causing a fund or managed account to purchase a security of an issuer from, or sell a security of an issuer to, another investment fund for which the portfolio manager is the portfolio adviser.

However, in accordance with NI 81-107, this prohibition does not apply when the trade occurs between two investment funds or managed accounts managed by the same manager or an affiliate of the manager, if certain conditions are met, including that certain pricing conditions are met.

## **Tax-related investment restrictions**

A BMO ETF will not make an investment or conduct any activity that would result in the BMO ETF:

- failing to qualify as a “mutual fund trust” within the meaning of the Tax Act;
- being subject to the tax for SIFT trusts; or
- if it becomes a “registered investment” for purposes of the Tax Act, acquiring an investment that is not a “qualified investment” under for registered plans if, as a result thereof, the BMO ETF would be subject to a material amount of tax under Part X.2 of the Tax Act.

## Description of units offered by the BMO ETFs

### Series of the BMO ETFs

A BMO ETF may offer units of different series, each of which is described in this section. The cover page of this simplified prospectus lists the series offered by each BMO ETF. Read this section to determine which series is right for you.

#### The ‘know your client’ rule

The BMO ETFs are sold through dealers. The ‘know your client’ rule is intended to ensure that your financial advisor understands your investment needs and objectives and your level of investment knowledge. With this information and his or her own expertise, your financial advisor can recommend the Units of the BMO ETFs that are best for you.

### CAD Units

Each BMO ETF offers CAD Units, being a series of units denominated in Canadian dollars.

### Hedged Units

Generally, a BMO ETF that offers Hedged Units:

- holds investments that provide exposure to foreign currencies; and

- on only the portion of its NAV attributable to its Hedged Units, uses derivatives to implement a hedging strategy whose objective is to minimize changes in the Hedged Units’ NAV resulting from changes in the exchange rate between the Canadian dollar and the foreign currencies to which the BMO ETF’s investments provide exposure.

## Meetings of Unitholders

A meeting of the unitholders of a BMO ETF voting as a single series (unless the circumstances are such that one series is affected differently in which case the holders of each series of the BMO ETF will vote separately) may be called at any time by the Manager and shall be called by the Manager upon written request of unitholders of a BMO ETF holding in the aggregate not less than 10% of the Units of the BMO ETF. Except as otherwise required or permitted by law, meetings of unitholders of a BMO ETF will be held if called by the Manager upon written notice of not less than 21 days nor more than 50 days before the meeting. At any meeting of unitholders of a BMO ETF, a quorum shall consist of two or more unitholders of the BMO ETF present in person or by proxy and holding 10% of the Units of the BMO ETF. If no quorum is present at such meeting within one-half hour after the time fixed for the holding of such meeting, the meeting, if convened upon the request of unitholders or for the purpose of considering a change in the manager of the BMO ETF, shall be cancelled, but in any other case, the meeting shall stand adjourned and will be held at the same time and place on the day which is not less than 10 days later. The Manager will give at least three days’ notice by press release to unitholders of the date of the reconvened meeting, and at the reconvened meeting, unitholders present in person or represented by proxy will constitute a quorum.

## Distribution policies

This section explains the frequency and composition of distributions that you may receive from a BMO ETF. It also explains the circumstances in which you may elect to receive these distributions in cash.

## Types and frequencies of distributions

At least annually, each BMO ETF that has any undistributed net income or any undistributed net capital gains will distribute any such amounts to its investors. We call this type of distribution a **Year-End Distribution**. Generally, Year-End Distributions will occur in December; however, they may also occur at other times of the year.

Certain BMO ETFs may distribute their estimated or actual undistributed net income on a monthly basis. We call this type of distribution a **Periodic Distribution**.

Table 8 identifies each BMO ETF that makes Periodic Distributions, and for each such BMO ETF indicates whether those Periodic Distributions:

- occur monthly (**M**); and
- consist of estimated (**E**) or actual (**A**) net income.

**We may, at any time and in our sole discretion, make any of the following changes to a series that makes Periodic Distributions:**

- **modify the method of calculating its distributable net income from estimated to actual or *vice versa*;**
- **change the frequency of its Periodic Distributions; or**
- **discontinue its Periodic Distributions entirely.**

**If we make the second or third of these changes to a series of a BMO ETF, we will issue a press release to communicate the change.**

**Table 8: BMO ETFs that make Periodic Distributions**

Fund	Frequency	Type
BMO Canadian Core Plus US Balanced ETF	M	E
BMO Covered Call Spread Gold Bullion ETF	M	E
BMO US Dividend Growth ETF	M	E

## Content of distributions

Each Year-End Distribution will generally consist entirely of net income and/or net capital gains.

Each Periodic Distribution will generally consist entirely of net income provided that, if a BMO ETF makes a Periodic Distribution comprised in whole or in part of estimated net income, and the estimated net income so distributed exceeds the BMO ETF's actual net income as determined at its taxation year end, the amount of the excess may consist of a return of capital.

For the tax consequences of distributions, see **Distributions on Fund Units** on page 42.

## Reinvestment of distributions

We will reinvest each Year-End Distribution, net of any applicable withholding tax, on your behalf, without charge, in additional Units of the same series of the same BMO ETF on which that distribution was made. Immediately following a Year-End Distribution, we will consolidate the Units of the series so that following the consolidation, provided the amount reinvested was not reduced due to the application of withholding tax, the number of Units of the series held by each unitholder will be the same as immediately preceding the Year-End Distribution.

We will pay each Periodic Distribution in cash, except for distributions you have elected to reinvest in additional Units of the series and BMO ETF on which



they are made (see **Distribution reinvestment plans** on page 32).

## Name, formation, and history of the funds

### Formation of the BMO ETFs

Each BMO ETF is a trust established by us under the laws of the Province of Ontario on the date indicated in Table 9 under a declaration of trust (see **Declaration of Trust** on page 21).

**Table 9: Fund inception dates**

Fund	Date of inception
BMO Canadian Core Plus US Balanced ETF	May 14, 2025

Fund	Date of inception
BMO Canadian Equity Plus ETF	May 14, 2025
BMO Covered Call Spread Gold Bullion ETF	May 14, 2025
BMO Human Capital Factor US Equity ETF	May 14, 2025
BMO US Dividend Growth ETF	May 14, 2025
BMO US Equity Focused ETF	May 14, 2025
BMO US Large Cap Disciplined Value ETF	May 14, 2025

### Termination of the BMO ETFs

A BMO ETF may be terminated by us on at least 60 days’ notice to unitholders of such termination and we will issue a press release in advance thereof. Upon termination of a BMO ETF, the securities, cash and other assets remaining after paying or providing for all liabilities and obligations of the BMO ETF shall be distributed pro rata among the unitholders of the BMO ETF.

The rights of unitholders to exchange and redeem units described under “Purchases, switches, and redemptions” will cease as and from the date of termination of the applicable BMO ETF.

## Fund-specific information

In this part of the document, you will find everything you need to help you evaluate and compare the BMO ETFs in light of your investment needs. The BMO ETF descriptions that follow give you specific information about each BMO ETF.

Information that is common to some or all of the BMO ETFs is described here. You should refer back to this section when reading a BMO ETF description to make sure you have complete information about that BMO ETF.

### Fund details

This section tells you the BMO ETF’s type, its start date, the nature of the units it offers, whether the BMO ETF’s units are eligible for registered plans and the names of the BMO ETF’s portfolio adviser and/or sub-advisor.

## What types of mutual funds exist?

Generally, what we identify as each BMO ETF's type is the category to which it has been, or is expected to be, assigned by The Canadian Investment Funds Standards Committee. This organization was formed by Canada's major mutual fund database and research firms in order to standardize the classifications of mutual funds in Canada. Its category definitions and assignments are available at [www.cifsc.org](http://www.cifsc.org).

## What does the Fund invest in?

This section tells you the BMO ETF's fundamental investment objective and the investment strategies it uses to pursue that objective.

### Investment objectives

These are the goals of the BMO ETF. You'll find details about the kinds of securities the BMO ETF invests in, as well as any special focus, such as concentrating investments in a particular country or industry.

### Investment strategies

#### Investment in syndicated loans

Certain BMO ETFs may invest in loans and/or in loan participations (**syndicated loans**).

A syndicated loan is a credit facility that is extended to a corporation or other entity by a financial institution and subsequently sold by that financial institution, in whole or in part, to one or more investors.

The syndicated loan in which a BMO ETF invests may be a term loan or, to the extent permitted by securities regulations:

- a synthetic term loan,
- a delayed-draw term loan,
- a revolving credit facility, or
- a receivables purchase facility.

Interest on a syndicated loan typically accrues at a rate equal to a reference rate that resets periodically plus a spread that is fixed.

### Use of derivatives

Each BMO ETF may use derivatives as permitted by NI 81-102, as modified by any exemptions therefrom that the BMO ETF has received (see **Exemptions from NI 81-102** on page 58).

A BMO ETF that may use derivatives may do so:

- to hedge against losses from changes in security prices, exchange rates or interest rates;

- to gain indirect exposure to individual securities, markets, or other investments, instead of investing directly in those securities, markets, or other investments; or
- to seek to generate additional income.

In the BMO ETF descriptions, we indicate whether a particular BMO ETF uses derivatives.

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

The BMO ETFs may enter into securities lending agreements, repurchase agreements, and/or reverse repurchase agreements as permitted by NI 81-102.

A BMO ETF may enter into these types of agreements in order to earn additional income.

### **Short selling**

Each BMO ETF may engage in short selling as permitted by NI 81-102.

Short selling provides a BMO ETF with additional opportunities to profit from its portfolio adviser's ability to identify mispriced securities or to anticipate decreases in security prices.

## **What are the risks of investing in the BMO ETFs?**

For a description of each risk identified in this section, see **What are the risks of investing in a mutual fund?** on page 50.

Certain risks are applicable to all BMO ETFs, or to all BMO ETFs that pursue certain types of strategies or offer units of certain series:

- **changes in legislation risk** applies to all BMO ETFs;
- **currency hedging risk** applies to the Hedged Units of each BMO ETF that offers such Hedged Units;
- **cybersecurity risk** applies to all BMO ETFs;
- **portfolio management risk** applies to all BMO ETFs;
- **underlying fund risk** applies to each BMO ETF that may invest in Underlying Funds;
- **derivative risk** applies to each BMO ETF that may use derivatives for hedging and/or non-hedging purposes and to the Hedged Units of each BMO ETF that offers such Hedged Units;
- **securities lending, repurchase agreement and reverse repurchase agreement risk** applies to each BMO ETF that may enter into securities lending agreements, repurchase agreements and/or reverse repurchase agreements;
- **series risk** applies to each BMO ETF that issues Units of more than one series;
- **short selling risk** applies to each BMO ETF that may engage in short selling; and
- **secondary market trading risk** applies to each BMO ETF.

Uncertain tax consequences may pose additional risks to your investment in a BMO ETF (see **Income tax considerations** on page 37).

Table 10 identifies additional risks that apply to specific BMO ETFs. A circle (●) indicates that a particular risk applies to a particular BMO ETF.

**Table 10: Additional risks applicable to specific BMO ETFs**

	Commodity	Concentration	Credit	Currency	Currency hedging	Equity	Foreign market	Interest rate
BMO Canadian Core Plus US Balanced ETF			●	●		●	●	●
BMO Canadian Equity Plus ETF				●		●	●	
BMO Covered Call Spread Gold Bullion ETF	●	●						
BMO Human Capital Factor US Equity ETF				●		●	●	
BMO US Dividend Growth ETF				●	●	●	●	
BMO US Equity Focused ETF				●	●	●	●	
BMO US Large Cap Disciplined Value ETF				●		●	●	

CDS & Co., the nominee of CDS, is the registered owner of the Units of each BMO ETF, which it holds for various dealers and other persons on behalf of their clients and others.

From time to time, Units of a particular fund representing more than 10% of the NAV of that BMO ETF may be beneficially owned, directly or indirectly, by one or more of the following entities:

- a Designated Broker
- an ETF Dealer
- another dealer
- another investment fund, including a BMO Fund.

# BMO Canadian Core Plus US Balanced ETF

## Fund details

<b>Fund type</b>	Canadian Neutral Balanced
<b>Units offered</b>	CAD Units
<b>Eligible for registered plans</b>	Expected to be qualified
<b>Portfolio adviser (for debt instruments)</b>	BMO Asset Management Inc. Toronto, Ontario
<b>Sub-advisor (for equity securities)</b>	BMO Capital Markets Corp. New York, New York

## What does the Fund invest in?

### Investment objective

The BMO ETF seeks to provide a balance of income and long-term capital appreciation by investing, directly or indirectly, in Canadian and U.S. equity securities and debt instruments.

The fundamental investment objective may only be changed with the approval of a majority of the votes cast at a meeting of the BMO ETF's investors called for that purpose.

### Investment strategies

The BMO ETF invests in Canadian equity securities and debt instruments, while also investing tactically, up to a maximum of 55%, in U.S. equity securities and debt instruments. BMOAM is responsible for investment decisions relating to debt instruments and the sub-advisor is responsible for investment decisions relating to equity securities.

When selecting equity securities, the sub-advisor uses a fundamental process and discipline to develop their current views on US and Canadian equity securities across sectors, industries and styles. Additionally, the sub-advisor incorporates a rigorous bottom-up

fundamental analysis to identify securities that best fit their strategy views.

When selecting debt instruments, the portfolio adviser employs a highly disciplined approach that dynamically adjusts the portfolio's duration and credit exposure to adapt to changing market conditions, such as the shape of the yield curve, credit spreads and volatility.

At least once per calendar year, the portfolio adviser and/or the sub-advisor will rebalance the BMO ETF's asset class allocations to the following targets:

- 60% equity securities
- 40% debt instruments

The portfolio adviser and/or the sub-advisor may review and adjust the BMO ETF's asset class allocations in its sole discretion, based on its assessment of economic conditions and the prospects for each of these asset classes.

The BMO ETF may invest up to 55% of its assets in foreign securities.

The BMO ETF may, in accordance with applicable securities regulations or as permitted by the exemptions from these regulations, and as further described elsewhere (see **What does the Fund invest in?** on page 64):

- use derivatives for hedging and non-hedging purposes;
- enter into securities lending agreements, repurchase agreements and/or reverse repurchase agreements; and
- engage in short selling,

provided that if the BMO ETF does so, it will do so in conjunction with its other investment strategies in a manner considered appropriate to pursuing its investment objectives and enhancing its returns.

The BMO ETF may invest a portion of its assets in Underlying Funds, including BMO Funds.

The BMO ETF may temporarily depart from its investment objectives and/or strategies by investing all or a portion of its assets in cash, money market instruments, and/or money market funds. The portfolio adviser or the sub-advisor may take this action for defensive purposes, for liquidity purposes, or for other reasons.

## **What are the risks of investing in the Fund?**

See **What are the risks of investing in the BMO ETFs?** on page 65.

# BMO Canadian Equity Plus ETF

## Fund details

<b>Fund type</b>	Canadian Focused Equity
<b>Units offered</b>	CAD Units
<b>Eligible for registered plans</b>	Expected to be qualified
<b>Portfolio adviser</b>	BMO Asset Management Inc. Toronto, Ontario
<b>Sub-advisor</b>	BMO Capital Markets Corp. New York, New York

## What does the Fund invest in?

### Investment objective

The BMO ETF seeks to provide long-term capital appreciation by investing, directly or indirectly, in equity securities of Canadian and, to a lesser extent, U.S. issuers.

The fundamental investment objective may only be changed with the approval of a majority of the votes cast at a meeting of the BMO ETF's investors called for that purpose.

### Investment strategies

In allocating the portfolio, the sub-advisor may engage in tactical deviations from the BMO ETF's target allocations of 70% to Canadian issuers and 30% to U.S. issuers. From time to time, up to a maximum of 55% of the BMO ETF's NAV may be invested in equity securities of U.S. issuers.

The sub-advisor uses a fundamental process and discipline to develop their current views on Canadian and U.S. equity securities across sectors, industries and styles. Additionally, the sub-advisor incorporates a rigorous bottom-up fundamental analysis to identify securities that best fit their strategy views.

The BMO ETF may invest up to 55% of its assets in foreign securities.

The BMO ETF may, in accordance with applicable securities regulations or as permitted by the exemptions from these regulations, and as further described elsewhere (see **What does the Fund invest in?** on page 64):

- use derivatives for hedging and non-hedging purposes;
- enter into securities lending agreements, repurchase agreements and/or reverse repurchase agreements; and
- engage in short selling,

provided that if the BMO ETF does so, it will do so in conjunction with its other investment strategies in a manner considered appropriate to pursuing its investment objectives and enhancing its returns.

The BMO ETF may invest a portion of its assets in Underlying Funds, including BMO Funds.

The BMO ETF may temporarily depart from its investment objectives and/or strategies by investing all or a portion of its assets in cash, money market instruments, and/or money market funds. The portfolio adviser or the sub-advisor may take this action for defensive purposes, for liquidity purposes, or for other reasons.

## What are the risks of investing in the Fund?

See **What are the risks of investing in the BMO ETFs?** on page 65.

# BMO Covered Call Spread Gold Bullion ETF

## Fund details

<b>Fund type</b>	Commodity
<b>Units offered</b>	CAD Units
<b>Eligible for registered plans</b>	Expected to be qualified
<b>Portfolio adviser</b>	BMO Asset Management Inc. Toronto, Ontario

## What does the Fund invest in?

### Investment objective

The BMO ETF seeks to provide long-term capital appreciation through exposure to the price of gold bullion, net of fees and expenses, by investing directly or indirectly in long-term holdings of unencumbered gold bullion, while mitigating some downside risk through the use of a covered call spread strategy.

The fundamental investment objective may only be changed with the approval of a majority of the votes cast at a meeting of the BMO ETF's investors called for that purpose.

### Investment strategies

Currently, the BMO ETF invests primarily in BMO Gold Bullion ETF. The BMO ETF will use a covered call spread strategy to mitigate some downside risk.

Depending on market volatility and other factors, the BMO ETF will buy and sell call options on some or all of the Underlying Funds that it owns. These call options may be settled either physically or in cash and may be traded either on an exchange or in the over-the-counter market.

The BMO ETF may, in accordance with applicable securities regulations or as permitted by the exemptions from these regulations, and as further described

elsewhere (see **What does the Fund invest in?** on page 64):

- use derivatives for hedging and non-hedging purposes;
- enter into securities lending agreements, repurchase agreements and/or reverse repurchase agreements; and
- engage in short selling,

provided that if the BMO ETF does so, it will do so in conjunction with its other investment strategies in a manner considered appropriate to pursuing its investment objectives and enhancing its returns.

The BMO ETF will invest some or all of its assets in Underlying Funds, including BMO Funds.

The BMO ETF may temporarily depart from its investment objectives and/or strategies by investing all or a portion of its assets in cash, money market instruments, and/or money market funds. The portfolio adviser may take this action for defensive purposes, for liquidity purposes, or for other reasons.

## What are the risks of investing in the Fund?

See **What are the risks of investing in the BMO ETFs?** on page 65.



# BMO Human Capital Factor US Equity ETF

## Fund details

Fund type	US Equity
Units offered	CAD Units
Eligible for registered plans	Expected to be qualified
Portfolio adviser	BMO Asset Management Inc. Toronto, Ontario

## What does the Fund invest in?

### Investment objective

The BMO ETF seeks to provide long-term capital appreciation primarily by investing, directly or indirectly, in equity securities of U.S. issuers that possess strong corporate culture.

The fundamental investment objective may only be changed with the approval of a majority of the votes cast at a meeting of the BMO ETF's investors called for that purpose.

### Investment strategies

The BMO ETF will primarily invest in equity securities of U.S. issuers that score highly in the management of human capital, which seeks to link company culture and equity performance in a quantifiable factor.

The portfolio adviser will select equity securities for the BMO ETF's portfolio using third party data and methodologies developed by Irrational Capital that consider non-financial dimensions including, without limitation, the following:

- direct managerial relationships
- organizational alignment
- engagement
- innovation
- organizational effectiveness
- emotional connection

- extrinsic motivation

The portfolio adviser applies these dimensions to a broad U.S. equity universe, with the top 120 to 150 ranked securities being selected for inclusion in the portfolio.

The BMO ETF may, in accordance with applicable securities regulations or as permitted by the exemptions from these regulations, and as further described elsewhere (see **What does the Fund invest in?** on page 64):

- use derivatives for hedging and non-hedging purposes;
- enter into securities lending agreements, repurchase agreements and/or reverse repurchase agreements; and
- engage in short selling,

provided that if the BMO ETF does so, it will do so in conjunction with its other investment strategies in a manner considered appropriate to pursuing its investment objectives and enhancing its returns.

The BMO ETF may invest up to 100% of its assets in foreign securities.

The BMO ETF may temporarily depart from its investment objectives and/or strategies by investing all or a portion of its assets in cash, money market instruments, and/or money market funds. The portfolio adviser may take this action for defensive purposes, for liquidity purposes, or for other reasons.

## What are the risks of investing in the Fund?

See **What are the risks of investing in the BMO ETFs?** on page 65.

# BMO US Dividend Growth ETF

## Fund details

<b>Fund type</b>	US Dividend & Income Equity
<b>Units offered</b>	CAD Units, Hedged Units
<b>Eligible for registered plans</b>	Expected to be qualified
<b>Portfolio adviser</b>	BMO Asset Management Inc. Toronto, Ontario
<b>Sub-advisor</b>	BMO Capital Markets Corp. New York, New York

## What does the Fund invest in?

### Investment objective

The BMO ETF seeks to provide income and long-term capital appreciation primarily by investing, directly or indirectly, in dividend-paying equity securities of issuers in the U.S with a focus on consistent dividends, yield and growth.

The fundamental investment objective may only be changed with the approval of a majority of the votes cast at a meeting of the BMO ETF's investors called for that purpose.

### Investment strategies

The BMO ETF will invest primarily in dividend-paying equity securities of large-capitalization issuers in the U.S.

The sub-advisor uses a fundamental process and discipline to develop their current views on dividend methodologies, with a particular focus on issuers that offer attractive and quantifiable income and dividend growth characteristics.

The sub-advisor selects securities using three tactical dividend styles:

- core dividend payers with a long-term consistent dividend track record
- issuers with stable and high dividend yields
- dividend growth focused names

The BMO ETF may invest up to 100% of its assets in foreign securities.

The exposure that the portion of the BMO ETF's portfolio attributable to the Non-Hedged Units has to foreign currencies will not be hedged back to the Canadian dollar. The exposure that the portion of the BMO ETF's portfolio attributable to the Hedged Units has to foreign currencies will be hedged back to the Canadian dollar.

The BMO ETF may, in accordance with applicable securities regulations or as permitted by the exemptions from these regulations, and as further described elsewhere (see **What does the Fund invest in?** on page 64):

- use derivatives for hedging and non-hedging purposes;
- enter into securities lending agreements, repurchase agreements and/or reverse repurchase agreements; and
- engage in short selling,

provided that if the BMO ETF does so, it will do so in conjunction with its other investment strategies in a manner considered appropriate to pursuing its investment objectives and enhancing its returns.

The BMO ETF may invest a portion of its assets in Underlying Funds, including BMO Funds.

The BMO ETF may temporarily depart from its investment objectives and/or strategies by investing all or a portion of its assets in cash, money market instruments, and/or money market funds. The sub-

advisor may take this action for defensive purposes, for liquidity purposes, or for other reasons.

## **What are the risks of investing in the Fund?**

See **What are the risks of investing in the BMO ETFs?** on page 65.

# BMO US Equity Focused ETF

## Fund details

<b>Fund type</b>	US Equity
<b>Units offered</b>	CAD Units, Hedged Units
<b>Eligible for registered plans</b>	Expected to be qualified
<b>Portfolio adviser</b>	BMO Asset Management Inc. Toronto, Ontario
<b>Sub-advisor</b>	BMO Capital Markets Corp. New York, New York

## What does the Fund invest in?

### Investment objective

The BMO ETF seeks to provide long-term capital appreciation by investing, directly or indirectly, in equity securities of issuers in the U.S.

The fundamental investment objective may only be changed with the approval of a majority of the votes cast at a meeting of the BMO ETF's investors called for that purpose.

### Investment strategies

The BMO ETF will invest primarily in equity securities of core, large-capitalization issuers in the U.S.

The sub-advisor uses a fundamental process and discipline to develop their current views on U.S. equity securities across sectors, industries and styles. The sub-advisor will tactically incorporate various investment styles based on the market cycle and their overall market views. Additionally, the sub-advisor incorporates a rigorous bottom-up fundamental analysis to identify securities that best fit their strategy views.

The BMO ETF may invest up to 100% of its assets in foreign securities.

The exposure that the portion of the BMO ETF's portfolio attributable to the Non-Hedged Units has to foreign currencies will not be hedged back to the Canadian dollar. The exposure that the portion of the BMO ETF's portfolio attributable to the Hedged Units has to foreign currencies will be hedged back to the Canadian dollar.

The BMO ETF may, in accordance with applicable securities regulations or as permitted by the exemptions from these regulations, and as further described elsewhere (see **What does the Fund invest in?** on page 64):

- use derivatives for hedging and non-hedging purposes;
- enter into securities lending agreements, repurchase agreements and/or reverse repurchase agreements; and
- engage in short selling,

provided that if the BMO ETF does so, it will do so in conjunction with its other investment strategies in a manner considered appropriate to pursuing its investment objectives and enhancing its returns.

The BMO ETF may invest a portion of its assets in Underlying Funds, including BMO Funds.

The BMO ETF may temporarily depart from its investment objectives and/or strategies by investing all or a portion of its assets in cash, money market instruments, and/or money market funds. The sub-advisor may take this action for defensive purposes, for liquidity purposes, or for other reasons.

## What are the risks of investing in the Fund?

See **What are the risks of investing in the BMO ETFs?** on page 65.

# BMO US Large Cap Disciplined Value ETF

## Fund details

Fund type	US Equity
Units offered	CAD Units
Eligible for registered plans	Expected to be qualified
Portfolio adviser	BMO Asset Management Inc. Toronto, Ontario
Sub-advisor	BMO Capital Markets Corp. New York, New York

## What does the Fund invest in?

### Investment objective

The BMO ETF seeks to provide long-term capital appreciation by investing, directly or indirectly, in equity securities of issuers in the U.S. that exhibit value characteristics.

The fundamental investment objective may only be changed with the approval of a majority of the votes cast at a meeting of the BMO ETF's investors called for that purpose.

### Investment strategies

The BMO ETF will invest primarily in equity securities of large-capitalization issuers in the U.S. that exhibit value characteristics.

The sub-advisor uses a fundamental process and discipline to develop their current views on U.S. large-capitalization issuers regarding fundamental themes and sector recommendations with a focus on attractive relative value, historically low debt-to-equity, and proven earnings power. Additionally, the sub-advisor

incorporates a rigorous bottom-up fundamental analysis to identify securities that best fit their strategy views.

The BMO ETF may invest up to 100% of its assets in foreign securities.

The BMO ETF may, in accordance with applicable securities regulations or as permitted by the exemptions from these regulations, and as further described elsewhere (see **What does the Fund invest in?** on page 64):

- use derivatives for hedging and non-hedging purposes;
- enter into securities lending agreements, repurchase agreements and/or reverse repurchase agreements; and
- engage in short selling,

provided that if the BMO ETF does so, it will do so in conjunction with its other investment strategies in a manner considered appropriate to pursuing its investment objectives and enhancing its returns.

The BMO ETF may invest a portion of its assets in Underlying Funds, including BMO Funds.

The BMO ETF may temporarily depart from its investment objectives and/or strategies by investing all or a portion of its assets in cash, money market instruments, and/or money market funds. The portfolio adviser may take this action for defensive purposes, for liquidity purposes, or for other reasons.

## What are the risks of investing in the Fund?

See **What are the risks of investing in the BMO ETFs?** on page 65.

## **BMO Exchange Traded Funds**

How to reach us:

BMO Asset Management Inc.  
100 King Street West, 43<sup>rd</sup> Floor  
Toronto, Ontario  
M5X 1A1

1-800-361-1392

You'll find more information about each BMO ETF in the BMO ETFs' ETF facts, management reports of fund performance and financial statements. These documents are incorporated by reference into this simplified prospectus, which means that they legally form part of this simplified prospectus just as if they were printed in it. You can also obtain these documents by calling us toll free at 1-800-361-1392 or visit [www.bmogam.com/ca-en/products/exchange-traded-funds](http://www.bmogam.com/ca-en/products/exchange-traded-funds).

There's no charge for these documents. You'll also find copies of them, and other information about the funds, such as information circulars and material contracts, on the fund's designated website at [www.bmo.com/gam/ca/advisor/legal-and-regulatory](http://www.bmo.com/gam/ca/advisor/legal-and-regulatory), or at [www.sedarplus.ca](http://www.sedarplus.ca).