

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.*

## PROSPECTUS

*Initial Public Offering and Continuous Offering*

August 28, 2025



### **BMO BBB CLO ETF**

This prospectus qualifies the distribution of the CAD Units, Hedged Units and USD Units (as such terms are defined herein) (together, the “Units”) of BMO BBB CLO ETF (the “**BMO ETF**”). The BMO ETF is an actively managed exchange traded mutual fund established as a trust under the laws of the Province of Ontario. The Units constitute three series of exchange-traded units of the BMO ETF, each of which will be issued and sold on a continuous basis, and there is no maximum number of Units of any series that may be issued.

The BMO ETF’s objective is to provide income while at the same time preserving capital by investing, directly or indirectly, primarily in a diversified portfolio of BBB-rated collateralized loan obligations (“**CLOs**”) of issuers domiciled outside of Canada. In respect of the Hedged Units, the BMO ETF will also invest in or use derivative instruments to seek to hedge U.S. currency exposure. See “Investment Objectives – Investment Objectives of the BMO ETF”.

BMO Asset Management Inc. (the “**Manager**”) is the trustee, manager and portfolio manager and promoter of the BMO ETF and is responsible for the administration of the BMO ETF. See “Organization and Management Details of the BMO ETF – Trustee, Manager, Portfolio Manager and Promoter of the BMO ETF”. In this prospectus, “**BMO Financial Group**” means the group of companies that includes Bank of Montreal and all of its direct or indirect wholly-owned subsidiaries. See “Overview of the Legal Structure of the BMO ETF”.

Unitholders may redeem Units for cash, subject to a redemption discount. Unitholders may also exchange a Prescribed Number of Units (or integral multiple thereof) for Baskets of Securities of the issuers held by the BMO ETF and/or cash, as applicable.

Capitalized terms used but not otherwise defined have the meanings ascribed herein.

The BMO ETF issues Units directly to Designated Brokers and Dealers. BMO Nesbitt Burns Inc. will act as a Designated Broker for the BMO ETF and will also act as a Dealer for the BMO ETF. The initial issuance of the Units of the BMO ETF will not occur until the BMO ETF has received, in aggregate, subscriptions sufficient to satisfy the original listing requirements of the Cboe Canada Inc. (“**Cboe Canada**”).

Cboe Canada has conditionally approved the listing of each series of Units of the BMO ETF on Cboe Canada. Listing of each series of Units of the BMO ETF is subject to the BMO ETF fulfilling all of the requirements of Cboe Canada. Subject to satisfying Cboe Canada’s original listing requirements, each series of Units of the BMO ETF 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. Investors may incur customary brokerage commissions in buying or selling the Units.

**No underwriter has been involved in the preparation of this prospectus or has performed any review or independent due diligence of the contents of this prospectus.**

**For a discussion of the risks associated with an investment in Units of the BMO ETF, see “Risk Factors”. Your investment in the BMO ETF is not guaranteed by any entity, including Bank of Montreal. Unlike bank accounts or guaranteed investment certificates, your investment in the BMO ETF is not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer.**

Additional information about the BMO ETF is or will be available in the most recently filed annual financial statements, any interim financial statements filed after those annual financial statements, the most recently filed annual management report of fund performance (“**MRFP**”), any interim MRFP filed after the annual MRFP for the BMO ETF, and the most recently filed ETF Facts for each series of Units of the BMO ETF. These documents are incorporated by reference into this prospectus which means that they legally form part of this prospectus. See “Documents Incorporated by Reference” for further details.

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## IMPORTANT TERMS

*Unless otherwise indicated, all references to dollar amounts in this prospectus are to Canadian dollars and all references to times in this prospectus are to Toronto time.*

*The terms set out below have the meanings provided here.*

**ATR Rules** – has the meaning given under “Risk Factors – Risks Relating to an Investment in the BMO ETF – Taxation Risks”.

**Basket of Securities** – in relation to the BMO ETF, a group of securities or assets determined by the Manager from time to time representing the constituents of the BMO ETF.

**BBB-rated** – having been assigned a “BBB” credit rating by DBRS Inc., Fitch Ratings or Standard & Poor’s, or the comparable or equivalent rating assigned by an NRSRO (including, for greater certainty, a “BBB (high)” or “BBB(low)” rating from DBRS Inc., a “BBB+” or “BBB-” rating from Fitch Ratings or Standard & Poor’s, or a “Baa1”, “Baa2” or “Baa3” rating from Moody’s Inc.) or, if not rated by any NRSRO, determined to be of comparable credit quality by the Portfolio Manager; and all references to credit ratings herein will be deemed to include references to comparable or equivalent rating assigned by an NRSRO and, if a security is not rated by any NRSRO, determined to be of comparable credit quality by the Portfolio Manager.

**BMO ETF** – BMO BBB CLO ETF.

**BMO Funds** – ETFs, mutual funds or other investment funds managed by the Manager or an affiliate.

**BMO NB** – BMO Nesbitt Burns Inc., an affiliate of the Manager.

**CAD Units** – the Canadian dollar denominated units created as a series of units of the BMO ETF that are Non-Hedged Units.

**Canadian Securities Legislation** – the applicable securities legislation in force in each province and territory of Canada, all regulations, rules, orders and policies made thereunder and all multilateral and national instruments adopted by the securities regulatory authorities.

**Capital Gains Designation Limit** – has the meaning given under “Risk Factors – Risks Relating to an Investment in the BMO ETF – Taxation Risks”.

**Capital Gains Refund** – has the meaning given under “Income Tax Considerations – Taxation of the BMO ETF”.

**Cboe Canada** – Cboe Canada Inc.

**CDS** – CDS Clearing and Depository Services Inc.

**CDS Participant** – a participant in CDS that holds Units on behalf of beneficial owners of Units.

**CLO** and **collateralized loan obligations** – floating-rate or fixed-rate debt obligations issued in different tranches with varying degrees of risk by a CLO Issuer and backed by an underlying portfolio consisting primarily of below investment grade corporate loans.

**CLO Issuer** – an entity which is typically organized as a trust or other special purpose vehicle and which issues CLOs to raise funds which are used to invest in the underlying portfolio of corporate loans and other investments that support payment obligations under the CLOs.

**Continuous Distribution Agreement** – an agreement between the Manager, on behalf of the BMO ETF, and a Dealer, as amended from time to time.

**CRA** – Canada Revenue Agency.

**CRS** – has the meaning given under “Exchange of Tax Information”.

**Custodian** – the custodian of the BMO ETF, being SSTCC.

**Custodian Agreement** – the custodian contract effective June 1, 2018 (as amended from time to time) between the Manager, BMO Investments Inc. and SSTCC, as custodian of the BMO ETF.

**Dealer** – a registered dealer (that may or may not be a Designated Broker), including BMO NB, an affiliate of the Manager, that has entered into a Continuous Distribution Agreement with the Manager, on behalf of the BMO ETF, pursuant to which the Dealer may subscribe for Units of the BMO ETF as described under “Purchases of Units – Issuance of Units”.

**Declaration of Trust** – the amended and restated declaration of trust dated as of August 28, 2025 (as amended or as amended and restated from time to time) under which the BMO ETF has been established.

**Designated Broker** – a registered dealer, including BMO NB, an affiliate of the Manager, that has entered into a Designated Broker Agreement with the Manager on behalf of the BMO ETF pursuant to which the registered dealer agrees to perform certain duties in relation to the BMO ETF.

**Designated Broker Agreement** – an agreement between the Manager, on behalf of the BMO ETF, and a Designated Broker, as amended from time to time.

**DFA Rules** – has the meaning given under “Risk Factors – Risks Relating to an Investment in the BMO ETF – Taxation Risks”.

**Distribution Payment Date** – a day that is no later than the 10<sup>th</sup> business day following the applicable Distribution Record Date, on which the BMO ETF pays a distribution to its Unitholders.

**Distribution Record Date** – a date determined by the Manager as a record date for the determination of Unitholders of the BMO ETF entitled to receive a distribution.

**Distribution Reinvestment Plan** – the distribution reinvestment plan of the BMO ETF, the key terms of which are described under “Distribution Policy – Distribution Reinvestment Plan”.

**DPSPs** – deferred profit sharing plans as defined in the Tax Act.

**ESG** – environmental, social and governance.

**ETF** – exchange traded fund.

**Exchange** – Cboe Canada.

**FATCA** – has the meaning given under “Exchange of Tax Information”.

**FHSA** – first home savings accounts as defined in the Tax Act.

**Hedged Units** – the Canadian dollar denominated units created as a series of units of the BMO ETF for which the U.S. dollar currency exposure of the portfolio assets allocable to the units is intended to be hedged back to Canadian dollars.

**HST** – the harmonized sales tax imposed under the *Excise Tax Act* (Canada) that is applicable in certain provinces of Canada.

**IFRS** – International Financial Reporting Standards, as published by the International Accounting Standards Board.

**IRC** – the Independent Review Committee of the BMO ETF.

**Management Fee Distribution** – as described under “Fees and Expenses – Management Fee Distributions”, an amount equal to the difference between the management fee otherwise chargeable and a reduced fee determined by the Manager, from time to time, that is distributed in cash to certain Unitholders of the BMO ETF.

**Manager** – BMO Asset Management Inc., a corporation established under the laws of the Province of Ontario and a registered portfolio manager, investment fund manager, exempt market dealer and commodity trading manager, acting in its capacity as the manager and portfolio manager of the BMO ETF.

**minimum distribution requirements** – has the meaning given under “Income Tax Considerations – Status of the BMO ETF”.

**NAV** and **NAV per Unit** – in relation to a series of Units of the BMO ETF, the net asset value of the BMO ETF attributable to that series and the net asset value per Unit of the BMO ETF attributable to that series, calculated by the Valuation Agent as described in “Calculation of Net Asset Value”.

**NI 81-102** – National Instrument 81-102 *Investment Funds*.

**NI 81-107** – National Instrument 81-107 *Independent Review Committee for Investment Funds*.

**Non-Hedged Units** – the CAD Units and the USD Units.

**NRSRO** and **nationally recognized statistical rating organization** – a credit rating agency that is registered with the SEC and issues credit ratings that the SEC permits other financial firms to use for certain regulatory purposes.

**Permitted Merger** – as defined under “Unitholder Matters – Matters Requiring Unitholders’ Approval”.

**Plan Agent** – SSTCC when acting in its capacity as plan agent for the Distribution Reinvestment Plan.

**Plan Participant** and **Plan Unit** – as defined under “Distribution Policy – Distribution Reinvestment Plan”.

**Portfolio Manager** – BMO Asset Management Inc. when acting in its capacity as portfolio manager of the BMO ETF.

**Prescribed Number of Units** – the number of Units determined by the Manager from time to time for the purpose of subscription orders, exchanges, redemptions or for other purposes.

**Proxy Voting Guidelines** – as defined under “Proxy Voting Disclosure for Portfolio Securities Held”.

**Qualifying CLO ETFs** – ETFs which primarily invest in CLOs rated BBB- and higher by an NRSRO at the time of purchase (or equivalently rated CLOs or CLOs determined to be of comparable credit quality by the investment adviser to the ETF), including such ETFs which trade on a U.S. exchange such as Cboe BZX Exchange, Inc., Nasdaq or NYSE Arca.

**RDSPs** – registered disability savings plans as defined in the Tax Act.

**Registered Plans** – collectively, DPSPs, FHSAs, RDSPs, RESPs, RRIFs, RRSPs, and TFSA.

**Registrar and Transfer Agent** – SSTCC.

**RESPs** – registered education savings plans as defined in the Tax Act.

**RRIFs** – registered retirement income funds as defined in the Tax Act.

**RRSPs** – registered retirement savings plans as defined in the Tax Act.

**SEC** – United States Securities and Exchange Commission.

**securities regulatory authorities** – the securities commission or similar regulatory authority in each province and territory of Canada that is responsible for administering the Canadian Securities Legislation in force in such province or territory.

**SIFT** – a specified investment flow-through trust or partnership as defined in the Tax Act.

**SIFT Rules** – rules in the Tax Act that are applicable to “SIFT trusts” and “SIFT partnerships” (as defined in the Tax Act).

**SSTCC** – State Street Trust Company Canada, which is the Custodian, registrar and transfer agent and Plan Agent of the BMO ETF.

**substituted property** – has the meaning given under “Income Tax Considerations – Taxation of the BMO ETF”.

**T+3 Securities** – 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.

**Tax Act** – the *Income Tax Act* (Canada) and the regulations issued thereunder, as the same may be amended from time to time.

**Tax Proposals** – all specific proposals to amend the Tax Act that have been publicly announced in writing by the Minister of Finance (Canada) prior to the date of this prospectus.

**Tax Treaties** – has the meaning given under “Risk Factors – Risks Relating to an Investment in the BMO ETF – Taxation Risks”.

**TFSAs** – tax-free savings accounts as defined in the Tax Act.

**Trading Day** – for the BMO ETF, a day on which: (i) a regular session of the Exchange is held; and (ii) the primary market or exchange for the majority of the securities held by the BMO ETF is open for trading.

**Trustee** – BMO Asset Management Inc. when acting in its capacity as the trustee of the BMO ETF.

**Underlying Funds** – ETFs (including Qualifying CLO ETFs), mutual funds or other investment funds in which the BMO ETF may invest, which may include BMO Funds.

**Unit** – a redeemable, transferable unit of the BMO ETF, which represents an equal, undivided interest in the net assets of the BMO ETF. Units include CAD Units, Hedged Units and USD Units.

**Unitholder** – a holder of Units of the BMO ETF.

**U.S. or United States** – the United States of America.

**USD Units** – the U.S. dollar denominated units created as a series of units of the BMO ETF.

**Valuation Agent** – SSTCC.

**Valuation Date** – each day on which a regular session of the Exchange is held. If the BMO ETF elects to have a December 15 year-end for tax purposes as permitted by the Tax Act, the NAV per Unit will also be calculated on December 15.

**Valuation Time** – 4:00 p.m. on each Valuation Date or, if the Exchange closes earlier that day, then the time as of which the Exchange closes.

## PROSPECTUS SUMMARY

*The following is a summary of the principal features of the Units of the BMO ETF and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus or incorporated by reference in this prospectus. For an explanation of certain terms and abbreviations used in this prospectus and not otherwise defined, please refer to “Important Terms”.*

**Issuer:** BMO BBB CLO ETF (the “**BMO ETF**”).

The BMO ETF is an actively managed exchange traded mutual fund established as a trust under the laws of the Province of Ontario. BMO Asset Management Inc. is the Trustee, Manager, Portfolio Manager and Promoter of the BMO ETF. See “Overview of the Legal Structure of the BMO ETF”.

**Units:** This prospectus qualifies the distribution of the CAD Units, the Hedged Units and the USD Units of the BMO ETF, which each constitute a series of units of the BMO ETF. The CAD Units and the Hedged Units are denominated in Canadian dollars, and the USD Units are denominated in U.S. dollars.

**Continuous Distribution:** Units of each series are issued and sold on a continuous basis and there is no maximum number of Units that may be issued for any series.

The BMO ETF issues Units directly to Designated Brokers and Dealers. BMO NB will act as a Designated Broker for the BMO ETF and also will act as a Dealer for the BMO ETF. The initial issuance of the Units of the BMO ETF will not occur until the BMO ETF has received, in aggregate, subscriptions sufficient to satisfy the original listing requirements of Cboe Canada.

Cboe Canada has conditionally approved the listing of each series of Units of the BMO ETF on Cboe Canada. Listing of each series of Units of the BMO ETF is subject to the BMO ETF fulfilling all of the requirements of Cboe Canada. Subject to satisfying Cboe Canada’s original listing requirements, each series of Units of the BMO ETF 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. Investors may incur customary brokerage commissions in buying or selling the Units.

**Investment Objectives of the BMO ETF:** The BMO ETF’s objective is to provide income, while at the same time preserving capital, by investing, directly or indirectly, primarily in a diversified portfolio of BBB-rated collateralized loan obligations (“**CLOs**”) of issuers domiciled outside of Canada. In respect of the Hedged Units, the BMO ETF will also invest in or use derivative instruments to seek to hedge U.S. currency exposure. See “Investment Objectives – Investment Objectives of the BMO ETF”.

**Investment Strategies of the BMO ETF:** The BMO ETF pursues its investment objective by investing, under normal circumstances, at least 75% of its net assets in CLOs that are BBB-rated at the time of purchase (including CLOs rated between and inclusive of BBB- and BBB+ or the equivalent by an NRSRO or, if not rated by any NRSRO, determined to be of comparable credit quality by the Portfolio Manager) including indirect exposure to BBB-rated CLOs through investments in Qualifying CLO ETFs. Under normal market conditions, the BMO ETF will seek to maintain a minimum of 75% of its net assets in BBB-rated CLOs (including indirect exposure through Qualifying CLO ETFs).

CLOs are floating or fixed rate debt securities issued in different tranches, with varying degrees of risk, by trusts or other special purpose vehicles (“**CLO Issuers**”) and backed by an underlying portfolio consisting primarily of below investment grade corporate

loans. Each CLO Issuer is typically managed by a single CLO manager which selects the corporate loans purchased by the CLO Issuer, arranges for the distribution of the CLOs and manages the purchase of the loans. Such loans may include domestic and foreign senior secured loans, senior unsecured loans and subordinate corporate loans, which may individually be rated below investment grade (or have an equivalent credit quality if unrated).

The BMO ETF will not purchase any CLOs that are not BBB-rated or higher rated (or, if not rated by any NRSRO, determined to be of comparable or higher credit quality by the Portfolio Manager) at the time of purchase by the BMO ETF, except, in certain cases, indirectly through purchases of securities of Qualifying CLO ETFs that are partially invested in lower-rated CLOs. The Portfolio Manager anticipates purchasing Qualifying CLO ETFs from time to time with a value of up to 10% of its net assets for liquidity and diversification purposes, which may give BMO ETF investors some limited indirect exposure to CLOs that are not BBB-rated.

When calculating the quality assigned to securities that receive different ratings from two or more agencies, the security will receive: (i) the second-lowest rating if three or more reporting agencies provide a rating for the security (considering ratings issued by DBRS Inc., Fitch, Moody's Inc. and Standard & Poor's Inc.) or (ii) the lowest rating if only two agencies provide a rating for the security.

The BMO ETF may invest up to 25% of its net assets (i) directly in CLOs with ratings above BBB+ at the time of purchase by the BMO ETF, or if unrated, determined to be of comparable credit quality by the Portfolio Manager or (ii) in Underlying Funds, including BMO AAA CLO ETF, which provide exposure to CLOs rated above BBB+.

In unforeseen or unusual circumstances, there may not be sufficient BBB-rated CLOs available in the market or that the Portfolio Manager deems appropriate for investment to permit the BMO ETF to maintain 75% of its net assets in BBB-rated CLOs (including indirect exposure through purchase of securities of Qualifying CLO ETFs). In such circumstances, and subject to the Portfolio Manager's consideration of whether BBB-rated CLOs are attractively priced, the BMO ETF will endeavor to maintain the highest possible percentage of its net assets in BBB-rated CLOs.

After purchase, a CLO that is directly held by the BMO ETF may have its rating reduced below the minimum rating required by the BMO ETF for purchases. In such cases, the BMO ETF will generally seek to use its best efforts to dispose of such CLO within 90 days of its rating downgrade. The BMO ETF may temporarily deviate from the 75% policy while deploying new capital as the result of cash creation or redemption activity, or during unusual market conditions including following a downgrade in the rating of one or more CLOs.

The BMO ETF will invest primarily in CLOs that are denominated in U.S. dollars. The BMO ETF's exposure to U.S. dollars with respect to the assets of the BMO ETF allocable to the Hedged Units is typically fully hedged into Canadian dollars but such hedging is in the Portfolio Manager's discretion. The BMO ETF's exposure to U.S. dollars with respect to the assets of the BMO ETF allocable to the Non-Hedged Units will not be hedged into Canadian dollars. The BMO ETF's exposure to other foreign currencies may also be hedged into U.S. dollars or Canadian dollars in the Portfolio Manager's discretion.

The BMO ETF may purchase CLOs both in the primary and secondary markets.

The BMO ETF will not invest more than 10% of its portfolio in any single CLO Issuer and will not invest more than 20% of its portfolio in CLOs managed by any single CLO manager.

The BMO ETF will limit its investment in fixed-rate CLOs to a maximum of 10% of its net assets.

The BMO ETF may invest in CLOs that have any expected term to maturity or maximum term to maturity at the time of purchase except that the BMO ETF will not invest in CLOs that have an expected term to maturity of greater than 15 years at the time of purchase.

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

The BMO ETF may invest a portion of its assets in cash or other short-term instruments, such as money market instruments or money market funds and/or high quality fixed income securities, while deploying new capital, for liquidity management purposes, managing redemptions, or for defensive purposes, including navigating unusual market conditions.

When the BMO ETF invests in Underlying Funds, it may invest in Underlying Funds that are managed by the Manager or one of its affiliates. The BMO ETF may also invest in securities of an issuer related to the Manager, including CLOs issued by special purpose vehicles established and managed by an affiliate of the Manager. For more information about the conflicts of interest associated with the BMO ETF investing in CLOs, Underlying Funds or other securities associated with the Manager, please see “Organization and Management Details of the BMO ETF – Conflicts of Interest”.

The BMO ETF is actively managed and does not seek to replicate the composition or performance of any particular index. Accordingly, the Portfolio Manager has discretion on a daily basis to manage the BMO ETF’s portfolio in accordance with the BMO ETF’s investment objective. The Portfolio Manager applies a bottom-up approach to selecting investments to purchase and sell. This means that the Portfolio Manager looks at securities one at a time to determine if a security is an attractive investment opportunity and if it is consistent with the BMO ETF’s investment policies.

See “Investment Strategies – Specific Investment Strategies of the BMO ETF”.

**Special  
Considerations for  
Purchasers:**

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. In addition, the BMO ETF has obtained exemptive relief from the securities regulatory authorities to permit Unitholders to acquire more than 20% of the Units of the BMO ETF through purchases on the 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 the Manager not to vote more than 20% of the Units of the BMO ETF at any meeting of Unitholders.

The BMO ETF may invest a portion of its portfolio assets in T+3 Securities and has obtained exemptive relief from the securities regulatory authorities to permit the BMO ETF to settle primary market trades in Units of the BMO ETF no later than the third business day after the date upon which pricing for the Units is determined. This settlement cycle differs from the standard settlement cycle for secondary market trades

in the Units of the BMO ETF, which customarily settle no later than the first business day after the date upon which pricing for the Units is determined.

**Distributions:**

Cash distributions on CAD Units and Hedged Units will be made in Canadian dollars. Cash distributions on USD Units of the BMO ETF will be made in U.S. dollars. Distributions are expected to be made periodically as set forth in the following table for each series of Units:

<b>Frequency of Distributions</b>			
<b>BMO ETF</b>	<b>Monthly</b>	<b>Quarterly</b>	<b>Annually</b>
BMO BBB CLO ETF	✓		

Distributions on Units may consist of ordinary income, including foreign source income, sourced from interest or other distributions received by the BMO ETF, but may also include net realized capital gains, in any case, less the expenses of the BMO ETF and may include returns of capital. To the extent that the expenses of the BMO ETF exceed the income generated by the BMO ETF in any given month, it is not expected that a monthly distribution will be paid.

For each taxation year, the BMO ETF will ensure that its net income and net realized capital gains, if any, have been distributed to Unitholders to such an extent that the BMO ETF will not be liable for ordinary income tax thereon. To the extent that the BMO ETF has not distributed in cash the full amount of its net income or net realized capital gains in any taxation year, the difference between such amount and the amount of cash distributed by the BMO ETF will be paid as a “reinvested distribution”. Such distributions, net of any required withholding taxes, will be reinvested automatically in additional Units at a price equal to the NAV per Unit of the BMO ETF and the Units will be immediately consolidated such that the number of outstanding Units following the distribution will equal the number of Units outstanding prior to the distribution. See “Distribution Policy”.

The BMO ETF can generally choose to make a distribution that is a return of capital. Also, the BMO ETF will be considered to distribute a return of capital if it distributes more than its net income and net realized capital gains. In any case, provided an investor holds its Units on capital account, a distribution that is a return of capital is not included in the investor’s income, but instead reduces the adjusted cost base of the Units on which it was paid. When such an investor eventually redeems its Units, the investor may realize a larger capital gain (or smaller capital loss) as a result of such reduction. If the adjusted cost base of an investor’s Units, held on capital account, is reduced to less than zero while the investor continues to hold them, the investor will be deemed to realize an immediate capital gain equal to the negative amount and the investor’s adjusted cost base will be increased to zero. A distribution that is a return of capital should not be confused with return on investment or “yield”. Investors should not draw any conclusions about the BMO ETF’s investment performance from the amount of a return of capital it distributes.

In addition to the distributions described above, the BMO ETF may from time to time pay additional distributions on its Units, including without restriction in connection with returns of capital. See “Distribution Policy”.

The tax treatment to Unitholders of distributions is discussed under the heading “Income Tax Considerations”.

<b>Distribution Reinvestment:</b>	The BMO ETF may provide Unitholders with the opportunity to reinvest cash distributions in additional Units through participation in a distribution reinvestment plan. See “Distribution Policy – Distribution Reinvestment Plan”.
<b>Exchanges and Redemptions:</b>	Unitholders may redeem Units for cash, subject to a redemption discount. Unitholders may also exchange a Prescribed Number of Units (or integral multiple thereof) of the BMO ETF for Baskets of Securities and cash. See “Redemption and Exchange of Units”.
<b>Termination:</b>	The BMO ETF does not have a fixed termination date, but may be terminated by the Manager upon not less than 60 days’ written notice to Unitholders. See “Termination of the BMO ETF”.
<b>Eligibility for Investment:</b>	<p>In the opinion of Blake, Cassels &amp; Graydon LLP, provided that the BMO ETF qualifies as a “mutual fund trust” within the meaning of the Tax Act, or that the Units of the BMO ETF are listed on a “designated stock exchange” within the meaning of the Tax Act, which includes the Exchange, the Units of the BMO ETF, if issued on the date hereof, would be on such date qualified investments under the Tax Act for trusts governed by Registered Plans.</p> <p>Holders of TFSAs, RDSPs and FHSAs, subscribers of RESPs, and annuitants of RRSPs and RRIFs, should consult with their tax advisors as to whether Units of the BMO ETF would be a “prohibited investment” for such accounts or plans in their particular circumstances. See “Eligibility for Investment”.</p>
<b>Risk Factors:</b>	<p>There are certain risks inherent in an investment in the BMO ETF, including:</p> <ul style="list-style-type: none"> <li>(i) general risks of investments;</li> <li>(ii) certain risks related to CLOs; <ul style="list-style-type: none"> <li>a. general CLO investment risks;</li> <li>b. mezzanine CLO risk;</li> <li>c. below investment grade CLO risk;</li> <li>d. CLO manager risk;</li> <li>e. CLO portfolio concentration risk;</li> <li>f. liquidity risk;</li> <li>g. interest rate risk;</li> <li>h. floating rate obligations risk;</li> <li>i. credit risk;</li> <li>j. call risk;</li> <li>k. prepayment and call risk;</li> <li>l. extension risk;</li> </ul> </li> <li>(iii) foreign market risk;</li> <li>(iv) concentration risk;</li> <li>(v) currency risk;</li> <li>(vi) absence of an active market for the Units and lack of operating history risk;</li> <li>(vii) reliance on the Manager risk;</li> <li>(viii) large transaction risk;</li> <li>(ix) series risk;</li> <li>(x) trading price risk;</li> <li>(xi) taxation risks;</li> </ul>

- (xii) currency hedging risk;
- (xiii) cybersecurity risk; and
- (xiv) derivatives risk.

See “Risk Factors – Risks Relating to an Investment in the BMO ETF”.

**Income Tax Considerations:**

This summary of Canadian federal income tax considerations is subject in its entirety to the qualifications, limitations and assumptions set out in “Income Tax Considerations”.

A Unitholder who is an individual (other than a trust) resident in Canada and who holds Units as capital property (all within the meaning of the Tax Act) will generally be required to include in the Unitholder’s income for tax purposes for any year the Canadian dollar amount of net income and net taxable capital gains of the BMO ETF paid or payable to the Unitholder in the year (including any reinvested distribution). Any non-taxable distributions from the BMO ETF (other than the non-taxable portion of any net realized capital gains of the BMO ETF) paid or payable to a Unitholder in a taxation year, such as a return of capital, will reduce the adjusted cost base of the Unitholder’s Units of the BMO ETF. To the extent that a Unitholder’s adjusted cost base would otherwise be a negative amount, the negative amount will be deemed to be a capital gain realized by the Unitholder and the adjusted cost base of the Unit to the Unitholder will be nil immediately thereafter. Upon the actual or deemed disposition of a Unit, including the exchange or redemption of a Unit, a capital gain (or a capital loss) will generally be realized by the Unitholder to the extent that the proceeds of disposition of the Unit exceed (or are less than) the aggregate of the adjusted cost base to the Unitholder of the Unit and any reasonable costs of disposition.

The Declaration of Trust governing the BMO ETF requires that the BMO ETF distribute its net income and net realized capital gains, if any, for each taxation year to Unitholders to such an extent that the BMO ETF will not be liable for ordinary income tax.

Each investor should satisfy himself or herself as to the tax consequences of an investment in Units by obtaining advice from his or her own tax advisor. See “Income Tax Considerations”.

**Organization and Management of the BMO ETF**

**Manager:**

BMO Asset Management Inc. is the manager of the BMO ETF and, as such, manages the overall business and operations of the BMO ETF. The Manager is a Canadian investment management company. Its clients include pension funds, endowments, trusts, insurance company reserves, corporations and mutual funds. The Manager is an indirect, wholly-owned subsidiary of Bank of Montreal. The office for service of notice to the BMO ETF and the Manager is located at 250 Yonge Street, 8th Floor, Toronto, Ontario M5B 2M8 (the registered office of the BMO ETF and the Manager is located at 100 King Street West, 43rd Floor, Toronto, Ontario M5X 1A1). See “Organization and Management Details of the BMO ETF – Trustee, Manager, Portfolio Manager and Promoter of the BMO ETF”.

**Portfolio Manager:**

In its capacity as portfolio manager, the Manager manages, or causes to be managed, the investment portfolio of the BMO ETF. The Manager has the authority to appoint one or more sub-advisors to provide advice on or manage the investment portfolio of the BMO ETF. See “Organization and Management Details of the BMO ETF – Trustee, Manager, Portfolio Manager and Promoter of the BMO ETF”.

**Trustee:**

The Manager acts as the trustee of the BMO ETF pursuant to the Declaration of Trust. See “Organization and Management Details of the BMO ETF – Trustee, Manager,

Portfolio Manager and Promoter of the BMO ETF – Duties and Services to be Provided by the Trustee, Manager, and Promoter”.

**Valuation Agent:** SSTCC acts as the valuation agent of the BMO ETF and provides certain fund accounting and valuation services to the BMO ETF including, without limitation, calculating the NAV, NAV per Unit, net income and net realized capital gains of the BMO ETF. The principal office of the Valuation Agent is located in Toronto, Ontario. The Valuation Agent is independent of the Manager.

**Promoter:** The Manager has taken the initiative in founding and organizing the BMO ETF and is, accordingly, the promoter of the BMO ETF within the meaning of securities legislation of certain provinces and territories of Canada. See “Organization and Management Details of the BMO ETF – Trustee, Manager, Portfolio Manager and Promoter of the BMO ETF – Duties and Services to be Provided by the Trustee, Manager, and Promoter”.

**Custodian:** SSTCC is the Custodian of the BMO ETF. SSTCC is entitled to receive fees from the Manager as described under “Fees and Expenses” and to be reimbursed for all expenses and liabilities that are properly incurred by the Custodian in connection with the activities of the BMO ETF. The principal office of SSTCC is located in Toronto, Ontario. SSTCC is independent of the Manager.

See “Organization and Management Details of the BMO ETF – Custodian”.

**Registrar and Transfer Agent:** SSTCC, at its principal offices in Toronto, Ontario, is the registrar and transfer agent for the Units of the BMO ETF and maintains the register of registered Unitholders. The register of the BMO ETF is kept in Toronto. The Registrar and Transfer Agent is independent of the Manager. See “Organization and Management Details of the BMO ETF – Transfer Agent and Registrar”.

**Plan Agent:** SSTCC, at its principal offices in Toronto, Ontario, is the Plan Agent and administers the Distribution Reinvestment Plan for the BMO ETF. The Plan Agent is independent of the Manager. See “Organization and Management Details of the BMO ETF – Plan Agent”.

**Auditor:** PricewaterhouseCoopers LLP, at its principal offices in Toronto, Ontario, is the auditor of the BMO ETF. See “Organization and Management Details of the BMO ETF – Auditor”.

## SUMMARY OF FEES AND EXPENSES

### Fees and Expenses Payable by the BMO ETF

The table set forth below lists the fees and expenses payable by the BMO ETF. The value of a Unitholder's investment in the BMO ETF will be reduced by the amount of fees and expenses charged to the BMO ETF. See "Fees and Expenses".

**Management Fees:** The BMO ETF will pay the Manager a management fee as set forth in the table below based on the average daily NAV of the 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.

Name of BMO ETF	Annual Management Fee (%)
BMO BBB CLO ETF (each series)	0.40

**Operating Expenses:** In addition to the payment of the management fee, the BMO ETF is responsible for the costs and expenses incurred in complying with NI 81-107 (including any expenses related to the implementation and on-going operation of the IRC), trading and brokerage expenses and commissions, income and withholding taxes as well as all other applicable taxes, including HST, the costs of complying with any new governmental or regulatory requirement introduced after the BMO ETF was established and extraordinary expenses. The Manager is responsible for all other costs and expenses of the BMO ETF, including the fees payable to the Custodian, the Registrar and Transfer Agent and the Plan Agent, and fees payable to other service providers retained by the Manager. See "Organization and Management Details of the BMO ETF – Trustee, Manager, Portfolio Manager and Promoter of the BMO ETF – Duties and Services to be Provided by the Trustee, Manager, and Promoter".

If the BMO ETF holds securities of one or more Underlying Funds or CLOs which may be managed by the Manager, its affiliates or independent fund managers, the expenses incurred by each such other fund or CLO Issuer in connection with its operations are indirectly paid by the BMO ETF in addition to those operating expenses incurred directly by the BMO ETF.

**Management Fee Distributions:** To achieve effective and competitive management fees, the Manager may agree to charge a reduced management fee as compared to the management fee it would otherwise be entitled to receive from the BMO ETF with respect to investments in the BMO ETF by certain Unitholders. In such cases, a cash amount equal to the difference between the fee otherwise chargeable and the reduced fee will be distributed by the BMO ETF to those Unitholders as Management Fee Distributions. The availability, amount and timing of Management Fee Distributions with respect to Units of the BMO ETF will be determined from time to time by the Manager in its sole discretion. See "Fees and Expenses".

**Underlying Fund Fees:** The BMO ETF may, in accordance with applicable Canadian Securities Legislation including NI 81-102 and applicable exemptive relief, invest in Underlying Funds which may be managed by the Manager, its affiliates or independent fund managers. There are fees and expenses payable by these Underlying Funds in addition to the fees and expenses payable by the BMO ETF. No management fees or incentive fees are payable by the BMO ETF in respect of an investment in an Underlying Fund that, to a reasonable person, would duplicate a fee payable by such Underlying Fund for the same service.

To ensure that there is no duplication of management fees chargeable in connection with the BMO ETF and any investment in an Underlying Fund, the management fee of the BMO ETF will be reduced by the amount of the management fee paid by the BMO ETF in respect of its

investment in the Underlying Fund. Further, no sales fees or redemption fees are payable by the BMO ETF in relation to purchases or redemptions of the securities of the Underlying Funds in which it invests if these Underlying Funds are managed by the Manager or an affiliate or associate of the Manager, and no sales fees or redemption fees are payable by the BMO ETF in relation to its purchases or redemptions of securities of Underlying Funds that, to a reasonable person, would duplicate a fee payable by an investor in the BMO ETF.

### **Fees and Expenses Payable Directly by You**

Unitholders who buy and sell their Units through the facilities of an Exchange do not pay a fee directly to the Manager or the BMO ETF in respect of those purchases and sales.

If stated in the applicable Designated Broker Agreement or Continuous Distribution Agreement or a similar agreement, the Manager or the BMO ETF may charge a Designated Broker and/or Dealer a fee to offset certain transaction costs associated with an issue, exchange or redemption of Units of the BMO ETF to or by such Designated Broker and/or Dealer. See “Purchases of Units” and “Redemption and Exchange of Units”.

## OVERVIEW OF THE LEGAL STRUCTURE OF THE BMO ETF

The BMO ETF is an exchange traded mutual fund established as a trust under the laws of the Province of Ontario. The BMO ETF is not an “index mutual fund” as defined in NI 81-102 and is managed at the discretion of the Manager in accordance with its investment strategies and, as such, is generally more active in nature than index mutual funds.

Cboe Canada has conditionally approved the listing of each series of Units of the BMO ETF on Cboe Canada. Listing of each series of Units of the BMO ETF is subject to the BMO ETF fulfilling all of the requirements of Cboe Canada. Subject to satisfying Cboe Canada’s original listing requirements, each series of Units of the BMO ETF 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. Investors may incur customary brokerage commissions in buying or selling the Units.

While the BMO ETF will be a mutual fund under the securities legislation of each of the provinces and territories of Canada, it has been granted exemptive relief from certain provisions of Canadian Securities Legislation applicable to conventional mutual funds. See “Exemptions and Approvals”.

The office for service of notice to the BMO ETF and the Manager is located at 250 Yonge Street, 8th Floor, Toronto, Ontario M5B 2M8. The registered office of the BMO ETF and the Manager is located at 100 King Street West, 43rd Floor, Toronto, Ontario M5X 1A1.

The table below sets out the full legal name as well as the Cboe Canada ticker symbols for each series of Units of the BMO ETF:

<b>Legal name of BMO ETF</b>	<b>Cboe Canada Ticker Symbols</b>
BMO BBB CLO ETF	ZBBZ (CAD Units) ZBBZ.F (Hedged Units) ZBBZ.U (USD Units)

## INVESTMENT OBJECTIVES

### Investment Objectives of the BMO ETF

The BMO ETF’s objective is to provide income, while at the same time preserving capital, by investing, directly or indirectly, primarily in a diversified portfolio of BBB-rated CLOs of issuers domiciled outside of Canada. In respect of the Hedged Units, the BMO ETF will also invest in or use derivative instruments to seek to hedge U.S. currency exposure.

## INVESTMENT STRATEGIES

### Specific Investment Strategies of the BMO ETF

The BMO ETF pursues its investment objective by investing, under normal circumstances, at least 75% of its net assets in CLOs that are BBB-rated at the time of purchase (including CLOs rated between and inclusive of BBB- and BBB+ or the equivalent by an NRSRO or, if not rated by any NRSRO, determined to be of comparable credit quality by the Portfolio Manager) including indirect exposure to BBB-rated CLOs through investments in Qualifying CLO ETFs. Under normal market conditions, the BMO ETF will seek to maintain a minimum of 75% of its net assets in BBB-rated CLOs (including indirect exposure through Qualifying CLO ETFs).

CLOs are floating or fixed rate debt securities issued in different tranches, with varying degrees of risk, by a CLO Issuer and backed by an underlying portfolio consisting primarily of below investment grade corporate loans. Each CLO Issuer is typically managed by a single CLO manager which selects the corporate loans purchased by the CLO Issuer, arranges for the distribution of the CLOs and manages the purchase of the loans. Such loans may include

domestic and foreign senior secured loans, senior unsecured loans and subordinate corporate loans, which may individually be rated below investment grade (or have an equivalent credit quality if unrated).

The BMO ETF will not purchase any CLOs that are not BBB-rated or higher rated (or, if not rated by any NRSRO, determined to be of comparable or higher credit quality by the Portfolio Manager) at the time of purchase by the BMO ETF, except, in certain cases, indirectly through purchases of securities of Qualifying CLO ETFs that are partially invested in lower-rated CLOs. The Portfolio Manager anticipates purchasing Qualifying CLO ETFs from time to time with a value of up to 10% of its net assets for liquidity and diversification purposes, which may give BMO ETF investors some limited indirect exposure to CLOs that are not BBB-rated.

When calculating the quality assigned to securities that receive different ratings from two or more agencies, the security will receive: (i) the second-lowest rating if three or more reporting agencies provide a rating for the security (considering ratings issued by DBRS Inc., Fitch, Moody's Inc. and Standard & Poor's Inc.) or (ii) the lowest rating if only two agencies provide a rating for the security.

The BMO ETF may invest up to 25% of its net assets (i) directly in CLOs with ratings above BBB+ at the time of purchase by the BMO ETF, or if unrated, determined to be of comparable credit quality by the Portfolio Manager or (ii) in Underlying Funds, including BMO AAA CLO ETF, which provide exposure to CLOs rated above BBB+.

In unforeseen or unusual circumstances, there may not be sufficient BBB-rated CLOs available in the market or that the Portfolio Manager deems appropriate for investment to permit the BMO ETF to maintain 75% of its net assets in BBB-rated CLOs (including indirect exposure through purchase of securities of Qualifying CLO ETFs). In such circumstances, and subject to the Portfolio Manager's consideration of whether BBB-rated CLOs are attractively priced, the BMO ETF will endeavor to maintain the highest possible percentage of its net assets in BBB-rated CLOs.

After purchase, a CLO that is directly held by the BMO ETF may have its rating reduced below the minimum rating required by the BMO ETF for purchases. In such cases, the BMO ETF will generally seek to use its best efforts to dispose of such CLO within 90 days of its rating downgrade. The BMO ETF may temporarily deviate from the 75% policy while deploying new capital as the result of cash creation or redemption activity, or during unusual market conditions including following a downgrade in the rating of one or more CLOs.

The BMO ETF will invest primarily in CLOs that are denominated in U.S. dollars. The BMO ETF's exposure to U.S. dollars with respect to the assets of the BMO ETF allocable to the Hedged Units is typically fully hedged into Canadian dollars but such hedging is in the Portfolio Manager's discretion. The BMO ETF's exposure to U.S. dollars with respect to the assets of the BMO ETF allocable to the Non-Hedged Units will not be hedged into Canadian dollars. The BMO ETF's exposure to other foreign currencies may also be hedged into U.S. dollars or Canadian dollars in the Portfolio Manager's discretion.

The BMO ETF may purchase CLOs both in the primary and secondary markets.

The BMO ETF will not invest more than 10% of its portfolio in any single CLO Issuer and will not invest more than 20% of its portfolio in CLOs managed by any single CLO manager.

The BMO ETF will limit its investment in fixed-rate CLOs to a maximum of 10% of its net assets.

The BMO ETF may invest in CLOs that have any expected term to maturity or maximum term to maturity at the time of purchase except that the BMO ETF will not invest in CLOs that have an expected term to maturity of greater than 15 years at the time of purchase.

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

The BMO ETF may invest a portion of its assets in cash or other short-term instruments, such as money market instruments or money market funds and/or high quality fixed income securities, while deploying new capital, for liquidity management purposes, managing redemptions, or for defensive purposes, including navigating unusual market conditions.

When the BMO ETF invests in Underlying Funds, it may invest in Underlying Funds that are managed by the Manager or one of its affiliates. The BMO ETF may also invest in securities of an issuer related to the Manager, including CLOs issued by special purpose vehicles established and managed by an affiliate of the Manager. For more information about the conflicts of interest associated with the BMO ETF investing in CLOs, Underlying Funds or other securities associated with the Manager, please see “Organization and Management Details of the BMO ETF – Conflicts of Interest”.

The BMO ETF is actively managed and does not seek to replicate the composition or performance of any particular index. Accordingly, the Portfolio Manager has discretion on a daily basis to manage the BMO ETF’s portfolio in accordance with the BMO ETF’s investment objective. The Portfolio Manager applies a bottom-up approach to selecting investments to purchase and sell. This means that the Portfolio Manager looks at securities one at a time to determine if a security is an attractive investment opportunity and if it is consistent with the BMO ETF’s investment policies.

### **Additional Background on CLOs and the BMO ETF’s Related Investment Strategies and Portfolio Policies**

#### *Collateralized Loan Obligations*

A CLO is a type of floating-rate or fixed-rate security that is issued in different tranches with varying degrees of risk based on the portfolio of assets which back the CLOs and the priority of the CLO’s interest. The investment manager of a CLO Issuer is required to manage a portfolio of corporate loans and other investments held by the CLO in accordance with investment parameters established in advance of the issuance of CLOs and a rating agency is typically engaged to issue credit ratings for CLOs based on the initial indicative investment portfolio and such investment parameters. A CLO Issuer is typically organized as a trust or other special purpose vehicle that issues both debt and equity securities and uses the proceeds from this issuance to acquire the portfolio of corporate loans made primarily to businesses that are rated below investment grade.

The underlying loans in which a CLO Issuer may invest may be “covenant lite” loans which have few or no financial maintenance covenants that require a borrower to maintain certain financial metrics during the life of the loan, such as maintaining certain levels of cash flow or limiting leverage. The underlying loans may include U.S. and international senior secured loans, senior unsecured loans and subordinate corporate loans, which may individually be rated below investment grade (or have an equivalent credit quality if unrated).

The portfolio of underlying loans is generally actively managed by the CLO Issuer’s manager for a fixed period of time (the “**reinvestment period**”). During the reinvestment period, the CLO Issuer’s manager may buy and sell individual loans to create trading gains or mitigate losses. The CLO Issuer’s investment portfolio will generally be required to adhere to certain diversification rules established by the CLO Issuer to mitigate against the risk of concentrated defaults within a given industry or sector. After a specified period of time, the majority owner of equity interests of the CLO Issuer may seek to call the CLO Issuer’s outstanding debt or refinance its position. If not called or refinanced, when the reinvestment period ends, the CLO Issuer is required to use the cash flows from the underlying loans to pay down the outstanding debt tranches in accordance with their relative priorities as part of the wind up the CLO Issuer’s operations.

Each tranche of debt and equity securities issued by a CLO Issuer has a different credit rating and risk/return profile based upon the priority of its claim on the cash flows produced by the underlying loan pool. Tranches are categorized as senior, mezzanine and subordinated/equity, according to their degree of credit risk. If there are loan defaults or the CLO Issuer’s collateral otherwise underperforms, scheduled payments to senior tranches take precedence over those of mezzanine tranches, and scheduled payments to mezzanine tranches take precedence over those to subordinated/equity tranches. The riskiest portion is the “Equity” tranche, which bears the first losses and is expected to bear all or the bulk of defaults from the corporate loans held by the CLO Issuer serves to protect the other, more senior tranches from default. The ratings reflect both the credit quality of underlying collateral as well as how much

protection a given tranche is afforded by tranches that are subordinate to it. CLOs are typically only offered under private placements with disclosure provided in an offering memorandum as opposed to having been publicly offered pursuant to a prospectus. CLOs are typically floating-rate debt instruments; however, in some cases, certain CLOs may pay a fixed rate.

CLOs are generally privately-issued securities issued by U.S. or international CLO Issuers pursuant to exemptions from applicable securities laws in the U.S. such as Rule 144A and Regulation S which provide exceptions to the U.S. registration requirement for securities sold in the institutional market. Under U.S. securities laws, such privately-issued securities typically may be resold only to qualified institutional buyers, in a privately negotiated transaction, to a limited number of purchasers, or in limited quantities after they have been held for a specified period of time or if other conditions are met for an exemption from registration. This may increase the risk that the BMO ETF may not be able to sell or buy a CLO or other security or close out an investment contract at a favorable price at a relevant time. See “Risk Factors – Certain Risks Related to the CLOs –Liquidity Risk”.

The BMO ETF will not invest in the following classes of securities which share some characteristics with CLOs but are issued by special purpose issuers that do not limit their portfolio investments to ordinary corporate loans: Collateralized Debt Obligations or “CDOs”; Collateralized Bond Obligations or “CBOs”; Commercial Real Estate CLOs or “CRE CLOs”; and Collateralized Mortgage Obligations or “CMOs”.

#### *Prepayment Risk and Other Important CLO Investment Risks*

As is the case for other types of asset-backed securities, monthly payments on CLOs may include both interest and a partial payment of principal. The value of a CLO Issuer’s investment portfolio may be adversely affected by changes in interest rates, factors concerning the interests in and structure of the issuer or originator of the receivables, the creditworthiness of the entities that provide any supporting letters of credit, surety bonds, or other credit or liquidity enhancements, and/or the market’s assessment of the quality of the underlying assets. Generally, the originating bank or credit provider is neither the obligor nor the guarantor of the security, and interest and principal payments ultimately depend upon payment of the underlying loans by the individual borrowers. The BMO ETF could incur a loss if the underlying loans are not paid. In addition, like most asset-backed securities, CLOs are subject to prepayment risk in a declining interest rate environment. Prepayment risk is the risk that during periods of falling interest rates, fixed-income securities with higher interest rates may be prepaid by their issuers thereby reducing the amount of interest payments. The impact of prepayments on the value of CLOs may be difficult to predict and may result in greater volatility. Rising interest rates tend to extend the duration of prepayable asset-backed securities including CLOs, making them more volatile and sensitive to changing interest rates.

#### *Cash Positions and Failure to Maintain Full Investment*

The BMO ETF may not always stay fully invested. For example, if the Portfolio Manager believes that market conditions are unfavorable for investing, or the Portfolio Manager is otherwise unable to locate attractive CLO investment opportunities, the BMO ETF’s holdings of cash and similar investments may increase. If the BMO ETF’s investments in cash or similar investments increase, it may not participate in market advances or declines to the same extent that it would if the BMO ETF remained more fully invested. In addition, the BMO ETF may temporarily increase its cash position under certain circumstances, such as to protect its assets or maintain liquidity in certain circumstances to meet unusually large redemptions. The BMO ETF’s cash position may also increase temporarily due to unusually large cash inflows. Under these circumstances, the BMO ETF may invest a greater percentage of its portfolio in cash or similar investments which may impact its ability to achieve its investment objective.

#### *Credit Quality*

Under normal circumstances, at least 75% of the BMO ETF’s portfolio will be invested in CLOs that are BBB-rated or the equivalent by an NRSRO (or if unrated, determined to be of comparable credit quality by the Portfolio Manager) at the time of purchase. No CLO, at the time of purchase by the BMO ETF, will have a rating that is below B- or the equivalent by an NRSRO (or having comparable credit quality as determined by the Portfolio Manager). After purchase, a CLO that is directly held by the BMO ETF may have its rating reduced below the minimum rating required by the BMO ETF for purchases. In such cases, the BMO ETF will generally seek to use its best efforts to dispose of such CLO within 90 days of its rating downgrade.

When calculating the quality assigned to securities that receive different ratings from two or more agencies (“**split-rated securities**”), the security will receive: (i) the middle rating from the three reporting agencies if three agencies provide a rating for the security or (ii) the lowest rating if only two agencies provide a rating for the security.

In unforeseen or unusual circumstances, there may not be sufficient BBB-rated CLOs available in the market or that the Portfolio Manager deems appropriate for investment to permit the BMO ETF to maintain 75% of its net assets in BBB-rated CLOs (including indirect exposure through purchase of securities of Qualifying CLO ETFs). In such circumstances, the BMO ETF will endeavor to maintain as high a percentage of its net assets in BBB-rated CLOs available in the market at that time as the Portfolio Manager determines is expected to provide reasonable risk-adjusted returns in the Portfolio Manager’s commercially reasonable discretion.

### **Use of Derivative Instruments**

The BMO ETF may use derivatives for hedging or non-hedging purposes in accordance with NI 81-102. In addition, certain Underlying Funds in which the BMO ETF may invest may use derivatives for hedging or non-hedging purposes. See “Risk Factors – Risks Relating to an Investment in the BMO ETF – Use of Derivative Instruments”.

### **Underlying Funds**

In accordance with applicable Canadian Securities Legislation, including NI 81-102 and applicable exemptive relief, the BMO ETF may invest in Underlying Funds in a manner that is consistent with its investment objective and investment strategies, provided that there shall be no duplication of management fees chargeable in connection with securities held indirectly by the BMO ETF through its investments in Underlying Funds and the management fees directly charged to the BMO ETF. In the event that the BMO ETF invests in an Underlying Fund and the management fee payable by the Underlying Fund is higher than that of the BMO ETF, the BMO ETF may indirectly pay the higher management fee on the portion of the BMO ETF’s assets invested in the Underlying Fund, regardless of whether the Underlying Fund is managed by the Manager (or affiliate of the Manager) or by an independent fund manager. When the BMO ETF invests in Underlying Funds, it may invest in Underlying Funds that are managed by the Manager or one of its affiliates. For more information about the conflicts of interest associated with the BMO ETF investing in Underlying Funds associated with the Manager, please see “Organization and Management Details of the BMO ETF – Conflicts of Interest”.

## **INVESTMENT RESTRICTIONS**

The BMO ETF is subject to certain restrictions and practices contained in Canadian Securities Legislation. The BMO ETF is managed in accordance with these restrictions and practices, except as otherwise permitted by exemptions provided by securities regulatory authorities. See “Exemptions and Approvals”. A change to the fundamental investment objective of the BMO ETF would require the approval of the Unitholders of the BMO ETF. See “Unitholder Matters – Matters Requiring Unitholders’ Approval”.

### **Tax-Related Investment Restrictions**

The BMO ETF shall not make or hold any investment that would result in the BMO ETF becoming a “SIFT trust” as defined in subsection 122.1(1) of the Tax Act.

Notwithstanding the foregoing, the Manager may determine that the BMO ETF may acquire and hold an investment if the Manager determines that the holding of such investment would not give rise to any material amounts of income from, including taxable capital gains in respect of the disposition of, “non-portfolio property” as defined in subsection 122.1(1) of the Tax Act.

## FEES AND EXPENSES

### Fees and Expenses Payable by the BMO ETF

The value of a Unitholder's investment in the BMO ETF will be reduced by the amount of fees and expenses charged to the BMO ETF.

#### *Management Fees*

The BMO ETF will pay the Manager a management fee as set forth in the table below based on the average daily NAV of the BMO ETF. The management fee is payable to the Manager in consideration of the services that the Manager provides to the BMO ETF in its capacity as the manager, which include acquiring or arranging to acquire securities on behalf of the BMO ETF, calculating NAV, NAV per Unit, net income and net realized capital gains of the BMO ETF, authorizing the payment of operating expenses incurred on behalf of the BMO ETF, preparing financial statements and financial and accounting information as required by the BMO ETF, ensuring that Unitholders are provided with financial statements (including interim and annual financial statements) and other reports as are required by applicable law from time to time, ensuring that the BMO ETF complies with regulatory requirements and applicable stock exchange listing requirements, preparing the BMO ETF's reports to Unitholders and the securities regulatory authorities, determining the amount of distributions to be made by the BMO ETF and negotiating contractual agreements with service providers, including Designated Brokers, the Custodian, the Registrar and Transfer Agent, the Plan Agent, the auditor and printers. See "Organization and Management Details of the BMO ETF – Trustee, Manager, Portfolio Manager and Promoter of the BMO ETF – Duties and Services to be Provided by the Trustee, Manager, and Promoter" for more information. 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.

BMO ETF	Annual Management Fee (%)
BMO BBB CLO ETF (each series)	0.40

#### *Operating Expenses*

In addition to the payment of the management fee, the BMO ETF is responsible for the costs and expenses incurred in complying with NI 81-107 (including any expenses related to the implementation and on-going operation of the IRC), trading and brokerage expenses and commissions, income and withholding taxes as well as all other applicable taxes, including HST, the costs of complying with any new governmental or regulatory requirement introduced after the BMO ETF was established and extraordinary expenses. The Manager is responsible for all other costs and expenses of the BMO ETF, including the fees payable to the Custodian, the Registrar and Transfer Agent and the Plan Agent, and fees payable to other service providers retained by the Manager. See "Organization and Management Details of the BMO ETF – Trustee, Manager, Portfolio Manager and Promoter of the BMO ETF – Duties and Services to be Provided by the Trustee, Manager, and Promoter".

If the BMO ETF holds securities of one or more Underlying Funds or CLOs which may be managed by the Manager, its affiliates or independent fund managers, the expenses incurred by each such other fund or CLO Issuer in connection with its operations are indirectly paid by the BMO ETF in addition to those operating expenses incurred directly by the BMO ETF.

#### *Management Fee Distributions*

To achieve effective and competitive management fees, the Manager may agree to charge a reduced management fee as compared to the management fee it would otherwise be entitled to receive from the BMO ETF with respect to investments in the BMO ETF by certain Unitholders. In such cases, a cash amount equal to the difference between the fee otherwise chargeable and the reduced fee of the BMO ETF will be distributed by the BMO ETF to those Unitholders as Management Fee Distributions.

The availability, amount and timing of Management Fee Distributions with respect to Units of the BMO ETF will be determined from time to time by the Manager in its sole discretion. Management Fee Distributions will generally be calculated and applied based on a Unitholder's average daily holdings of Units over each applicable period as specified by the Manager from time to time. Management Fee Distributions will be available only to holders of Units (including Designated Brokers and Dealers) and are only provided to nominee name holders of Units in circumstances where the benefit of the Management Fee Distribution will be passed on to the beneficial owner of the Units. Management Fee Distributions will be paid first out of net income of the BMO ETF, then out of capital gains of the BMO ETF, and thereafter out of capital. See "Income Tax Considerations – Taxation of Unitholders" for further details. In order to receive a Management Fee Distribution for any applicable period, the eligible Unitholder must submit a claim for a Management Fee Distribution that can be verified by the relevant CDS Participant in whose name the Units are held, and provide the Manager with such further information as the Manager may require in accordance with the terms and procedures established by the Manager from time to time.

The Manager reserves the right to discontinue or change Management Fee Distributions at any time. The tax consequences of Management Fee Distributions made by the BMO ETF generally will be borne by the Unitholders receiving these distributions.

### ***Underlying Fund Fees***

The BMO ETF may, in accordance with applicable Canadian Securities Legislation including NI 81-102 and applicable exemptive relief, invest in Underlying Funds which may be managed by the Manager, its affiliates or independent fund managers. There are fees and expenses payable by these Underlying Funds in addition to the fees and expenses payable by the BMO ETF.

No management fees or incentive fees are payable by the BMO ETF in respect of an investment in an Underlying Fund that, to a reasonable person, would duplicate a fee payable by such Underlying Fund for the same service. To ensure that there is no duplication of management fees chargeable in connection with the BMO ETF and any investment in an Underlying Fund, the management fee of the BMO ETF will be reduced by the amount of the management fee paid by the BMO ETF in respect of its investment in the Underlying Fund.

Further, no sales fees or redemption fees are payable by the BMO ETF in relation to purchases or redemptions of the securities of the Underlying Funds in which it invests if these Underlying Funds are managed by the Manager or an affiliate or associate of the Manager, and no sales fees or redemption fees are payable by the BMO ETF in relation to its purchases or redemptions of securities of Underlying Funds that, to a reasonable person, would duplicate a fee payable by an investor in the BMO ETF.

### ***Fees and Returns Earned by CLO Sponsors, Equity Holders and Asset Managers***

The standard pricing fee structure established by CLO Issuers based on the corporate loans that are to be acquired by the CLO Issuer and the credit rating issued by an NRSRO generally permits the CLO Issuers to issue CLOs which provide for a favourable rate of return compared to comparable government bonds and other similarly rated bonds while still providing for the sponsor, equity holder and asset manager (which are often the same entity or affiliated entities) to each earn meaningful returns from their involvement with the CLO Issuer and the issuance of CLOs to investors. These fees and costs are indirectly borne by the BMO ETF but these fees and costs are not tracked by the Manager or reflected in the BMO ETF's management expense ratio, and there is no cap on the amount of such fees and costs given that the BMO ETF, like other CLO investors, purchases CLOs based on the specified interest rate payable on the CLOs and the Portfolio Manager's evaluation of the expected return from the investment.

The BMO ETF may, in accordance with applicable Canadian Securities Legislation, invest in CLOs which are sponsored and/or managed by the Manager or an affiliate of the Manager and/or in which the Manager or an affiliate of the Manager earns returns from holding other CLO tranches or equity interests of the CLO Issuers.

These fees and expenses borne by CLO holders and returns earned by sponsors, equity holders and asset managers are not considered to duplicate any fee payable to the Manager or any other person in connection with the establishment, operation and management of the BMO ETF or to constitute payment for the same service that the

Manager or any other person is paid for providing services to or in connection with the BMO ETF. Accordingly, the management fees or other fees and expenses chargeable in connection with the BMO ETF will not be reduced by the amounts of any fees or expenses payable under the terms of CLOs including in the case where the Manager or an affiliate of the Manager sponsors and/or manages the relevant CLO and/or in which the Manager or an affiliate of the Manager earns returns from other CLO tranches or equity interests of the CLO Issuer.

### **Fees and Expenses Payable Directly by You**

Unitholders who buy and sell their Units through the facilities of an Exchange do not pay a fee directly to the Manager or the BMO ETF in respect of those purchases and sales.

If stated in the applicable designated broker agreement or dealer agreement, the Manager or the BMO ETF may charge a Designated Broker and/or Dealer a fee to offset certain transaction costs associated with an issue, exchange or redemption of Units of the BMO ETF to or by such Designated Broker and/or Dealer. See “Purchases of Units” and “Redemption and Exchange of Units”.

## **RISK FACTORS**

In addition to the considerations set out elsewhere in this prospectus, the following are certain considerations relating to an investment in Units that prospective investors should consider before purchasing such Units.

### **Risks Relating to an Investment in the BMO ETF**

#### ***General Risks of Investments***

An investment in the BMO ETF should be made with an understanding that the value of the BMO ETF may fluctuate in accordance with changes in the financial condition of the underlying investments, the condition of markets generally and other factors. Underlying investments held by the BMO ETF and the value of the BMO ETF may fluctuate over short term periods due to market movements and over longer periods during more prolonged market upturns or downturns. 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, war, acts of terrorism, the spread of infectious illness or other public health issues and recessions, or the perception that such events could occur, could have a significant impact on the BMO ETF and its investments and could also result in fluctuations in the value of the BMO ETF. The identity and weighting of the assets held by the BMO ETF may also change from time to time.

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 such tariffs 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 the BMO ETF. As a result of these changes, the value of the Units may increase or decrease and the value of an investment in the BMO ETF may fluctuate.

Investment in the BMO ETF should be made with an understanding that the value of the underlying debt securities, including CLOs, will be affected by changes in the general level of interest rates. Generally, debt securities will decrease in value when interest rates rise and will increase in value when interest rates decline. Securities with longer durations tend to be more interest rate sensitive, which may make them more volatile than securities with shorter durations. The NAV of the BMO ETF will fluctuate with interest rate changes and the corresponding changes in the value of the corporate loans and other investments held by the BMO ETF. The value of the securities held by the BMO ETF may be affected by price changes due to a change in general economic conditions. In addition, to the extent the BMO ETF invests in instruments with a negative yield (e.g. where there are negative interest rates), its value could be impaired.

## ***Certain Risks related to CLOs***

### ***General CLO Investment Risks***

The risks of investing in CLOs include both the credit risk of the underlying loans and risks associated with the CLO structure governing the priority of payments. The degree of such risk will generally correspond to the specific tranche in which the BMO ETF is invested, but this risk can be concentrated and thereby amplified given that different CLO Issuers may be expected to invest in the same portfolio loans or the same types and classes of portfolio loans as other CLO Issuers. The BMO ETF intends to invest primarily in BBB-rated CLO tranches at the time of purchase. However, this rating does not constitute a guarantee, individual CLOs may be downgraded, and in stressed market environments it is possible that these BBB-rated CLO tranches could experience losses or trade at a significant discount to par due to actual defaults, increased sensitivity to defaults due to collateral default and the disappearance of the subordinated/equity tranches, market anticipation of defaults, as well as negative market sentiment with respect to CLO securities as an asset class. The BMO ETF's Portfolio Manager may not be able to accurately predict how specific CLOs or the portfolio of underlying loans for such CLOs will react to changes or stresses in the market, including changes in interest rates. The most common risks associated with investing in CLOs are liquidity risk, interest rate risk, credit risk, prepayment and call risk, reset and refinancing risk and the risk of default of the underlying asset, among others.

### ***Mezzanine CLO Risk***

The BMO ETF intends to invest primarily in BBB-rated CLO tranches. Such securities are often subordinate to higher-rated tranches in terms of payment priority. Subordinated CLO tranches are subject to higher credit risk and liquidity risk relative to more senior CLO tranches. To the extent a CLO or its underlying loans experience default or are having difficulty making principal and/or interest payments, such subordinate CLO tranches will be more likely to experience adverse impacts, and such impacts will be more severe, relative to more senior and/or higher-rated CLO securities, which in turn will adversely affect the performance of the BMO ETF.

### ***Below Investment Grade CLO Risk***

The BMO ETF will not invest any of its net assets in CLO securities rated below investment grade (i.e., CLOs that are not BBB-rated or higher rated (or, if not rated by any NRSRO, determined to be of comparable credit quality by the Portfolio Manager)) at the time of purchase by the BMO ETF except, in certain cases, indirectly through purchases of securities of Qualifying CLO ETFs that are partially invested in lower-rated CLOs. The Portfolio Manager anticipates purchasing Qualifying CLO ETFs from time to time with a value of up to 10% of its net assets for liquidity and diversification purposes, which may give BMO ETF investors some limited indirect exposure to CLOs that are not BBB-rated or higher rated. However, after purchase, a BBB-rated CLO may have its rating reduced to below investment grade.

Debt securities rated below investment grade (including CLOs) are also referred to as high yield or "junk." Such securities may be more sensitive than investment grade CLO securities to economic changes, political changes, industry or sector-specific changes, or adverse developments specific to the underlying loans of a CLO, which may adversely affect the value of the below investment grade CLO security. Below investment grade CLO securities are those rated below investment grade by the primary rating agencies such as Standard & Poor's Ratings Services, Fitch, Inc., and Moody's Investors Service, Inc. or are unrated CLOs of similar quality. The value of lower quality CLO securities is generally more dependent on credit risk than investment grade CLO securities. Issuers of the below investment grade loans that underlie a CLO may not be as strong financially as those issuers with higher credit ratings and are more vulnerable to real or perceived economic changes, political changes, or adverse developments specific to the issuer. In addition, the below investment grade CLO market is considered to be speculative in nature and can experience sudden and sharp price swings.

### ***CLO Manager Risk***

CLOs are managed by investment advisers that generally are independent of the Manager. CLO managers are responsible for selecting, managing, and replacing the underlying loans within a CLO. CLO managers may have

limited operating histories, may have incentives that are not aligned with investors in BBB tranches of the CLO, and may be subject to conflicts of interests including managing the assets of other clients or other investment vehicles or receiving fees or other direct or indirect payments or returns that incentivize increasing or maximizing the yield (and, consequently, the risk) of a CLO. CLO managers are generally not subject to any general duty to make investment decisions in the interests of CLO holders, and consequently CLO managers may potentially invest in a manner which introduces unexpected risks for holders of BBB-rated CLOs. Adverse developments with respect to a CLO manager, such as personnel and resource constraints, regulatory issues or other developments that may impact the ability and/or performance of the CLO manager, may adversely impact the performance of the CLO securities in which the BMO ETF invests.

#### *CLO Portfolio Concentration Risk*

Although no significant concentration with respect to any particular obligor, industry or country is expected to exist in the underlying portfolio of the CLOs the BMO ETF invests in, the concentration of the underlying portfolio in any one obligor or country would subject a CLO to a greater degree of risk with respect to defaults by such obligor or any specific political, economic or other risks associated with such country, and the concentration of the underlying portfolio in any one industry or class of borrowers would subject a CLO to a greater degree of risk with respect to economic downturns relating to such industry or class of borrowers. The portfolio profile tests and collateral quality tests in the CLO documents attempt to mitigate concentration risk in the underlying portfolio. Although the resulting diversification may reduce the risk described above, the diversification requirements applicable to a CLO and the incentives applicable to the CLO asset manager may also result in the CLO Issuer investing in obligors, countries or industries that suffer a heightened level of defaults. In addition, the risk of loss across the portfolio may increase if there is a significant overlap in the underlying portfolio across CLOs.

#### *Liquidity Risk*

Liquidity risk refers to the possibility that the BMO ETF may not be able to sell a CLO or other security or close out an investment contract at an amount that at least approximates the amount at which the security is valued. Consequently, the BMO ETF may have to accept a lower price to sell a CLO or other security, sell other CLOs or securities to raise cash, or give up an investment opportunity, any of which could have a negative effect on the BMO ETF's performance. CLO securities in which the BMO ETF invests may have limited liquidity in various market conditions, and in such instances will be less liquid than more senior or higher-rated CLOs. The CLO market, which has grown in recent years, remains smaller relative to other fixed-income instrument markets. Historic liquidity measures of CLOs may or may not be predictive of the liquidity of CLOs in the future. During adverse market conditions, there may be instances in which the market for trading CLOs becomes thin, or in extreme circumstances, particularly with respect to mezzanine, subordinate or lower-rated CLO tranches, may cease to exist during such period. In such circumstances, the price of the BMO ETF's CLO securities, and in turn, the BMO ETF's performance would be adversely impacted.

CLOs, and their underlying loan obligations, are typically not registered for sale to the public, and are therefore subject to certain restrictions on transfer and sale, potentially making them less liquid than other types of securities. Additionally, when the BMO ETF purchases a newly issued CLO directly from the issuer (rather than from the secondary market), there often may be a delayed settlement period, during which time, the liquidity of the CLO may be further reduced. During periods of limited liquidity and higher price volatility, the BMO ETF's ability to acquire or dispose of CLOs at a price and time the BMO ETF deems advantageous may be impaired. CLOs are generally considered to be long-term investments and there is no guarantee that an active secondary market will exist or be maintained for any given CLO.

CLOs are generally privately-issued securities issued by U.S. or international CLO Issuers pursuant to exemptions from applicable securities laws such as Rule 144A and Regulation S in the U.S. which provide exceptions to the U.S. registration requirement for securities sold in the institutional market. Under U.S. securities laws, such privately-issued securities typically may be resold only to qualified institutional buyers, in a privately negotiated transaction, to a limited number of purchasers, or in limited quantities after they have been held for a specified period of time or if other conditions are met for an exemption from registration. Because there may be relatively few potential purchasers for such securities, especially under adverse market or economic conditions or in the event of adverse changes in the financial condition of the issuer or of the sponsor or asset manager, the BMO ETF may find it more

difficult to sell such securities when it may be advisable to do so or it may be able to sell such securities only at prices lower than if such securities were more widely held and traded. At times, it also may be more difficult to determine the fair value of such securities for purposes of computing a the BMO ETF's NAV due to the absence of an active trading market. There can be no assurance that a privately-issued security previously deemed to be liquid when purchased will continue to be liquid for as long as it is held by the BMO ETF, and its value may decline as a result.

#### *Interest Rate Risk*

As interest rates decrease, issuers of the underlying loan obligations may refinance any floating rate loans, which will result in a reduction in the principal value of the CLO's portfolio and require the CLO to reinvest cash at inopportune time. Conversely, as interest rates rise, borrowers with floating rate loans may experience difficulty in making payments, resulting and delinquencies and defaults, which will result in a reduction in cash flow to the CLO and the CLO investors. An increase in interest rates may cause the value of fixed-income securities held by the BMO ETF to decline. The BMO ETF may be subject to a greater risk of rising interest rates due to inflationary trends and the effect of government fiscal policy initiatives and resulting market reaction to those initiatives.

#### *Floating Rate Obligations Risk*

Securities with floating or variable interest rates (including CLOs) can be less sensitive to interest rate changes than securities with fixed interest rates, but may decline in value if their interest rates do not rise as much, or as quickly, as interest rates in general. Conversely, floating rate securities will not generally increase in value if interest rates decline. A decline in interest rates may result in a reduction of income received from floating rate securities held by the BMO ETF and may adversely affect the value of the Units. Generally, floating rate securities carry lower yields than fixed notes of the same maturity. The interest rate for a floating rate note resets or adjusts periodically by reference to a benchmark interest rate. The impact of interest rate changes on floating rate investments is typically mitigated by the periodic interest rate reset of the investments. Securities with longer durations tend to be more sensitive to interest rate changes, usually making them more volatile than securities with shorter durations. Benchmark interest rates, such as the Secured Overnight Financing Rate for United States dollars, may not accurately track market interest rates.

#### *Credit Risk*

CLO Issuers, other debt issuers and other counterparties may not honor their obligations or may have their debt downgraded by an NRSRO. For CLOs, the primary source of credit risk is the ability of the underlying portfolio of loans to generate sufficient cash flow to pay investors on a full and timely basis when principal and/or interest payments are due. Default in payment on the underlying loans will result in less cash flow from the underlying portfolio and, in turn, less funds available to pay investors in the CLO.

#### *Prepayment and Call Risk*

During periods of falling interest rates or in other circumstances, an issuer of a callable CLO held by the BMO ETF may "call" or repay the security before its stated maturity. CLOs are typically structured such that, after a specified period of time, the majority investor in the equity tranche of the CLO Issuer may at its option call (*i.e.*, redeem) the CLO in full. The BMO ETF may not be able to accurately predict when or which of its CLO investments may be called, resulting in the BMO ETF having to reinvest the proceeds in unfavorable circumstances, resulting in a decline in the BMO ETF's income.

#### *Extension Risk*

During periods of rising interest rates or in other circumstances, certain debt obligations potentially including the portfolio of loans underlying a CLO will be paid off substantially more slowly than originally anticipated and the value of those debt obligations and of the CLO may fall sharply, resulting in a decline in the BMO ETF's income and potentially in the value of the BMO ETF's investments.

### ***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. The BMO ETF holds foreign securities and may have difficulty enforcing its legal rights as an investor in jurisdictions outside Canada.

### ***Concentration Risk***

The BMO ETF may concentrate its investments by investing in relatively few CLO Issuers and/or investing primarily or exclusively in a particular sector, country, and/or region.

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

If the BMO ETF's investment objective and/or strategies require it to concentrate its investments in this way, the 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.

### ***Currency Risk***

The value of an investment that is denominated in, or that pays income in, a currency other than the Canadian dollar is affected by changes in the value of that foreign currency relative to the Canadian dollar. 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.

The BMO ETF may hedge its foreign currency exposure at the Portfolio Manager's discretion. See "– Currency Hedging Risk." To the extent that the BMO ETF does not hedge its foreign currency risk, the value of the assets attributable to the BMO ETF, or of the income derived from those assets, could be adversely affected by currency exchange rate movements.

### ***Absence of an Active Market for the Units and Lack of Operating History Risk***

Although the BMO ETF will be (subject to satisfying the listing requirements of Cboe Canada), listed on Cboe Canada, there can be no assurance that an active public market for the Units will develop or be sustained. The BMO ETF is a newly organized investment trust with no previous operating history.

### ***Reliance on the Manager Risk***

Unitholders will be dependent on the ability of the Manager to effectively manage the BMO ETF in a manner consistent with the investment objectives, strategies and restrictions of the BMO ETF. There is no certainty that the individuals who are principally responsible for providing administration, portfolio management services and portfolio management advice to the BMO ETF will continue to be employed by the Manager.

### ***Large Transaction Risk***

Securities of the 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 BMO ETF securities at one time.

The purchase or redemption of a substantial number of the BMO ETF's securities may require its portfolio advisor to change the composition of its portfolio significantly or force the portfolio advisor to buy or sell investments at unfavourable prices, which can affect the BMO ETF's performance and may also have other adverse consequences.

### ***Series Risk***

The BMO ETF will issue units of more than one series. Each series of the BMO ETF has its own expenses, which the BMO ETF tracks separately. If the 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.

### ***Trading Price Risk***

The BMO ETF may trade in the market at a premium or discount to the NAV per security. There can be no assurance that the BMO ETF will trade at a price that reflect its NAV. The trading price of the BMO ETF will fluctuate in accordance with changes in the fund's NAV, as well as market supply and demand on Cboe Canada.

### ***Taxation Risks***

The BMO ETF will be established in 2025 and is expected to qualify as a "mutual fund trust" for purposes of the Tax Act before the 91<sup>st</sup> day after the end of its first taxation year (determined without regard to any taxation year-end that may be deemed to occur for other purposes under the rules in the Tax Act relating to "loss restriction events"). Assuming the BMO ETF meets these requirements before such day, the BMO ETF 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 the BMO ETF. It is therefore anticipated that the BMO ETF will qualify, or be deemed to qualify, at all times as a mutual fund trust within the meaning of the Tax Act.

If the BMO ETF fails to or were to not qualify as a "mutual fund trust" for the purposes of the Tax Act for any period of time, there could be negative tax consequences for the BMO ETF and the Unitholders. For example, if the BMO ETF does not qualify as a "mutual fund trust" for the purposes of the Tax Act throughout a taxation year, the BMO ETF may be liable to pay tax under Part XII.2 of the Tax Act and would not be entitled to the Capital Gains Refund (as defined herein). In addition, if the BMO ETF does not qualify as a "mutual fund trust", it may be subject to the "mark-to-market" rules under the Tax Act if more than 50% of the fair market value of the Units are held by "financial institutions" within the meaning of the Tax Act for purposes of the "mark-to-market" rules.

The tax treatment of gains and losses realized by the BMO ETF will depend on whether such gains or losses are treated as being on income or capital account, as described in this paragraph. In determining its income for tax purposes, the BMO ETF will treat gains and losses realized on the disposition of portfolio securities held by it as capital gains and losses. Generally, the BMO ETF will include gains and deduct losses on income account in connection with investments made through derivatives except where such derivatives are used to hedge portfolio securities held on capital account provided there is sufficient linkage, subject to the DFA Rules discussed below. Gains or losses in respect of foreign currency hedges entered into in respect of amounts invested in the BMO ETF's portfolio will constitute capital gains and capital losses to the BMO ETF if the portfolio securities are capital property to the BMO ETF and there is sufficient linkage. Designations with respect to the BMO ETF's income and capital gains will be made and reported to Unitholders on the foregoing basis. The CRA's practice is not to grant advance income tax rulings on the characterization of items as capital gains or income and no advance income tax ruling has been requested or obtained. There can be no assurances that the CRA will agree with the tax treatment adopted by the BMO ETF in filing its tax returns and the CRA could reassess the BMO ETF on a basis that results in tax being payable by the BMO ETF or in an increase in the taxable component of distributions considered to have been paid to Unitholders. A reassessment by the CRA may also result in the 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.

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 derivative 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. If the DFA Rules were to apply in respect of any derivatives to be utilized by the BMO ETF, gains realized in respect of the property underlying such derivatives could be treated as ordinary income rather than capital gains.

The Tax Act contains tax loss restriction event rules that could apply to trusts such as the BMO ETF. The loss restriction event rules generally apply at any time when a unitholder of a 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. If applicable to the BMO ETF, then the taxation year of the BMO ETF would be deemed to end and an automatic distribution of income and net realized capital gains may occur under the terms of the Declaration of Trust. Please see “Income Tax Considerations – Taxation of Unitholders” for the tax consequences of an unscheduled or other distribution to Unitholders. In addition, accrued capital losses and certain other realized losses of the BMO ETF would be unavailable for use by the BMO ETF in future years. However, trusts that qualify as an “investment fund” as defined in the loss restriction event rules 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” for purposes of the Tax Act, not using any property in the course of carrying on a business and complying with certain asset diversification requirements. If the BMO ETF were not to qualify as an “investment fund”, it could potentially have a loss restriction event and thereby becoming subject to the related tax consequences described above. Because of the way Units of the BMO ETF are bought and sold, it may not be possible for the BMO ETF to determine if or when a loss restriction event has occurred. Therefore, there can be no assurance that the BMO ETF will not 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.

If the BMO ETF realizes capital gains as a result of a 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. Pursuant to certain rules in the Tax Act (the “**ATR Rules**”), the BMO ETF will be able to designate capital gains to Unitholders on an exchange or redemption of Units in an amount determined by a formula (the “**Capital Gains Designation Limit**”) which is based on (i) the amount of capital gains designated to Unitholders on an exchange or redemption of Units in the taxation year, (ii) the total amount paid for exchanges or redemptions of the Units in the taxation year, (iii) the BMO ETF’s NAV at the end of the taxation year and the end of the previous taxation year, and (iv) the BMO ETF’s net taxable capital gains for the taxable year. In general, the formula contained in the ATR Rules 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 Unitholders that exchanged or redeemed their Units in the year. 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. The amounts of taxable distributions made to non-redeeming Unitholders of the BMO ETF may be greater than they would have been in the absence of the ATR Rules.

The Tax Act contains SIFT Rules concerning the taxation of publicly traded Canadian trusts and partnerships that own certain types of property defined as “non-portfolio property”. A trust that is subject to these rules is subject to trust level taxation, at rates comparable to those that apply to corporations, on the trust’s income earned from “non-portfolio property” and net taxable capital gains on the disposition of a non-portfolio property to the extent that such income is distributed to its unitholders. If the BMO ETF were to be subject to tax under the SIFT Rules, the after-tax return to its Unitholders could be reduced, particularly in the case of a Unitholder who is exempt from tax under the Tax Act or is a non-resident of Canada. The BMO ETF will not be subject to material amounts of tax under these rules as long as the BMO ETF complies with its investment restrictions in this regard.

The BMO ETF will invest in foreign debt securities. Many foreign countries preserve their right under domestic tax laws and applicable tax conventions with respect to taxes on income and on capital (“**Tax Treaties**”) to impose tax on interest or distributions paid or credited to persons who are not resident in such countries. While the BMO ETF intends to make investments in such a manner as to minimize the amount of foreign taxes incurred under foreign tax laws and subject to any applicable Tax Treaties, investments in foreign debt securities may subject the BMO ETF to foreign taxes on interest or distributions paid or credited to it or any gains realized on the disposition of such securities. Any foreign taxes incurred by the BMO ETF will generally reduce the value of its portfolio. To the extent that such foreign tax paid by the 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 foreign tax paid or deemed to be paid by the BMO ETF 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 and the BMO ETF designates its income from a foreign source in respect of a Unitholder of the BMO ETF, the Unitholder will, for the purposes of computing its foreign tax credits, be entitled to treat the

Unitholder's proportionate share of foreign taxes paid or deemed to be paid by the BMO ETF in respect of such income as foreign taxes paid by the Unitholder. The availability of foreign tax credits to a Unitholder is subject to the detailed rules in the Tax Act.

In the case of an exchange of Units of the BMO ETF for a Basket of Securities of the BMO ETF, or a distribution *in specie* on the termination of the BMO ETF, the investor will receive securities. The securities received by an investor as a result of an exchange of Units or a distribution *in specie* may or may not be qualified investments for Registered Plans. If such securities are not qualified investments for Registered Plans, such Registered Plans (and, in the case of certain Registered Plans, the annuitants, holders or subscribers thereof) may be subject to adverse tax consequences.

There can be no assurance that Canadian federal or provincial income tax laws and the administrative policies and assessing practices of the CRA will not be changed in a manner that adversely affects the BMO ETF or its Unitholders.

### ***Currency Hedging Risk***

With respect to the assets of the BMO ETF allocable to the Hedged Units, the Portfolio Manager expects to fully hedge the BMO ETF's exposure to U.S. dollars into Canadian dollars but such hedging is in the Portfolio Manager's discretion. The BMO ETF's exposure to other foreign currencies may be hedged into U.S. dollars or Canadian dollars in the Portfolio Manager's discretion. The BMO ETF may enter into currency forward transactions with financial institutions that have a "designated credit rating" as defined in NI 81-102. Although there is no assurance that these currency forward transactions will perfectly match the underlying exposure in the BMO ETF, the Portfolio Manager expects these currency forward transactions, if conducted, to be substantially effective. Some deviations from the underlying local returns of the BMO ETF may occur as a result of the costs, risks or other performance impacts of a currency hedging strategy.

The effectiveness of any currency hedging strategy will, in general, be affected by the volatility of (i) the Canadian dollar relative to the currencies to be hedged, (ii) the point in time at which hedging is applied to the BMO ETF, and (iii) the applicable underlying portfolio securities. Increased volatility will generally reduce the effectiveness of a currency hedging strategy. The effectiveness of a currency hedging strategy may also be affected by any significant difference between Canadian interest rates and foreign currency interest rates.

### ***Cybersecurity risk***

As the use of technology has become more prevalent in the course of business, the Manager and the BMO ETF 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 the BMO ETF to lose proprietary information, suffer data corruption, or lose operational capacity. This in turn could cause the 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 the 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 the BMO ETF's third-party service providers (who may include administrators, transfer agents, custodians and sub-advisors) or issuers that the BMO ETF invests in can also subject the BMO ETF to many of the same risks associated with direct cybersecurity breaches.

The Manager and the BMO ETF 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 ETF does not directly control the cybersecurity systems of issuers or third-party service providers.

### ***Derivatives risk***

Although derivatives are expected to be used by the BMO ETF to avoid risk, they have their own kinds of risk including the following risks:

- There is no guarantee a properly priced market will exist when the 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 the BMO ETF from entering or exiting a derivative when it wishes to do so.
- If the counterparty to a derivative defaults on its obligations to the BMO ETF, the BMO ETF may incur a loss.
- When entering into a derivative, the 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 some or all of the collateral it provided to the lender.
- 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.

### **Risk Rating of the BMO ETF**

The methodology that the Manager uses to determine the investment risk level of ETFs including the BMO ETF, for purposes of disclosure in this prospectus and in the applicable ETF Facts, is required to be determined in accordance with a standardized risk classification methodology that is based on an ETF's historical volatility as measured by the 10-year standard deviation of the monthly returns of the ETF, assuming the reinvestment of all income and capital gains distributions in additional securities of the ETF. However, other types of risk, both measurable and non-measurable, may exist. It is also important to note that an ETF's historical volatility may not be indicative of its future volatility.

Using this methodology, the Manager will generally assign an investment risk level based on an ETF's historical 10-year standard deviation in one of the following categories:

- Low
- Low to medium
- Medium
- Medium to high
- High

In certain instances, the methodology set forth above may produce an investment risk level for an ETF which the Manager believes may be too low and not indicative of the ETF's future volatility. As a result, in addition to using the standardized risk classification methodology described above, the Manager may increase an ETF's investment risk level if it determines that to be reasonable in the circumstances by taking into account other qualitative factors including, but not limited to, economic climate, portfolio management styles, sector concentration and types of investments made by the ETF and the liquidity of those investments.

In addition, if an ETF does not have at least 10 years of performance history, then the return history of a reference index that reasonably approximates, or in the case of a newly established ETF is expected to reasonably approximate, the standard deviation of the ETF, will be used for the remainder of the 10-year period when calculating the standard deviation of the ETF. The investment risk level and the reference index for the ETF are reviewed at least annually and when it is no longer reasonable in the circumstances, such as where there is a material change in the ETF's investment objective and/or investment strategies.

Details about the standardized risk classification methodology used to identify the investment risk level of the BMO ETF are available on request, at no cost to you, by calling the BMO Investment Centre at 1-800-665-7700, or writing to the Manager, BMO Asset Management Inc., at 250 Yonge Street, 8th Floor, Toronto, Ontario M5B 2M8.

The risk rating set forth in the table below for each series of Units of the BMO ETF does not necessarily correspond to an investor's risk tolerance assessment. Investors are advised to consult their financial advisor for advice regarding an individual investor's personal circumstances.

<b>Ticker</b>	<b>BMO ETF and Series of Units</b>	<b>Risk Rating</b>
ZBBZ	BMO BBB CLO ETF (CAD Units)	Low to Medium
ZBBZ.F	BMO BBB CLO ETF (Hedged Units)	Low to Medium
ZBBZ.U	BMO BBB CLO ETF (USD Units)	Low to Medium

The risk classifications of the CAD Units and of the USD Units are based on the returns of (i) the J.P. Morgan US CLOIE BBB Index, weighted at 80%, and (ii) the J.P. Morgan US CLOIE AAA Index, weighted at 20%. The risk classification of the Hedged Units is based on the returns of (i) the J.P. Morgan US CLOIE BBB Index (CAD-Hedged), weighted at 80%, and (ii) the J.P. Morgan US CLOIE AAA Index (CAD-Hedged), weighted at 20%. The J.P. Morgan US CLOIE BBB Index is a rules-based observable pricing and total return index for CLO debt for sale in the United States that is rated at the time of issuance as BBB (or an equivalent rating). The J.P. Morgan US CLOIE BBB Index (CAD-Hedged) is a rules-based hedged version of the J.P. Morgan US CLOIE BBB Index. The J.P. Morgan US CLOIE AAA Index is a rules-based observable pricing and total return index for CLO debt for sale in the United States that is rated at the time of issuance as AAA (or an equivalent rating). The J.P. Morgan US CLOIE AAA Index (CAD-Hedged) is a rules-based hedged version of the J.P. Morgan US CLOIE AAA Index.

## **DISTRIBUTION POLICY**

### **Distributions**

Cash distributions on CAD Units and Hedged Units will be made in Canadian dollars, and cash distributions on USD Units will be made in U.S. dollars. Distributions are expected to be made periodically as set forth in the following table for each series of Units:

<b>Frequency of Distributions</b>			
<b>BMO ETF</b>	<b>Monthly</b>	<b>Quarterly</b>	<b>Annually</b>
BMO BBB CLO ETF	✓		

Depending on the underlying investments of the BMO ETF, distributions on Units may consist of ordinary income, including foreign source income, sourced from interest or other distributions received by the BMO ETF but may also include net realized capital gains, in any case, less the expenses of the BMO ETF and may include returns of capital. To the extent that the expenses of the BMO ETF exceed the income generated by the BMO ETF in any given month, it is not expected that a monthly distribution will be paid.

For each taxation year, the BMO ETF will ensure that its net income and net realized capital gains, if any, have been distributed to Unitholders to such an extent that the BMO ETF will not be liable for ordinary income tax thereon. To the extent that the BMO ETF has not distributed in cash the full amount of its net income or net realized capital gains in any taxation year, the difference between such amount and the amount distributed in cash by the BMO ETF will be paid as a "reinvested distribution". Such distributions, net of any required withholding taxes, will be reinvested automatically in additional Units at a price equal to the NAV per Unit of the BMO ETF and the Units will be immediately consolidated such that the number of outstanding Units following the distribution will equal the number of Units outstanding prior to the distribution.

The BMO ETF can generally choose to make a distribution that is a return of capital. Also, the BMO ETF will be considered to distribute a return of capital if it distributes more than its net income and net realized capital gains. In any case, provided an investor holds its Units on capital account, a distribution that is a return of capital is

not included in the investor's income, but instead reduces the adjusted cost base of the Units on which it was paid. When such an investor eventually redeems its Units, the investor may realize a larger capital gain (or smaller capital loss) as a result of such reduction. If the adjusted cost base of an investor's Units is reduced to less than zero while the investor continues to hold them, the investor will be deemed to realize an immediate capital gain equal to the negative amount and the investor's adjusted cost base will be increased to zero. A distribution that is a return of capital should not be confused with return on investment or "yield". Investors should not draw any conclusions about the BMO ETF's investment performance from the amount of a return of capital it distributes.

In addition to the distributions described above, the BMO ETF may from time to time pay additional distributions on its Units, including without restriction in connection with returns of capital.

See also "Income Tax Considerations".

### **Distribution Reinvestment Plan**

The BMO ETF has adopted a Distribution Reinvestment Plan, which provides that a Unitholder (a "**Plan Participant**") may elect to automatically reinvest all cash distributions paid on Units held by that Plan Participant in additional Units ("**Plan Units**") in accordance with the terms of the Distribution Reinvestment Plan (a copy of which is available through your broker or dealer) and the distribution reinvestment agency agreement between the Manager, on behalf of the BMO ETF, and the Plan Agent, as may be amended. The key terms of the Distribution Reinvestment Plan are as described below.

Unitholders who are not residents of Canada may not participate in the Distribution Reinvestment Plan and any Unitholder who ceases to be a resident of Canada will be required to terminate its participation in the Distribution Reinvestment Plan. The BMO ETF will not be required to purchase Plan Units if such purchase would be illegal.

A Unitholder who wishes to enroll in the Distribution Reinvestment Plan as of a particular Distribution Record Date should notify the CDS Participant through which that Unitholder holds Units 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 Plan Participants are due to receive will be used to purchase Plan Units on behalf of such Plan Participants 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 the Plan Participant via its CDS Participant in lieu of fractional Plan Units.

The automatic reinvestment of the distributions under the Distribution Reinvestment Plan will not relieve Plan Participants of any income tax applicable to such distributions. See "Income Tax Considerations – Taxation of Unitholders".

Plan Participants may voluntarily terminate their participation in the Distribution Reinvestment Plan as of a particular Distribution Record Date by notifying their CDS Participant sufficiently in advance of that Distribution Record Date. Plan Participants should contact their CDS Participant to obtain details of the appropriate procedures for terminating their participation in the Distribution Reinvestment Plan. Beginning on the first Distribution Payment Date after such notice is received from a Plan Participant and accepted by a CDS Participant, distributions to such Plan Participant will be made in cash. Any expenses associated with the preparation and delivery of such termination notice will be borne by the Plan Participant exercising its right to terminate participation in the Distribution Reinvestment Plan. The Manager may terminate the Distribution Reinvestment Plan, in its sole discretion, upon not less than 30 days' notice to: (i) registered participants in the Distribution Reinvestment Plan, (ii) the CDS Participants through which the Plan Participants hold their Units; (iii) the Plan Agent; and (iv) if necessary, the Exchange.

The Manager may amend, modify or suspend the Distribution Reinvestment Plan at any time in its sole discretion, provided that it receives prior approval for amendments from the Exchange and gives notice of the

amendment, modification or suspension to: (i) registered participants in the Distribution Reinvestment Plan, (ii) the CDS Participants through which the Plan Participants hold their Units; (iii) the Plan Agent; and (iv) if necessary, the Exchange.

## **PURCHASES OF UNITS**

### **Initial Investment in the BMO ETF**

In compliance with NI 81-102, the 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.

### **Continuous Distribution**

Units of the BMO ETF are issued and sold on a continuous basis and there is no maximum number of Units that may be issued.

### **Designated Brokers**

The Manager, on behalf of the BMO ETF, has entered into a Designated Broker Agreement with a Designated Broker pursuant to which the Designated Broker agrees to perform certain duties relating to the BMO ETF including, without limitation: (i) to subscribe for a sufficient number of Units to satisfy the Exchange's original listing requirements; (ii) to subscribe for Units when cash redemptions of Units occur as described under "Redemption and Exchange of Units"; and (iii) to post a liquid two-way market for the trading of Units on the Exchange. The Manager may, in its discretion from time to time, reimburse any Designated Broker for certain expenses incurred by the Designated Broker in performing these duties.

The Designated Broker Agreement provides that the Manager may from time to time and, in any event not more than once quarterly, require the Designated Broker to subscribe for Units of the BMO ETF for cash in a dollar amount not to exceed 0.30% of the NAV of the BMO ETF. The number of Units issued will be the subscription amount divided by the NAV per Unit next determined following the delivery by the Manager of a subscription notice to the Designated Broker. Payment for the Units must be made by the Designated Broker, and the Units will be issued, by no later than the second Trading Day after the subscription notice has been delivered (or such shorter period as may be determined by the Manager in response to changes in applicable law or general changes to settlement procedures in applicable markets).

### **Issuance of Units**

#### ***To Designated Brokers and Dealers***

All orders to purchase Units directly from the BMO ETF must be placed by a Designated Broker or Dealer. The BMO ETF reserves the absolute right to reject any subscription order placed by a Designated Broker or Dealer. No fees will be payable by the BMO ETF to any Designated Broker or Dealer in connection with the issuance of Units. On the issuance of Units, the Manager may, in its discretion, charge an administrative fee to the Designated Broker or Dealer to offset the expenses (including any applicable additional Exchange listing fees) incurred in issuing the Units.

On any Trading Day, a Designated Broker or Dealer may place a subscription order for the Prescribed Number of Units (or an integral multiple thereof or such number of Units as the Manager may permit) of the BMO ETF. If a subscription order is received by the BMO ETF by 9:00 a.m. on a Trading Day (or such later time on such Trading Day as the Manager may permit), the BMO ETF will issue to the Designated Broker or Dealer the Units (i) by no later than the second business day after the date on which the subscription order is accepted, or (ii) in such shorter period as may be determined by the Manager in response to changes in applicable law or general changes to settlement procedures in applicable markets, in each case provided that payment for such Units has been received.

For each Prescribed Number of Units of the BMO ETF issued, the Designated Broker or Dealer must deliver payment consisting of, in the Manager's discretion: (i) one Basket of Securities and cash in an amount sufficient so that the value of the securities and the cash received is equal to the NAV of the Units next determined following the receipt of the subscription order; (ii) cash in an amount equal to the NAV of the Units next determined following the receipt of the subscription order; or (iii) a combination of securities and cash, as determined by the Manager, in an amount sufficient so that the value of the securities and cash received is equal to the NAV of the Units next determined following the receipt of the subscription order.

The Basket of Securities for the BMO ETF will be made available to the BMO ETF's Designated Brokers and Dealers on each Trading Day. The Manager may, in its discretion, increase or decrease the Prescribed Number of Units from time to time.

#### ***To Designated Brokers in Special Circumstances***

Units may be issued by the BMO ETF to the Designated Broker when cash redemptions of Units occur as described below under "Redemption and Exchange of Units – Redemption of Units for Cash".

#### ***To Unitholders as Reinvested Distributions***

Units may be issued by the BMO ETF to Unitholders of the BMO ETF on the automatic reinvestment of reinvested distributions. See "Distribution Policy" and "Income Tax Considerations".

#### **Buying and Selling Units**

Investors are able to buy or sell Units through registered brokers and dealers in the province or territory where the investor resides. Investors may incur customary brokerage commissions in buying or selling Units. The BMO ETF issues Units directly to the Designated Brokers and Dealers.

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

#### **Special Considerations for Unitholders**

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. In addition, the BMO ETF has obtained exemptive relief from the securities regulatory authorities to permit Unitholders to acquire more than 20% of the Units of the BMO ETF through purchases on the 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 the Manager not to vote more than 20% of the Units of the BMO ETF at any meeting of Unitholders.

The BMO ETF may invest a portion of its portfolio assets in T+3 Securities and has obtained exemptive relief from the securities regulatory authorities to permit the BMO ETF to settle primary market trades in Units of the BMO ETF no later than the third business day after the date upon which pricing for the Units is determined. This settlement cycle differs from the standard settlement cycle for secondary market trades in the Units of the BMO ETF, which customarily settle no later than the first business day after the date upon which pricing for the Units is determined.

#### **Non-Resident Unitholders**

At no time may: (i) non-residents of Canada; (ii) partnerships that are not Canadian partnerships; or (iii) 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 the BMO ETF. The Manager 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 the Manager becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% of the Units of the 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, the Manager may make a public announcement thereof. If the Manager determines that more than 40% of such Units are beneficially held by non-residents and/or partnerships that are not Canadian partnerships, the Manager 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 the Manager 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 the Manager with satisfactory evidence that they are not non-residents or partnerships other than Canadian partnerships within such period, the Manager may on behalf of such Unitholders sell such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such sale, the affected holders shall cease to be beneficial holders of Units and their rights shall be limited to receiving the net proceeds of sale of such Units.

Notwithstanding the foregoing, the Manager may determine not to take any of the actions described above if the Manager has been advised by legal counsel that the failure to take any of such actions would not adversely impact the status of the 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.

### **Registration and Transfer through CDS**

Registration of interests in, and transfers of, the Units will be made only through CDS. Units must be purchased, transferred and surrendered for exchange or redemption only through a CDS Participant. All rights of an owner of 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, the owner will receive only the customary confirmation; physical certificates evidencing ownership will not be issued. References in this prospectus to a holder of Units mean, unless the context otherwise requires, the owner of the beneficial interest in such Units.

Neither the BMO ETF nor the Manager will have any liability for: (i) records maintained by CDS relating to the beneficial interests in the Units or the book entry accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS and 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 ability of a beneficial owner of Units 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.

The BMO ETF has the option to terminate registration of the Units through the book-based system in which case certificates for Units in fully registered form will be issued to beneficial owners of such Units or to their nominees.

## **REDEMPTION AND EXCHANGE OF UNITS**

### **Redemption of Units for Cash**

On any Trading Day, Unitholders may redeem Units of the BMO ETF for cash at a redemption price per Unit equal to the lesser of: (i) 95% of the closing price for the Units on the Exchange on the effective day of the redemption; and (ii) the net asset value per Unit on the effective day of the redemption. Because Unitholders will generally be able to sell Units at the market price on the Exchange through a registered broker or dealer subject only to customary brokerage commissions, Unitholders are advised to consult their brokers, dealers or investment advisors before redeeming their Units for cash.

In order for a cash redemption to be effective on a Trading Day, a cash redemption request in the form prescribed by the Manager from time to time must be delivered to the BMO ETF at its registered office by 9:00 a.m. on the Trading Day (or such later time on such Trading Day as the Manager may permit). If a cash redemption request is not received by the delivery deadline noted immediately above on a Trading Day, the cash redemption request will

be effective only on the next Trading Day. Payment of the redemption price will be made by (i) no later than the second business day after the effective date of the redemption, or (ii) such shorter period as may be determined by the Manager 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 broker or dealer.

Investors that redeem Units prior to the ex-dividend date for any distribution will not be entitled to receive that distribution.

In connection with the redemption of Units, the BMO ETF will generally dispose of securities or other assets to satisfy the redemption. See “Income Tax Considerations – Taxation of the BMO ETF”.

### **Exchange of Units for Baskets of Securities and Cash**

At the discretion of the Manager, on any Trading Day, Unitholders may exchange the Prescribed Number of Units (or an integral multiple thereof) for Baskets of Securities and cash.

To effect an exchange of Units, a Unitholder must submit an exchange request in the form prescribed by the Manager from time to time to the BMO ETF at its registered office by 9:00 a.m. on a Trading Day (or such later time on such Trading Day as the Manager may permit). The exchange price will be equal to the NAV of the Units on the effective day of the exchange request, payable by delivery of Baskets of Securities and cash, and at the discretion of the Manager, which will only be payable by delivery of 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 Baskets of Securities and cash will be made (i) by no later than the second business day after the effective day of the exchange request, or (ii) in such shorter period as may be determined by the Manager in response to changes in applicable law or general changes to settlement procedures in applicable markets. The securities to be included in the Baskets of Securities delivered on an exchange shall be selected by the Manager in its discretion.

Unitholders should be aware that the NAV per Unit will decline on the ex-dividend date of any distribution payable in cash on Units. A Unitholder that is not a holder of record on or after the ex-dividend date will not be entitled to receive that distribution.

If securities held by the 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.

### **Requests for Exchange and Redemption**

A Unitholder submitting an exchange or redemption request is deemed to represent to the BMO ETF and the Manager that: (i) it has full legal authority to tender the Units for exchange or redemption and to receive the proceeds of the exchange or redemption; and (ii) the Units have not been loaned or pledged and are not the subject of a repurchase agreement, securities lending agreement or a similar arrangement that would preclude the delivery of the Units to the BMO ETF. The Manager reserves the right to verify these representations at its discretion. Generally, the Manager will require verification with respect to an exchange or redemption request if there are unusually high levels of exchange or redemption activity or short interest in the BMO ETF. If the Unitholder, upon receipt of a verification request, does not provide the Manager with satisfactory evidence of the truth of the representations, the Unitholder’s exchange or redemption request will not be considered to have been received in proper form and will be rejected.

### **Suspension of Exchange and Redemption**

The Manager may suspend the redemption of Units or payment of redemption proceeds of the BMO ETF in the following extraordinary circumstances: (i) during any period when normal trading is suspended on a stock exchange or other market on which securities owned by the BMO ETF are listed and traded, if these securities represent more than 50% by value or underlying market exposure of the total assets of the BMO ETF, without

allowance for liabilities, and if these securities are not traded on any other exchange that represents a reasonably practical alternative for the BMO ETF; or (ii) with the prior permission of the securities regulatory authorities, for any period not exceeding 30 days during which the Manager determines that conditions exist that render impractical the sale of assets of the BMO ETF or that impair the ability of the Valuation Agent to determine the value of the assets of the BMO ETF. The suspension may apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Manager of the suspension and that the redemption will be effected at a price determined on the first Valuation Date following the termination of the suspension. All such Unitholders shall have and shall be advised that they have the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the BMO ETF, any declaration of suspension made by the Manager shall be conclusive.

### **Costs Associated with Exchange and Redemption**

The Manager may charge to Unitholders, in its discretion, an administrative fee of up to 0.05% of the exchange or redemption proceeds of the BMO ETF to offset certain transaction costs associated with the exchange or redemption of Units of the BMO ETF.

### **Exchange and Redemption of Units through CDS Participants**

The exchange and redemption rights described above must be exercised through the CDS Participant through which the owner holds Units. Beneficial owners of Units should ensure that they provide exchange and/or redemption instructions to the CDS Participants through which they hold Units sufficiently in advance of the cut-off times described above to allow such CDS Participants to notify CDS and for CDS to notify the Manager prior to the relevant cut-off time.

### **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 ETF as Units of the BMO ETF 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 ETF 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 BMO ETF for any costs and expenses incurred in relation to the trade.

## **INCOME TAX CONSIDERATIONS**

In the opinion of Blake, Cassels & Graydon LLP, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations under the Tax Act for the BMO ETF and for a prospective investor in the BMO ETF that, for the purpose of the Tax Act at all relevant times, is an individual (other than a trust), is resident in Canada, holds Units of the BMO ETF as capital property, has not entered into and will not enter into a “derivative forward agreement” as that term is defined in the Tax Act with respect to the Units of the BMO ETF, and is not affiliated with the BMO ETF or any Designated Broker or Dealer and deals at arm’s length with the BMO ETF and any Designated Broker or Dealer.

Generally, Units of the BMO ETF will be considered to be capital property to a Unitholder provided that the Unitholder does not hold such Units in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Provided that the BMO ETF qualifies as a “mutual fund trust” for purposes of the Tax Act, certain Unitholders who might not otherwise be considered to hold Units of the BMO ETF as capital property may, in certain circumstances, be entitled

to have such Units and all other “Canadian securities” owned and subsequently acquired by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is based on the facts described herein, the current provisions of the Tax Act, all specific proposals to amend the Tax Act that have been publicly announced by the Minister of Finance (Canada) prior to the date hereof (“**Tax Proposals**”), counsel’s understanding of the current published administrative policies and assessing practices of the CRA, and certificates of the Manager. This summary does not take into account or anticipate any other changes in law whether by legislative, administrative or judicial action and it does not take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from the considerations described below. There can be no assurances that the Tax Proposals will be enacted in the form publicly announced, or at all.

**This summary is of a general nature only and is not exhaustive of all possible income tax considerations. This summary does not address the deductibility of interest on any funds borrowed by a Unitholder to purchase Units of the BMO ETF. The income and other tax consequences of investing in Units of the BMO ETF will vary depending on an investor’s particular circumstances including the province or territory in which the investor resides or carries on business. This summary is not intended to be, nor should it be constructed to be, legal or tax advice to any holder of Units of the BMO ETF. Prospective investors should therefore consult their own tax advisors about their individual circumstances.**

This summary is also based on the assumptions that: (i) the BMO ETF will not be a “SIFT trust” for purposes of the SIFT Rules or a “covered entity” within the meaning of section 183.3 of the Tax Act; (ii) none of the issuers of securities held by the BMO ETF will be a foreign affiliate for the purposes of the Tax Act of the BMO ETF or any Unitholder; (iii) none of the securities held by the BMO ETF will be a “tax shelter investment” within the meaning of subsection 143.2(1) of the Tax Act; (iv) none of the securities held by the BMO ETF will be an interest in a non-resident trust other than an “exempt foreign trust” as defined in Section 94 of the Tax Act relating to non-resident trusts (or a partnership which holds such an interest); (v) none of the securities held by the BMO ETF will be an “offshore investment fund property” (or an interest in a partnership that holds such property) which would require the BMO ETF (or the partnership) to include significant amounts in the BMO ETF’s (or the partnership’s) income pursuant to section 94.1 of the Tax Act, or an interest in a trust (or a 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 94.2 of the Tax Act; and (vi) the BMO ETF will not enter into any arrangement where the result is a dividend rental arrangement for the purposes of the Tax Act.

A Unitholder will be required to compute all amounts, including income, adjusted cost base, proceeds of disposition and other amounts in respect of USD Units, in Canadian dollars in accordance with the detailed rules in the Tax Act.

### **Status of the BMO ETF**

This summary is based on the assumption that the BMO ETF will qualify (or be deemed to qualify) at all times as a “mutual fund trust” within the meaning of the Tax Act.

To qualify as a mutual fund trust, (i) the BMO ETF must be a Canadian resident “unit trust” for purposes of the Tax Act, (ii) the only undertaking of the BMO ETF must be (a) the investing of its funds in property (other than real property or interests in real property or an immovable or a real right in an immovable), (b) the acquiring, holding, maintaining, improving, leasing or managing of any real property (or interest in real property) or of any immovable (or real right in immovables) that is capital property of the BMO ETF, or (c) any combination of the activities described in (a) and (b), and (iii) the BMO ETF must comply with certain minimum requirements respecting the ownership and dispersal of Units (the “**minimum distribution requirements**”). In this connection, (i) the Manager intends to cause the BMO ETF to qualify as a unit trust throughout the life of the BMO ETF, and (ii) the BMO ETF’s undertaking conforms with the restrictions for mutual fund trusts. In addition, the Manager intends to file the necessary election so that the BMO ETF will qualify as a mutual fund trust from its inception and has no reason to believe that the BMO ETF will not comply with the minimum distribution requirements before the 91st day after the end of its first taxation year (determined without regard to any taxation year-end that may be deemed to occur for other purposes under the rules in the Tax Act relating to “loss restriction events”) and at all relevant times thereafter, thereby permitting the filing by the BMO ETF of such election. In addition, in order to qualify as a mutual fund trust, the BMO ETF cannot

at any time reasonably be considered to have been established and/or maintained primarily for the benefit of non-residents unless, at that time, substantially all of its property consists of property other than property that would be “taxable Canadian property” within the meaning of the Tax Act (if the definition of such term were read without reference to paragraph (b) of that definition). The Declaration of Trust contains a restriction on the number of permitted non-resident Unitholders.

If the BMO ETF were to not qualify as a “mutual fund trust” for the purposes of the Tax Act for any period of time, the tax considerations could be materially and adversely different from those described below. See “Risk Factors – Risks Relating to an Investment in the BMO ETF – Taxation Risks”.

Provided that the BMO ETF qualifies as a “mutual fund trust” within the meaning of the Tax Act, or that the Units of the BMO ETF are listed on a “designated stock exchange” within the meaning of the Tax Act, which includes the Exchange, the Units of the BMO ETF will be qualified investments under the Tax Act for trusts governed by Registered Plans. See “Eligibility for Investment” and “Income Tax Considerations – Taxation of Registered Plans” for the consequences of holding Units in Registered Plans.

### **Taxation of the BMO ETF**

The BMO ETF intends to elect to have a taxation year that ends on December 15 of each calendar year. Prior to making such election, the BMO ETF will have a taxation year that ends on December 31 of each calendar year. The BMO ETF must pay tax on its net income (including net realized taxable capital gains) for a taxation year, less the portion thereof that it deducts in respect of the amount paid or payable to its Unitholders for the year. If the BMO ETF has elected to have a taxation year that ends on December 15, such amounts may be paid or payable to Unitholders in the calendar year in which the taxation year ends. An amount will be considered to be payable to a Unitholder of the BMO ETF in a calendar year if it is paid to the Unitholder in that year by the BMO ETF or if the Unitholder is entitled in that year to enforce payment of the amount. The Declaration of Trust governing the BMO ETF requires that the BMO ETF distribute its net income and net realized capital gains, if any, for each taxation year of the BMO ETF to Unitholders to such an extent 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 the 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.

With respect to indebtedness, the BMO ETF will be required to include in its income for each taxation year all interest thereon that accrues (or is deemed to accrue) to it to the end of that year (or until the disposition of the indebtedness in that year, including on a redemption or repayment on maturity) or that has become receivable or is received by the BMO ETF before the end of that year except to the extent that such interest was included in computing the BMO ETF’s income for a preceding year and excluding any interest that accrued prior to the time of the acquisition of the indebtedness by the BMO ETF.

The BMO ETF may be subject to the suspended loss rules contained in the Tax Act. A loss realized by the BMO ETF on a disposition of capital property will be considered to be a suspended loss if the BMO ETF, or person affiliated with the BMO ETF, acquires a property (a “**substituted property**”) that is the same or identical to the property disposed of, within 30 days before and 30 days after the disposition and the BMO ETF, or a person affiliated with the BMO ETF, owns the substituted property 30 days after the original disposition. If a loss is suspended, the BMO ETF cannot deduct the loss from the BMO ETF’s capital gains until the substituted property is sold and no substituted property is acquired by the BMO ETF, or a person affiliated with the BMO ETF, within 30 days before and after the sale.

In general, the BMO ETF will realize a capital gain (or capital loss) upon the actual or deemed disposition of a security included in its portfolio to the extent the proceeds of disposition net of any amounts included as interest on the disposition of the security and any reasonable costs of disposition exceed (or are less than) the adjusted cost base of such security 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. The Manager has advised counsel that the BMO ETF will purchase the securities in its portfolio with the objective of receiving 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 counsel that the BMO ETF will elect, if applicable, in accordance with the Tax Act to have each “Canadian security” owned by the BMO ETF 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.

The BMO ETF will be entitled for each taxation year throughout which it is a 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 its 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.

As described under “Risk Factors – Risks Relating to an Investment in the BMO ETF – Taxation Risks”, the BMO ETF will be able to designate capital gains to a Unitholder on an exchange or redemption of Units up to the Capital Gains Designation Limit. The Manager has advised counsel that it 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.

The Manager has advised counsel that, generally, the BMO ETF will include gains and deduct losses on income account, rather than as capital gains and capital losses, in connection with investments made through derivative transactions, except where such derivatives are used to hedge portfolio securities held on capital account provided there is sufficient linkage, subject to the DFA Rules discussed below, and such gains and losses will be recognized for tax purposes at the time they are realized by the BMO ETF.

The Tax Act contains 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 derivative 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. If the DFA Rules were to apply in respect of any derivatives to be utilized by the BMO ETF, gains realized in respect of the property underlying such derivatives could be treated as ordinary income rather than capital gains.

To the extent the BMO ETF holds trust units issued by a trust resident in Canada that is not at any time in the relevant taxation year a “SIFT trust” and held as capital property for purposes of the Tax Act, the BMO ETF will be required to include in the calculation of its income the net income, including net taxable capital gains, paid or payable to the BMO ETF by such trust in the calendar year in which such taxation year ends, notwithstanding that certain of such amounts may be reinvested in additional units of the trust. Provided that appropriate designations are made by such trust, generally net taxable capital gains realized by the trust and foreign source income of the trust that are paid or payable by the trust to the BMO ETF will effectively retain their character in the hands of the BMO ETF. The BMO ETF will be required to reduce the adjusted cost base of units of such trust by any amount paid or payable by the trust to the BMO ETF except to the extent that the amount was included in calculating the income of the BMO ETF or was the BMO ETF’s share of the non-taxable portion of capital gains of the trust, the taxable portion of which was designated in respect of the BMO ETF. If the adjusted cost base to the BMO ETF of such units becomes a negative amount at any time in a taxation year of the BMO ETF, that negative amount will be deemed to be a capital gain realized by the BMO ETF in that taxation year and the BMO ETF’s adjusted cost base of such units will be increased by the amount of such deemed capital gain to zero.

Where the BMO ETF holds interests in an issuer structured as a trust that is not resident in Canada, the BMO ETF will be required to include in the calculation of its income for a taxation year the net income for Canadian federal income tax purposes, including net taxable capital gains, paid or payable to the BMO ETF by the issuer in the calendar year in which such taxation year ends, notwithstanding that certain of such amounts may be reinvested in additional units of the issuer. Provided the units of the issuer are held by the BMO ETF as capital property for purposes of the Tax Act, the BMO ETF will be required to reduce the adjusted cost base of units of the issuer by an amount paid or payable by the issuer to the BMO ETF, except to the extent that the amount was included in calculating the income of the BMO ETF. If the adjusted cost base to the BMO ETF of such units becomes a negative amount at any time in a taxation year of the BMO ETF, that negative amount will be deemed to be a capital gain realized by the BMO ETF in that taxation year and the BMO ETF’s adjusted cost base of such units will be increased by the amount of such deemed capital gain to zero.

The BMO ETF will enter into transactions denominated in currencies other than the Canadian dollar including the acquisition of securities in its portfolio. The cost and proceeds of disposition of securities, interest, distributions and all other amounts will be determined for the purposes of the Tax Act in Canadian dollars using the appropriate exchange rates determined in accordance with the detailed rules in the Tax Act in that regard. The amount of income, gains and losses realized by the BMO ETF may be affected by fluctuations in the value of other currencies relative to the Canadian dollar. Gains or losses in respect of currency hedges entered into in respect of amounts invested in the portfolio of the BMO ETF will constitute capital gains and capital losses to the BMO ETF if the securities in the BMO ETF's portfolio are capital property to the BMO ETF and provided there is sufficient linkage.

The BMO ETF will 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 the 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 paid or deemed to be paid by the BMO ETF 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 or deemed to be 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.

The 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 the 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, the BMO ETF may deduct reasonable administrative and other expenses incurred to earn income.

Losses incurred by the 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.

## **Taxation of Unitholders (other than Registered Plans)**

### ***Distributions***

A Unitholder will be required to include in the Unitholder's income for tax purposes for any taxation year of the Unitholder the Canadian dollar amount of net income and net taxable capital gains of the BMO ETF, if any, paid or payable to the Unitholder in the year, whether or not such amounts are reinvested in additional Units (including Plan Units acquired under the Distribution Reinvestment Plan), including in the case of Unitholders who receive Management Fee Distributions to the extent they are paid out of net income and net taxable capital gains of the BMO ETF. Provided the BMO ETF has elected to have a taxation year that ends on December 15 of each calendar year, amounts paid or payable by the BMO ETF to a Unitholder after December 15 and before the end of the calendar year are deemed to have been paid or become payable to the Unitholder on December 15.

Under the Tax Act, the BMO ETF is permitted to deduct in computing its income for a taxation year an amount that is less than the amount of its distributions of income for the year to the extent necessary to enable the BMO ETF to use, in that taxation year, losses from prior years without affecting the ability of the BMO ETF to distribute its income annually. In such circumstances, the amount distributed to a Unitholder but not deducted by the BMO ETF will not be included in the Unitholder's income. However, the adjusted cost base of the Unitholder's Units of the BMO ETF will be reduced by such amount. The non-taxable portion of any net realized capital gains of the BMO ETF that is paid or payable to a Unitholder in a taxation year will not be included in computing the Unitholder's income for the year and will not reduce the adjusted cost base of the Unitholder's Units, provided that the taxable portion of such net realized capital gain is designated in respect of the Unitholder for the taxation year. Any other non-taxable distribution, such as a return of capital, will not be included in computing the Unitholder's income for the year but will reduce the Unitholder's adjusted cost base. To the extent that a Unitholder's adjusted cost base would otherwise be a negative amount, the negative amount will be deemed to be a capital gain realized by the Unitholder and the Unitholder's adjusted cost base will be nil immediately thereafter.

The BMO ETF will designate, to the extent permitted by the Tax Act, the portion of the net income distributed to Unitholders as may reasonably be considered to consist of net taxable capital gains realized by the BMO ETF. Any such designated amount will be deemed for tax purposes to be received or realized by Unitholders in the year as a taxable capital gain. Capital gains so designated will be subject to the general rules relating to the taxation of capital gains described below. In addition, the BMO ETF may make designations in respect of income from foreign sources, if any, so that Unitholders may be able to claim a foreign tax credit in accordance with the provisions of and subject to the general limitations under the Tax Act for a portion of foreign tax, if any, paid by the BMO ETF. Any loss realized by the BMO ETF for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, the Unitholders of the BMO ETF.

### ***Composition of Distributions***

The Manager has advised counsel that Unitholders will be informed each year of the composition of the amounts distributed to them, including amounts in respect of both cash and reinvested distributions. This information will indicate whether distributions are to be treated as ordinary income, taxable capital gains, returns of capital or foreign source income, and as to foreign tax deemed paid by the Unitholder as those items are applicable.

### ***Disposition of Units***

Upon the actual or deemed disposition of a Unit, including the exchange or redemption of a Unit, and including upon the termination of the BMO ETF, a capital gain (or a capital loss) will generally be realized by the Unitholder to the extent that the proceeds of disposition of the Unit (other than any amount payable by the BMO ETF which represents capital gains allocated and designated to the redeeming Unitholder) exceed (or are less than) the aggregate of the adjusted cost base to the Unitholder of the Unit and any reasonable costs of disposition. In general, the adjusted cost base of all Units of a particular series of the BMO ETF held by the Unitholder is the total amount paid for the Units of such series (including brokerage commissions paid and the amount of reinvested distributions), regardless of when the investor bought them, less any non-taxable distributions (other than the non-taxable portion of capital gains, the taxable portion of which is designated to the Unitholder) such as a return of capital and less the adjusted cost base of any Units of such series previously redeemed/exchanged by the Unitholder. For the purpose of determining the adjusted cost base of Units to a Unitholder, when Units of a particular series of the BMO ETF are acquired, the cost of the newly acquired Units will be averaged with the adjusted cost base of all Units of such series owned by the Unitholder as capital property immediately before that time. The cost of Units acquired on the reinvestment of distributions, including under the Distribution Reinvestment Plan, will be the amount so reinvested. A consolidation of Units of the BMO ETF following a reinvested distribution as described under “Distribution Policy”, which for greater certainty does not include a distribution of Plan Units acquired under the Distribution Reinvestment Plan, will not be regarded as a disposition of Units and will not affect the aggregate adjusted cost base to a Unitholder.

Where Units of the BMO ETF are exchanged by a redeeming Unitholder for Baskets of Securities, or where securities are received by a Unitholder on a distribution *in specie* on the termination of the BMO ETF, the proceeds of disposition to the Unitholder of the Units will be equal to the fair market value of the securities so received, plus the amount of any cash received on the exchange, and less any capital gain realized by the BMO ETF as a result of the transfer of those securities that has been designated by the BMO ETF to the Unitholder.

Any capital gains so allocated and designated, which amount will be restricted by the ATR Rules in the manner described under “Risk Factors – Risks Relating to an Investment in the BMO ETF – Taxation Risks”, must be included in the calculation of the Unitholder’s income in the manner described above and will reduce the Unitholder’s proceeds of disposition. The remaining portion of the exchange or redemption price will be proceeds of redemption.

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, less any amount that is deductible as interest accrued on such property to the date of distribution and not yet due.

### ***Taxation of Capital Gains and Capital Losses***

In general, one-half of any capital gain realized by a Unitholder on the disposition of Units of the BMO ETF and the amount of any net taxable capital gains realized or considered to be realized by the BMO ETF and designated by the BMO ETF in respect of a Unitholder for a taxation year of the Unitholder will be included in the Unitholder's income for that year as a taxable capital gain. One-half of a capital loss realized by a Unitholder in a taxation year of the Unitholder generally must be deducted from taxable capital gains realized by the Unitholder in the taxation year or designated by the BMO ETF in respect of the Unitholder for the taxation year subject to and in accordance with detailed rules in the Tax Act. Allowable capital losses for a taxation year in excess of taxable capital gains for that taxation year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against taxable capital gains in accordance with the provisions of the Tax Act.

### ***Alternative Minimum Tax***

Amounts designated by the BMO ETF to Unitholders as taxable capital gains and taxable capital gains realized on the disposition of Units of the BMO ETF may increase the Unitholder's liability for alternative minimum tax.

### **Taxation of Registered Plans**

In general, a Registered Plan will not be taxable on the amount of a distribution paid or payable to a Registered Plan from the BMO ETF, nor on gains realized by a Registered Plan on a disposition of a Unit. Amounts withdrawn from a Registered Plan (other than a withdrawal from a TFSA and certain permitted withdrawals from an FHSA, RESP or RDSP) will generally be subject to tax.

### **Tax Implications of the BMO ETF's 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. This may particularly be the case if Units are purchased near year-end before the final year-end distributions have been made.

## **EXCHANGE OF TAX INFORMATION**

The BMO ETF has due diligence and reporting obligations under the Foreign Account Tax Compliance Act (as implemented in Canada by the Canada-United States Enhanced Tax Information Exchange Agreement and Part XVIII of the Tax Act, collectively "FATCA") and the OECD's Common Reporting Standard (as implemented in Canada by Part XIX of the Tax Act, referred to as "CRS"). Generally, unitholders (or in the case of certain unitholders that are entities, the "controlling persons" thereof) will be required by law to provide their dealer with information related to their citizenship and tax residence, including their foreign taxpayer identification number. If a unitholder (or, if applicable, any of its controlling persons), (i) is identified as a U.S. Person (including a U.S. resident or a U.S. citizen); (ii) is identified as a tax resident of a country other than Canada or the U.S.; or (iii) does not provide the required information and indicia of U.S. or non-Canadian status is present, information about the unitholder (or, if applicable, its controlling persons) and their investment in the BMO ETF will generally be reported to the CRA unless the units are held within a Registered Plan. The CRA will provide that information to, in the case of FATCA, the U.S. Internal Revenue Service and in the case of CRS, 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 CRS.

## **ELIGIBILITY FOR INVESTMENT**

In the opinion of Blake, Cassels & Graydon LLP, provided that the BMO ETF qualifies as a "mutual fund trust" within the meaning of the Tax Act, or that the Units of the BMO ETF are listed on a "designated stock exchange"

within the meaning of the Tax Act, which includes the Exchange, the Units of the BMO ETF, if issued on the date hereof, would be on such date qualified investments under the Tax Act for trusts governed by Registered Plans.

Notwithstanding the foregoing, in the case of a TFSA, RRSP, RESP, RDSP, RRIF or FHSA, if the holder of the TFSA, RDSP or FHSA, the subscriber of the RESP or the annuitant of the RRSP or RRIF (a “controlling individual”) holds a “significant interest” in the BMO ETF, or if such controlling individual does not deal at arm’s length with the BMO ETF for purposes of the Tax Act, the Units of the BMO ETF will be a “prohibited investment” for such TFSA, RRSP, RESP, RDSP, RRIF, or FHSA. If Units of the BMO ETF are a “prohibited investment” for a TFSA, RRSP, RESP, RDSP, RRIF or FHSA that acquires such Units, the controlling individual will be subject to a penalty tax as set out in the Tax Act. Generally, a controlling individual will not be considered to have a “significant interest” in the BMO ETF unless the controlling individual owns 10% or more of the value of the outstanding Units of the BMO ETF, either alone or together with persons and partnerships with which the controlling individual does not deal at arm’s length. In addition, the Units of the BMO ETF will not be a “prohibited investment” if such Units are “excluded property” as defined in the Tax Act for trusts governed by a TFSA, RRSP, RESP, RDSP, RRIF or FHSA.

In the case of an exchange of Units of the BMO ETF for a Basket of Securities of the BMO ETF, or a distribution *in specie* on the termination of the BMO ETF, the investor will receive securities. The securities received by an investor as a result of an exchange of Units or a distribution *in specie* may or may not be qualified investments for Registered Plans. Investors should consult their own tax counsel for advice on whether or not such securities would be qualified investments for Registered Plans or prohibited investments for their TFSAs, RESPs, RDSPs, RRSPs, RRIFs or FHSAs.

## **ORGANIZATION AND MANAGEMENT DETAILS OF THE BMO ETF**

### **Officers and Directors of the Trustee, Manager, Portfolio Manager and Promoter**

The name and municipality of residence of each of the directors and executive officers of BMO Asset Management Inc., which is the Trustee, Manager, Portfolio Manager and Promoter of the BMO ETF, and their principal occupations are as follows:

<b>Name and Municipality of Residence</b>	<b>Position with the Manager</b>	<b>Principal Occupation</b>
NELSON AVILA Toronto, Ontario	Chief Financial Officer	Lead Financial Officer, BMO Global Asset Management
WILLIAM BAMBER Toronto, Ontario	Head and Ultimate Designated Person and Director	Chief Executive Officer, BMO Global Asset Management
AMANDA CUSTODIO Oakville, Ontario	Director	Chief Growth Officer, BMO Wealth
DENISE (CARSON) FERNANDES Toronto, Ontario	Chief Compliance Officer	Chief Compliance Officer, BMO Asset Management Inc. and BMO Investments Inc., Investment Fund Manager Line of Business

<b>Name and Municipality of Residence</b>	<b>Position with the Manager</b>	<b>Principal Occupation</b>
LISA HOFSTATTER Oakville, Ontario	Director	Controller & Chief Accountant, Finance, Bank of Montreal
BENJAMIN IRAYA Oakville, Ontario	Corporate Secretary	Manager, Subsidiary Governance, BMO Bank of Montreal
GILLES G. OUELLETTE Toronto, Ontario	Chair and Director	Chairman, BMO Global Asset Management
ASMA PANJWANI Toronto, Ontario	Head, Client Management and Distribution and Director	Head, Client Management and Distribution, BMO Global Asset Management
SARA PETRCICH Toronto, Ontario	Head of Exchange Traded Funds and Structured Solutions and Director	Head, ETFs & Alternatives, BMO Global Asset Management
ROBERT J. SCHAUER Toronto, Ontario	Head Investment Funds Operations	Head, Business Transformation, North America, BMO Global Asset Management
FIONA WONG Toronto, Ontario	Chief Anti Money Laundering Officer	Director, Customer Risk Assessment and AML Business Services, BMO Financial Group

Except as described herein, each of the foregoing individuals has held his or her current office or a senior position with the Manager or an affiliate thereof during the past five years. Prior to August 2022, William Bamber was Head, Synthetic Asset Management, BMO Global Asset Management from April 2022 to August 2022 and Managing Director and Head, Wealth Solutions Group, CIBC World Markets Inc. from May 2009 to April 2022. Prior to December 2021, Amanda Custodio was Co-Head Global Markets Engineering, BMO Capital Markets from September 2020 to November 2021 and Managing Director, Global Markets, BMO Capital Markets from December 2017 to September 2020. Prior to June 2021, Denise (Carson) Fernandes was Chief Compliance Officer, BMO Private Investment Counsel Inc. from March 2019 to May 2022 and Chief Compliance Officer, BMO InvestorLine Inc. from July 2017 to March 2019. Prior to August 2024, Lisa Hofstatter was Senior Vice President, Controller & Chief Accountant, Finance, Bank of Montreal from March 2024 to July 2024 and Vice President & Chief Accountant, Bank of Montreal from June 2019 to March 2024. Prior to April 2024, Asma Panjwani was Co-Head of Intermediary Distribution Network, BMO Global Asset Management from November 2023 to March 2024, Director of Specialized Sales Team, BMO Global Asset Management from November 2022 to November 2023 and Director, Capital Markets Trading, Retail Solutions Group, CIBC World Markets from August 2012 to September 2020. Prior to August 2023, Sara Petreich was Managing Director and Head of Synthetic Asset Management, Bank of Montreal from August 2022 to August 2023, Managing Director and Head of Risk Strategy, Global Markets, Bank of Montreal from October 2021 to August 2022, Chief Operating Officer and Head of Group Treasury Central Office, Scotiabank from August 2020 to October 2021 and Credit Relative Value and Capital Structure Trading, Scotiabank from August 2016 to July 2020. Prior to September 2024, Fiona Wong was Director, Enterprise AML Risk and Customer Risk Scoring, BMO Financial Group.

## **Trustee, Manager, Portfolio Manager and Promoter of the BMO ETF**

BMO Asset Management Inc. is the Trustee, Manager, Portfolio Manager and Promoter of the BMO ETF and is responsible for the administration of the BMO ETF. The Manager is registered as a portfolio manager and exempt market dealer in each of the provinces and territories of Canada, as a commodity trading manager in Ontario, as an investment fund manager in Ontario, Newfoundland and Labrador and Quebec, and as a derivatives portfolio manager in Quebec.

BMO Asset Management Inc. is a Canadian investment management company. Its clients include pension funds, endowments, trusts, insurance company reserves, corporations and mutual funds. The Manager is an indirect, wholly-owned subsidiary of Bank of Montreal. The office for service of notice to the Portfolio Manager is located at 250 Yonge Street, 8th Floor, Toronto, Ontario M5B 2M8. The registered office of the Portfolio Manager is located at 100 King Street West, 43rd Floor, Toronto, Ontario M5X 1A1.

### ***Details of the Declaration of Trust***

The Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of Unitholders, and in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent trustee and manager would exercise in similar circumstances.

The Manager may resign as trustee and/or manager of the BMO ETF upon 60 days' notice to the Unitholders. If the Manager resigns it may appoint its successor but, unless its successor is an affiliate of the Manager, its successor must be approved by the Unitholders. If the Manager is in material default of its 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 the Manager, the Unitholders may remove the Manager and appoint a successor trustee and/or manager.

The Manager is entitled to fees for its services as manager under the Declaration of Trust as described under "Fees and Expenses – Fees and Expenses Payable by the BMO ETF – Management Fees". In addition, the Manager and its affiliates and each of their directors, officers, employees and agents will be indemnified by the BMO ETF 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 thereunder.

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 ETF) or from engaging in other business activities.

The Manager has taken the initiative in founding and organizing the BMO ETF and is, accordingly, the promoter of the BMO ETF within the meaning of securities legislation of certain provinces and territories of Canada.

### ***Duties and Services to be Provided by the Trustee, Manager, Portfolio Manager and Promoter***

As noted above, BMO Asset Management Inc. is the trustee, manager, and promoter of the BMO ETF and, as such, is responsible for providing, or causing to be provided, managerial, administrative and compliance services to the BMO ETF including, without limitation, acquiring or arranging to acquire securities on behalf of the BMO ETF, calculating or causing to be calculated NAV, NAV per Unit, net income and net realized capital gains of the BMO ETF, authorizing the payment of operating expenses incurred on behalf of the BMO ETF, preparing or causing to be prepared financial statements and financial and accounting information as required by the BMO ETF, ensuring that Unitholders are provided with financial statements (including interim and annual financial statements) and other reports as are required by applicable law from time to time, ensuring that the BMO ETF complies with regulatory requirements and applicable stock exchange listing requirements, preparing or causing to be prepared the BMO ETF's reports to Unitholders and the securities regulatory authorities, determining the amount of distributions to be made by the BMO ETF and negotiating contractual agreements with service providers, including the Designated Broker, the Custodian, the Registrar and Transfer Agent, the auditor and printers.

### ***Portfolio Advisors***

In its capacity as the portfolio manager of the BMO ETF, the Portfolio Manager is responsible for buying and selling investments on behalf of the BMO ETF in accordance with the investment objective and investment strategies of the BMO ETF. Investment decisions are made by a portfolio management team that has a manager or lead person. Investment decisions made by the portfolio management team are not subject to the oversight, approval or ratification of a committee. The table below sets forth information about the individuals principally responsible for managing the investments of the BMO ETF.

<b>Name of Individual</b>	<b>Position and Office</b>	<b>Details of Experience Within the Preceding Five Years</b>
Mark Jarosz	Global Head of Private Credit and Portfolio Manager	Portfolio manager with the Portfolio Manager since 2022 Mark brings over 20 years of credit investing experience. He was most recently with CPP Investments (2015-2021) and prior to that Recovery Partners (2012-2015) and Coventree (2004-2012)
Matt Montemurro	Managing Director and Head, Fixed Income and Equity Index ETFs, Exchange Traded Funds	Matt is currently the Head of Fixed Income and Equity Index ETFs. In his role, Matt, and his team, are responsible for all index tracking mandates, both equity and fixed income, managed by BMO Global Asset Management. Matt joined BMO in 2009 and joined the BMO ETF portfolio management team in 2012.

### **Brokerage Arrangements**

The Manager utilizes various brokers to effect securities transactions on behalf of the BMO ETF. These brokers may directly provide the Manager with research and related services, as outlined below, in addition to executing transactions – often referred to as “bundled services”. Although the BMO ETF may not benefit equally from each research and related service received from a broker, the Manager will endeavour to ensure that the BMO ETF receives an equitable benefit over time.

The Manager maintains a list of brokers that have been approved to effect securities transactions on behalf of the BMO ETF. When determining whether a broker should be added to that list there are numerous factors that are considered including: (a) with respect to trading: (i) level of service; (ii) response time; (iii) availability of securities (liquidity); (iv) account management; (v) idea generation; and (vi) access to alternative markets/liquidity pools; (b) with respect to research: (i) proprietary research reports; (ii) industry knowledge; (iii) access to analysts; and (iv) access to staff; (c) with respect to personnel: (i) back office support; and (ii) sales contacts; and (d) with respect to infrastructure: (i) trade settlement; (ii) confirmations; and (iii) reporting.

Approved brokers are monitored on a regular basis to ensure that the value of the goods and services, as outlined above, provides a reasonable benefit as compared to the amount of brokerage commissions paid for the goods and services. In conducting this analysis, the Manager considers the use of the goods and services, execution quality in terms of trade impact and the ability to achieve the target benchmark price, as well as the amount of brokerage commissions paid relative to other brokers and the market in general. The selection and monitoring processes are the same regardless of whether the broker is affiliated with the Manager or is an unrelated third party.

The research and related services that may be provided to the Manager include proprietary research reports, industry knowledge and access to both analysts and staff from BMO NB, an affiliated broker. In addition, the Portfolio Manager may receive proprietary research reports, industry knowledge and access to analysts, staff and alternative

trading systems from various unrelated third party brokers. Additional information including the services supplied by any broker can be obtained from the Portfolio Manager upon request, at no cost, by calling 1-800-361-1392.

### **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 ETF 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 ETF may acquire securities and may be managers or portfolio managers of funds that invest in the same securities as the BMO ETF. Such transactions will only be undertaken where permitted by applicable securities legislation and upon obtaining any required regulatory or IRC approvals.

When the BMO ETF invests in Underlying Funds, it may invest in Underlying Funds managed by the Manager or its affiliates (“**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 ETF 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 the BMO ETF and BMO Funds, potentially increasing the commercial viability of the BMO ETF and BMO Funds through an increase in assets and greater economies of scale. Despite the foregoing, 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 the BMO ETF (each a “**related party transaction**”): (i) investing in securities of an issuer related to the Manager including CLOs issued by special purpose vehicles established and managed by an affiliate of the Manager; (ii) investing in securities underwritten by an entity related to the Manager; (iii) buying debt securities from or selling debt securities to the Manager or 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 the BMO ETF, the Portfolio 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 Portfolio Manager may also, acting on behalf of the 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.

The Manager, on behalf of the BMO ETF, has entered into a Designated Broker Agreement with a Designated Broker pursuant to which the Designated Broker agrees to perform certain duties relating to the BMO ETF including, without limitation: (i) to subscribe for a sufficient number of Units to satisfy the Exchange’s original listing requirements; (ii) to subscribe for Units when cash redemptions of Units occur; and (iii) to post a liquid two-way market for the trading of Units on the Exchange. BMO NB, an affiliate of the Manager, has agreed to act as a Designated Broker for the BMO ETF and also acts as a Dealer for the BMO ETF.

### **Independent Review Committee**

The Manager has appointed an IRC for the BMO ETF under NI 81-107. The IRC currently consists of four members, each of whom is independent of the Manager.

The mandate of the IRC is to review conflict of interest matters identified and referred to the IRC by the Manager and to give an approval or a recommendation, depending on the nature of the conflict of interest matter. At all times, the members of the IRC are required to act honestly and in good faith in the best interests of the BMO ETF and, in connection therewith, will exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The Manager has established written policies and procedures for dealing with conflict of interest matters. At least annually, the IRC will review and assess the adequacy and effectiveness of the Manager's written policies and procedures relating to conflict of interest matters and will conduct a self-assessment of the IRC's independence, compensation and effectiveness.

The Manager will maintain records of all matters and/or activities subject to the review of the IRC, including a copy of the Manager's written policies and procedures dealing with conflict of interest matters, minutes of IRC meetings, and copies of materials, including any written reports, provided to the IRC. The Manager will also provide the IRC with assistance and information sufficient for the IRC to carry out its responsibilities under NI 81-107.

The members of the IRC are entitled to be compensated by the BMO ETF and reimbursed for all reasonable costs and expenses for the duties they perform as IRC members. In addition, the members of the IRC are entitled to be indemnified by the BMO ETF, except in cases of wilful misconduct, bad faith, negligence or breach of their standard of care.

The name and municipality of residence of each of the members of the IRC is as follows:

JACQUELINE ALLEN	Toronto, Ontario
MARLENE DAVIDGE (CHAIR)	Toronto, Ontario
JIM FALLE	Port Perry, Ontario
WENDY HANNAM	Toronto, Ontario

Each IRC member receives compensation for the duties he or she performs as an IRC member. In addition, each IRC member is entitled to the reimbursement of all reasonable expenses in connection with his or her duties as an IRC member. During the most recently completed financial year, the annual retainer for each IRC member (other than the Chair of the IRC) in respect of all of the exchange traded funds managed by the Manager was \$42,751; the annual retainer for the Chair of the IRC was \$61,453.

The Manager will not reimburse the BMO ETF for any costs incurred in relation to compliance with NI 81-107.

The IRC is subject to requirements to conduct regular assessments and, for each financial year of the BMO ETF, will prepare a report to Unitholders that describes the IRC and its activities for the financial year. A copy of this report can be obtained from the Manager upon request, at no cost, by calling 1-800-361-1392 or is available on the BMO ETF'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).

### **Officers of the BMO ETF**

Robert J. Schauer of Toronto, Ontario is the Chief Financial Officer of the BMO ETF. Mr. Schauer's principal occupation is Head of GAM Business Transformation for North America, BMO Global Asset Management.

### **Valuation Agent**

SSTCC acts as the valuation agent of the BMO ETF and provides certain fund accounting and valuation services to the BMO ETF including, without limitation, calculating the NAV, NAV per Unit, net income and net

realized capital gains of the BMO ETF. The principal office of the Valuation Agent is located in Toronto, Ontario. The Valuation Agent is independent of the Manager.

### **Custodian**

Pursuant to the Custodian Agreement, SSTCC is the custodian of the assets of the BMO ETF and has been given authority to appoint sub-custodians. The principal office of SSTCC is located in Toronto, Ontario. The Manager, on behalf of the BMO ETF, or SSTCC may terminate the Custodian Agreement upon at least 90 days' written notice. The Manager, on behalf of the BMO ETF, or SSTCC may terminate the Custodian Agreement immediately if there is a change of control, if there is a material breach of the Custodian Agreement not remedied within 60 days or upon the bankruptcy of any party. The Manager, on behalf of the BMO ETF, may terminate the Custodian Agreement immediately if SSTCC ceases to be qualified to act as a custodian of the BMO ETF under applicable law or the Manager is required to cease acting as an investment fund manager of the BMO ETF. SSTCC may terminate the Custodian Agreement immediately if the Manager on behalf of the BMO ETF fails to pay SSTCC invoiced fees and expenses of greater than two months of charges when due and fails to cure such breach within 60 days. SSTCC is entitled to receive fees from the Manager as described under "Fees and Expenses" and to be reimbursed for all expenses and liabilities that are properly incurred by SSTCC in connection with the activities of the BMO ETF.

### **Auditor**

The auditor of the BMO ETF is PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, located at 18 York Street, Suite 2500, Toronto, ON M5J 0B2.

### **Transfer Agent and Registrar**

SSTCC, at its principal offices in Toronto, Ontario, is the registrar and transfer agent for the Units. The register of the BMO ETF is kept in Toronto, Ontario.

### **Plan Agent**

SSTCC, at its principal offices in Toronto, Ontario, is the Plan Agent for the Distribution Reinvestment Plan of the BMO ETF.

### **Designated Website**

The BMO ETF is required to post certain regulatory disclosure documents on a designated website. The BMO ETF's designated website is [www.bmo.com/gam/ca/advisor/legal-and-regulatory](http://www.bmo.com/gam/ca/advisor/legal-and-regulatory).

## **CALCULATION OF NET ASSET VALUE**

The NAV and NAV per Unit of a series of the BMO ETF will be calculated by the Valuation Agent as of the Valuation Time on each Valuation Date. The NAV of the Units of a series of the BMO ETF on a particular date will be equal to the aggregate value of the assets of the BMO ETF attributable to that series less the aggregate value of the liabilities attributable to that series of the BMO ETF including any income, net realized capital gains or other amounts payable to Unitholders on or before such date and the value of the liabilities of the BMO ETF for management fees, expressed in Canadian dollars at the applicable exchange rate on such date. The NAV per Unit of a series on any day will be obtained by dividing the NAV on such day by the number of units of that series then outstanding.

### **Valuation Policies and Procedures**

In determining the NAV of the BMO ETF at any time, the Valuation Agent uses the following principles:

- (a) the value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued and not yet received, are valued at the carrying amount or at what the Valuation Agent considers to be the fair value;

- (b) CLOs, bonds, debentures and other debt securities shall be marked-to-market based on prices obtained from a recognized pricing service at the Valuation Time (or at such other time as trading of the relevant instruments generally ends in the relevant primary trading market) on the Valuation Date (or, if the relevant primary trading market was generally closed on such day, on the previous day on which such primary trading market was not generally closed). Short-term investments, including notes and money market instruments, shall be recorded at their fair value;
- (c) any security that is listed or dealt in on a stock exchange shall be valued at the 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 or for such Valuation Date, the security shall be fair valued;
- (d) securities of any mutual funds held by the BMO ETF shall be valued at the reported net asset value of that mutual fund;
- (e) foreign currency accounts shall be expressed in Canadian dollars on the following basis: (i) investments and other assets shall be valued by applying the applicable exchange rate at the end of the relevant valuation period; and (ii) purchases and sales of investments, income and expenses shall be recorded by applying the applicable exchange rate on the dates of such transactions;
- (f) the BMO ETF's holdings shall be valued in Canadian dollars before its NAV is calculated;
- (g) forward foreign exchange contracts shall be valued as the difference between the value of the contract on the date the contract was originated and the value of the contract on the Valuation Date. Foreign exchange options shall be valued at their quoted market value. When the contract or option closes or expires, a realized foreign exchange gain or loss shall be recognized;
- (h) forward contracts shall be valued as the difference between the value of the contract on the date the contract originated and the value of the contract on the Valuation Date;
- (i) clearing corporation options shall be valued at the current market value;
- (j) should the BMO ETF write a covered clearing corporation option, the premium received shall be 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 to arrive at the net asset value of the BMO ETF;
- (k) futures contracts shall be valued at the outstanding current margin payable or receivable;
- (l) bullion, coins, certificates or other evidences of precious metals shall be valued at current market value;
- (m) restricted securities shall be valued according to reported quotations in common use, or according to the following method, whichever is less: restricted securities shall be valued at that percentage of the market value of unrestricted securities which the BMO ETF paid to acquire them, provided that if the time period during which the restrictions on these securities will apply is known, the price may be adjusted to reflect this time period;
- (n) all other assets shall be valued at our best estimate of fair value; and
- (o) if any investment cannot be valued under the foregoing principles or if the foregoing principles are at any time considered by the Valuation Agent to be inappropriate under the circumstances, then, notwithstanding the foregoing rules, the Valuation Agent shall make such valuation as it considers fair and reasonable.

The value of any security or property to which, in the opinion of the Valuation Agent, the above valuation principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) shall be the fair value thereof determined in such manner as the Valuation Agent from time to time provides. The Valuation Agent may also fair value securities in the following circumstances: (i) when there is a halt trade on a security which is normally traded on an exchange; (ii) on securities that trade on markets that have closed prior to the time of calculation of the NAV of the BMO ETF and for which there is sufficient evidence that the closing price on the market is not the most appropriate value at the time of valuation; and (iii) when there are investment or currency restrictions imposed by a country that affect the BMO ETF's ability to liquidate the assets held in that market.

The Manager intends to value the securities in the BMO ETF in accordance with the practices disclosed above. The BMO ETF is being established and launched in connection with the commencement of the offering of Units under this prospectus. Accordingly, the Manager has not in the last three years had to exercise discretion to vary from the BMO ETF's stated valuation practices outlined above.

Each portfolio transaction will be reflected in the calculation of NAV per Unit no later than the calculation of NAV per Unit next made after the date on which the transaction becomes binding. The issue, exchange or redemption of Units will be reflected in the calculation of NAV per Unit next made after the calculation made for the purpose of such issue, exchange or redemption.

### **Reporting of Net Asset Value**

Following the Valuation Time on the Valuation Date, the NAV and NAV per Unit for the BMO ETF will usually be published in the financial press and will be posted on the BMO ETF's designated website at [www.bmo.com/gam/ca/advisor/legal-and-regulatory](http://www.bmo.com/gam/ca/advisor/legal-and-regulatory).

## **ATTRIBUTES OF THE UNITS**

### **Description of the Securities Distributed**

The BMO ETF is authorized to issue an unlimited number of redeemable, transferable Units of an unlimited number of series of Units, each of which represents an equal, undivided interest in the net assets of the BMO ETF. Except for the USD Units, which are denominated in U.S. dollars, the Units of the BMO ETF are Canadian dollar denominated.

On December 16, 2004, the *Trust Beneficiaries' Liability Act, 2004* (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any default, obligation or liability of the trust if, when the default occurs or the liability arises: (i) the trust is a reporting issuer under the *Securities Act* (Ontario); and (ii) the trust is governed by the laws of the Province of Ontario. The BMO ETF is or will be a reporting issuer under the *Securities Act* (Ontario) prior to the initial issuance of Units and the BMO ETF is governed by the laws of the Province of Ontario by virtue of the provisions of the Declaration of Trust.

### **Certain Provisions of the Units**

All Units of the BMO ETF have equal rights and privileges. Each whole Unit is entitled to one vote at all meetings of Unitholders and is entitled to participate equally with respect to any and all distributions made by the BMO ETF to Unitholders, other than Management Fee Distributions and capital gains allocated and designated on the redemption or exchange of Units, including distributions of net income and net realized capital gains and distributions upon the termination of the BMO ETF. Units are issued only as fully-paid and are non-assessable.

### ***Exchange of Units for Baskets of Securities***

On any Trading Day, Unitholders may exchange the Prescribed Number of Units (or an integral multiple thereof) for Baskets of Securities and cash. See “Redemption and Exchange of Units – Exchange of Units for Baskets of Securities”.

### ***Redemption of Units for Cash***

On any Trading Day, Unitholders may redeem Units of the BMO ETF for cash at a redemption price per Unit equal to the lesser of: (i) 95% of the closing price for the Units on the Exchange on the effective day of the redemption; and (ii) the net asset value per Unit on the effective day of the redemption. See “Redemption and Exchange of Units – Redemption of Units for Cash”.

### ***No Voting Rights***

Unitholders of the BMO ETF will not have any right to vote securities held by the BMO ETF.

### **Modification of Terms**

The rights attached to the Units of the BMO ETF may only be modified, amended or varied in accordance with the terms of the Declaration of Trust. See “Unitholder Matters – Matters Requiring Unitholders’ Approval”.

## **UNITHOLDER MATTERS**

### **Meetings of Unitholders**

A meeting of the Unitholders of the BMO ETF voting as a single class (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 the 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 the 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 the 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.

### **Matters Requiring Unitholders’ Approval**

NI 81-102 requires a meeting of Unitholders of the BMO ETF to be called to approve certain changes as follows:

- (a) the basis of the calculation of a fee or expense that is charged to the BMO ETF is changed in a way that could result in an increase in charges to the BMO ETF, except where:
  - (i) the BMO ETF is at arm’s length with the person or company charging the fee;
  - (ii) the Unitholders have received at least 60 days’ notice before the effective date of the change; and
  - (iii) the right to notice described in (ii) is disclosed in the prospectus of the BMO ETF;

- (b) a fee or expense is introduced that is to be charged to the BMO ETF or directly to its Unitholders by the BMO ETF or the Manager in connection with the holding of Units of the BMO ETF that could result in an increase in charges to the BMO ETF or its Unitholders;
- (c) the Manager is changed, unless the new manager of the BMO ETF is an affiliate of the Manager;
- (d) the fundamental investment objective of the BMO ETF is changed;
- (e) the BMO ETF decreases the frequency of the calculation of its NAV per Unit;
- (f) the BMO ETF undertakes a reorganization with, or transfers its assets to, another mutual fund, if the BMO ETF ceases to continue after the reorganization or transfer of assets and the transaction results in the Unitholders of the BMO ETF becoming securityholders in the other mutual fund, unless:
  - (i) the IRC of the BMO ETF has approved the change;
  - (ii) the BMO ETF is being reorganized with, or its assets are being transferred to, another mutual fund that is managed by the Manager, or an affiliate of the Manager;
  - (iii) the Unitholders have received at least 60 days' notice before the effective date of the change;
  - (iv) the right to notice described in (iii) is disclosed in the prospectus of the BMO ETF; and
  - (v) the transaction complies with certain other requirements of applicable Canadian Securities Legislation;
- (g) the BMO ETF undertakes a reorganization with, or acquires assets from, another mutual fund, if the BMO ETF continues after the reorganization or acquisition of assets, the transaction results in the securityholders of the other mutual fund becoming Unitholders of the BMO ETF, and the transaction would be a material change to the BMO ETF; or
- (h) any matter which is required by the constating documents of the BMO ETF or by the laws applicable to the BMO ETF or by any agreement to be submitted to a vote of the Unitholders of the BMO ETF.

Approval of Unitholders of the BMO ETF will be deemed to have been given if expressed by resolution passed at a meeting of Unitholders of the BMO ETF duly called and held for the purpose of considering the same, by at least a majority of the votes cast. Unitholders are entitled to one vote per whole Unit held on the record date established for voting at any meeting of Unitholders.

The BMO ETF may, without Unitholders' approval, enter into a merger or other similar transaction that has the effect of combining the funds or their assets (a "**Permitted Merger**") with any other investment fund or funds managed by the Manager or an affiliate of the Manager that have investment objectives that are substantially similar to those of the BMO ETF, subject to:

- (a) approval of the merger by the IRC;
- (b) compliance with certain merger pre-approval conditions set out in section 5.6 of NI 81-102; and
- (c) written notice to Unitholders at least 60 days before the effective date of the merger.

In connection with a Permitted Merger, the merging funds will be valued at their respective net asset values for the purpose of such transaction.

In addition, the auditor of the BMO ETF may not be changed unless:

- (a) the IRC has approved the change; and
- (b) Unitholders have received at least 60 days' notice before the effective date of the change.

#### ***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, the Declaration of Trust may be amended from time to time by the Manager upon not less than 30 days' prior written notice to Unitholders.

The Declaration of Trust may be amended by the Manager without the approval of or notice to Unitholders for the following purposes: (i) 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 ETF; (ii) 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; (iii) 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; (iv) to maintain, or permit the Manager to take such steps as may be desirable or necessary to maintain the status of the BMO ETF as a "mutual fund trust" for the purposes of the Tax Act; (v) to change the taxation year end of the BMO ETF as permitted under the Tax Act; (vi) to establish one or more funds; (vii) to change the name of the BMO ETF; (viii) to create additional series of Units of the BMO ETF and to redesignate existing series of Units of the BMO ETF, unless the rights attaching to such Units are changed or are adversely affected thereby; (ix) to provide added protection to Unitholders; or (x) if in the opinion of the Manager, the amendment is not prejudicial to Unitholders and is necessary or desirable. Any amendments to the Declaration of Trust made by the Manager without the consent of Unitholders will be disclosed in the next regularly scheduled report to Unitholders.

#### **Reporting to Unitholders**

The BMO ETF's fiscal year is the calendar year or such other fiscal period permitted or deemed under the Tax Act. The annual financial statements of the BMO ETF shall be audited by the BMO ETF's 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, which is one of the financial reporting frameworks included in Canadian generally accepted accounting principles. The Manager will ensure that the BMO ETF complies with all applicable reporting and administrative requirements.

The Manager, on behalf of the BMO ETF, will furnish Unitholders of the BMO ETF with unaudited interim financial statements, audited annual financial statements, interim MRFPs and the most recently filed annual MRFPs of the 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 ETF occurring in December of each calendar year.

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

## TERMINATION OF THE BMO ETF

The BMO ETF may be terminated by the Manager on at least 60 days' notice to Unitholders of such termination and the Manager will issue a press release in advance thereof. Upon termination of the 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 "Redemption and Exchange of Units" will cease as and from the date of termination of the BMO ETF.

## PRINCIPAL HOLDERS OF SECURITIES

CDS & Co., the nominee of CDS, is the registered owner of all of the Units, which it holds for various brokers and other persons on behalf of their clients and others. From time to time, the Manager, an affiliate of the Manager or an investment fund managed by the Manager or an affiliate of the Manager may beneficially own, directly or indirectly, more than 10% of the Units of the BMO ETF.

## INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Manager, on behalf of the BMO ETF, may enter into various Continuous Distribution Agreements with registered dealers (that may or may not be Designated Brokers) pursuant to which the Dealers may subscribe for Units of the BMO ETF as described under "Purchases of Units – Issuance of Units".

No Designated Broker has been involved in the preparation of this prospectus or has performed any review of the contents of this prospectus and, as such, no Designated Broker has performed many of the usual underwriting activities in connection with the distribution by the BMO ETF of Units under this prospectus. Units do not represent an interest in or an obligation of any Designated Broker or Dealer or any affiliate thereof and a Unitholder does not have any recourse against any such parties in respect of amounts payable by the BMO ETF to the applicable Designated Broker or Dealer. See "Organization and Management of the BMO ETF – Conflicts of Interest".

The Manager will receive fees for its services to the BMO ETF. See "Fees and Expenses".

## PROXY VOTING DISCLOSURE FOR PORTFOLIO SECURITIES HELD

The Manager is responsible for the voting of proxies on behalf of the BMO ETF and must vote such proxies in the best interests of the BMO ETF and its securityholders.

The Manager, in its capacity as portfolio manager of the BMO ETF, provides engagement and proxy voting services using its Responsible Investment Team ("**RI Team**"), comprised of environmental, social and governance ("**ESG**") experts, and any other existing or future resources appropriate for this purpose. The RI Team works alongside, but independently from, the Manager's portfolio management team. The RI Team undertakes engagement activities as well as proxy voting research and analysis, and also supports the development of the Manager's publicly available Corporate Governance Guidelines ("**CGG**") and Expectations on Environmental, Social and Governance Practices, which set out the Manager's expectations of companies regarding ESG practices to create financial value and mitigate financial risk and guide the Manager's voting on ESG matters. The RI Team focuses on engagement with North American investee companies and actively votes at meetings for companies in the Canadian market. The Manager has retained responsible engagement overlay ("**reo**"), a third party service provider, to provide it with engagement and proxy voting services in international markets and to execute votes on its behalf in keeping with the CGG. The RI Team monitors and can override any reo® voting instructions across all markets.

The Manager has established proxy voting policies and procedures for the BMO ETF, 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 ETF receive proxy materials for an issuer.

In providing proxy voting services, the Manager through reo® uses 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® need guidance on the standing voting directions or when the RI Team wishes to further consider how to vote on certain matters, the RI Team will provide specific instructions on how to proceed.

Although the RI Team generally adheres to the Proxy Voting Guidelines in executing votes and 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, the Manager may depart from the Proxy Voting Guidelines in order to avoid voting decisions that may be contrary to the best interests of the BMO ETF and its securityholders.

The RI Team actively engages investee companies prior to, during and after proxy season to inform voting decisions and to better understand and discuss each company’s management of its ESG-related risks and opportunities.

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) a standing policy for dealing with routine matters on which the BMO ETF may vote, such as election of directors, appointment of auditors and an issuance of shares;
- (b) the circumstances under which the BMO ETF will deviate from the standing policy for routine matters. For example, the Proxy Voting Guidelines provide that the BMO ETF will typically support management’s recommendation regarding appointing auditors, but may vote against such recommendation where auditor independence is in question;
- (c) the policies under which, and the procedures by which, the 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 ETF will typically support incumbent management provided that the financial terms, synergistic benefits and management quality are sound; and
- (d) procedures to ensure that the BMO ETF’s portfolio securities are voted in accordance with the BMO ETF’s instructions, including the Proxy Voting Guidelines.

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

- (a) 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;
- (b) voting proxies at a Bank of Montreal or an affiliate’s shareholder meeting (including meetings of investment funds managed by the Manager or an affiliate) 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;
- (c) 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;
- (d) voting proxies at a company’s shareholder meeting with a potential voting outcome that favours one client (including one investment fund) over another; and
- (e) voting proxies at a company’s shareholder meeting where different portfolio managers at the Manager prefer different voting outcomes.

The securities of the Underlying Funds held by the BMO ETF that the Manager, or one of its affiliates or associates, manage will not be voted unless, at the Manager's discretion, the Manager arranges for securities of the Underlying Fund to be voted by the securityholders of the BMO ETF.

The Proxy Voting Guidelines of the Manager are available upon request, at no cost, by calling 1-800-668-7327 or by writing to the Manager at 100 King Street West, 43rd Floor, Toronto, Ontario M5X 1A1.

The 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 securityholder of the BMO ETF upon request at any time after August 31 of the relevant year by calling 1-800-668-7327. The proxy voting record is also available on the BMO ETF's designated website at [www.bmo.com/gam/ca/advisor/legal-and-regulatory](http://www.bmo.com/gam/ca/advisor/legal-and-regulatory).

## **MATERIAL CONTRACTS**

The following contracts can reasonably be regarded as material to purchasers of Units:

- (a) the Declaration of Trust; and
- (b) the Custodian Agreement.

Details of the Declaration of Trust can be found under "Organization and Management Details of the BMO ETF – Trustee, Manager, and Promoter of the BMO ETF – Details of the Declaration of Trust". Details of the Custodian Agreement can be found under "Organization and Management Details of the BMO ETF – Custodian". Copies of the agreements referred to above may be inspected during business hours at the registered office of the Manager.

## **LEGAL AND ADMINISTRATIVE PROCEEDINGS**

The BMO ETF is not involved in any legal proceedings nor is the Manager aware of existing or pending legal or arbitration proceedings involving the BMO ETF.

## **EXPERTS**

Blake, Cassels & Graydon LLP, legal counsel to the BMO ETF and the Manager, has provided certain legal opinions on the principal Canadian federal income tax considerations that apply to an investment in the Units by an individual resident in Canada. See "Income Tax Considerations" and "Eligibility for Investment".

The auditor of the BMO ETF is PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, who has prepared an independent auditor's report as follows:

- Dated August 28, 2025 in respect of the statement of financial position of the BMO ETF as at August 28, 2025.

PricewaterhouseCoopers LLP has advised that they are independent with respect to the BMO ETF within the meaning of the CPA Code of Professional Conduct of the Chartered Professional Accountants of Ontario.

## **EXEMPTIONS AND APPROVALS**

The BMO ETF has obtained exemptive relief from the Canadian securities regulatory authorities to permit the particular practices and relieve the BMO ETF of particular legal requirements as follows:

- (a) to permit the purchase by a Unitholder of more than 20% of the Units of the BMO ETF through purchases on the Exchange without regard to the take-over bid requirements of Canadian Securities Legislation,

provided that any such Unitholder, and any person or company acting jointly or in concert with the Unitholder, undertakes to the Manager to not exercise any votes attached to the Units held by the Unitholder which represent more than 20% of the votes attached to the outstanding Units of the BMO ETF at any meeting of Unitholders;

- (b) to permit the purchase and sale of Units of the BMO ETF on the Exchange, which precludes the transmission of purchase or redemption orders to the order receipt offices of the BMO ETF;
- (c) to permit the payment for the issuance of Units of the BMO ETF to be made partially in cash and partially in securities, provided that the acceptance of securities as payment is made in accordance with subparagraphs 9.4(2)(b)(i) and 9.4(2)(b)(ii) of NI 81-102;
- (d) to permit the redemption of less than the Prescribed Number of Units of the BMO ETF at a price equal to 95% of the closing price of the Units of the BMO ETF on the Exchange;
- (e) to relieve the BMO ETF from the requirement relating to the record date for the payment of distributions, provided that the BMO ETF complies with applicable Exchange requirements;
- (f) to relieve the BMO ETF from the requirement that a prospectus contain a certificate of the underwriters;
- (g) to permit the Lipper Fund Awards and Lipper Leader Ratings to be referenced in sales communications relating to the BMO ETF, subject to certain conditions;
- (h) to permit the FundGrade A+ Awards and FundGrade Ratings to be referenced in sales communications relating to the BMO ETF, subject to certain conditions;
- (i) to permit the BMO ETF to settle primary market trades in Units of the BMO ETF no later than the third business day after the date upon which pricing for the Units is determined if the BMO ETF invests a portion of its portfolio assets in T+3 Securities;
- (j) to permit the BMO ETF to exclude from consideration as an “illiquid asset”, for the purpose of the restrictions in section 2.4 of NI 81-102, certain fixed income securities that qualify for, and may be traded pursuant to, the exemption from the registration requirements of the United States Securities Act of 1933 as set out in Rule 144A promulgated thereunder, for resales of certain securities to “qualified institutional buyers” as such term is defined in that act, subject to certain conditions; and
- (k) to permit the BMO ETF to invest in securities of Underlying Funds listed for trading on a stock exchange in the U.S. in cases where the securities are not index participation units (as defined in NI 81-102) and the Underlying Funds are not subject to NI 81-102 and are not reporting issuers in any province or territory of Canada.

#### **PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase ETF securities within 48 hours after the receipt of a confirmation of a purchase of such securities. In several of the provinces and territories of Canada, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation, or for non-delivery of the applicable ETF Facts, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory.

The Manager has obtained exemptive relief from the requirement in securities legislation to include an underwriter's certificate in the prospectus under a decision pursuant to National Policy 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions*. See “Exemptions and Approvals”. As such, purchasers of Units of the BMO ETF will not be able to rely on the inclusion of an underwriter's certificate in the prospectus or any amendment

for the statutory rights and remedies that would otherwise have been available against an underwriter that would have been required to sign an underwriter's certificate.

The purchaser 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.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Additional information about the BMO ETF is or will be available in the following documents:

- (a) the most recently filed ETF Facts for each series of Units of the BMO ETF;
- (b) the most recently filed comparative annual financial statements of the BMO ETF, together with the accompanying report of the auditor;
- (c) any interim financial statements of the BMO ETF filed after the most recently filed comparative annual financial statements of the BMO ETF;
- (d) the most recently filed annual MRFP of the BMO ETF; and
- (e) any interim MRFP of the BMO ETF filed after that most recently filed annual MRFP of the BMO ETF.

These documents are incorporated by reference in this prospectus, which means that they legally form part of this document just as if they were printed as part of this document. The above documents, if filed by the BMO ETF after the date of this prospectus and before the end of the distribution hereunder, are also deemed to be incorporated by reference herein. An investor can get a copy of these documents, when available, upon request and at no cost by calling the Manager at 1-800-361-1392 or by contacting a registered dealer. These documents are or will also be available on the BMO ETF's designated website at [www.bmo.com/gam/ca/advisor/legal-and-regulatory](http://www.bmo.com/gam/ca/advisor/legal-and-regulatory).

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



## Independent auditor's report

To the Unitholder and Trustee of BMO BBB CLO ETF (the BMO ETF)

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### Our opinion

In our opinion, the accompanying financial statement presents fairly, in all material respects, the financial position of the BMO ETF as at August 28, 2025 in accordance with those requirements of International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) relevant to preparing a statement of financial position.

### What we have audited

The BMO ETF's financial statement comprises the statement of financial position as at August 28, 2025 and the notes to the financial statement, comprising material accounting policy information and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statement* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the BMO ETF in accordance with the ethical requirements that are relevant to our audit of the financial statement in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### Emphasis of matter – basis of accounting

We draw to users' attention the fact that the financial statement does not comprise a full set of financial statements prepared in accordance with IFRS Accounting Standards. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers LLP  
PwC Tower, 18 York Street, Suite 2500, Toronto, Ontario, Canada M5J 0B2  
T.: +1 416 863 1133, F.: +1 416 365 8215, Fax to mail: ca\_toronto\_18\_york\_fax@pwc.com

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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## **Responsibilities of management and those charged with governance for the financial statement**

Management is responsible for the preparation and fair presentation of the financial statement in accordance with those requirements of IFRS Accounting Standards relevant to preparing a statement of financial position, and for such internal control as management determines is necessary to enable the preparation of a financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is responsible for assessing the BMO ETF's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the BMO ETF or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the BMO ETF's financial reporting process.

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## **Auditor's responsibilities for the audit of the financial statement**

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the BMO ETF's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the BMO ETF's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the BMO ETF to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario  
August 28, 2025

# BMO BBB CLO ETF

## Statement of financial position

As at August 28, 2025 (All amounts in C\$, unless otherwise stated)

	Note	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash <sup>(a)</sup>		101
<b>Total assets</b>		<b>101</b>
<b>Net assets attributable to holder of redeemable units</b>		
(1 unit issued and redeemable for the following series)		
Hedged Units	6	30
CAD Units	6	30
USD Units <sup>(a)</sup>	6	41
<b>Net assets attributable to holder of redeemable units (per unit)</b>		
Hedged Units		30
CAD Units		30
USD Units <sup>(a)</sup>		30

(a) All information is stated in Canadian dollars except for net assets attributable to holders of USD Units and net assets attributable to holders of redeemable units per USD Unit, which are stated in U.S. dollars. The exchange rate of US\$1.00=C\$1.38 has been used to determine the amount (in Canadian dollars) of cash held by the BMO ETF.

The notes on pages F-4 to F-7 are an integral part of this financial statement.

Approved on behalf of the Board of Directors of BMO Asset Management Inc.

(Signed) "William Bamber"  
William Bamber

(Signed) "Asma Panjwani"  
Asma Panjwani

## Notes to the statement of financial position

August 28, 2025

*(all amounts stated in Canadian dollars unless otherwise stated)*

### 1. General information

BMO BBB CLO ETF (the “**BMO ETF**”) is an exchange traded mutual fund established as a trust under the laws of the Province of Ontario on August 28, 2025 pursuant to an amended and restated declaration of trust dated as of August 28, 2025, as may be amended or amended and restated from time to time. BMO Asset Management Inc. (the “**Manager**”) is the trustee, manager, and promoter of the BMO ETF and is responsible for the administration of the BMO ETF. The Manager is a wholly owned subsidiary of the Bank of Montreal.

The address of the BMO ETF’s registered office is 100 King Street West, 43rd floor, Toronto, Ontario, M5X 1A1.

The BMO ETF’s objective is to provide income, while at the same time preserving capital, by investing, directly or indirectly, primarily in a diversified portfolio of BBB-rated collateralized loan obligations (“**CLOs**”) of issuers domiciled outside of Canada.

The statement of financial position was authorized for issue by the Board of Directors of the Manager on August 28, 2025.

### 2. Material accounting policy information

The material accounting policy information applied in the preparation of the statement of financial position are set out below.

#### 2a) Basis of preparation

The financial statement of the BMO ETF has been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“**IFRS Accounting Standards**”) relevant to preparing such a financial statement. The financial statement of the BMO ETF has been prepared under the historical cost convention, except for the valuation of financial instruments which is at fair value.

The net asset value (NAV) is the value of the total assets of the BMO ETF less the value of its total liabilities determined, on each valuation day, in accordance with Part 14 of National Instrument 81-106 *Investment Fund Continuous Disclosure* for the purpose of processing unitholder transactions. Net assets are determined in accordance with IFRS Accounting Standards.

#### 2b) Functional and presentation currency

The statement of financial position of the BMO ETF is presented in Canadian dollars, which is the BMO ETF’s functional currency.

#### 2c) Financial instruments

The BMO ETF records financial instruments at fair value. Investment transactions are accounted for on the trade date.

Cash is comprised of cash and deposits with banks, which may include banker acceptances and overnight demand deposits. The carrying amount of cash approximates its fair value because it is short-term in nature.

International Accounting Standard 32 *Financial Instruments: Presentation* requires the obligation for net assets attributable to holders of redeemable units of the BMO ETF to be presented at the redemption amount. The units of the BMO ETF are redeemable at the option of the holder in accordance with the terms described in note 5.

## **2d) Classification of redeemable units**

Redemption of units at 95% of the NAV for some unitholder redemptions results in a situation where the redemption value of this puttable instrument is not based substantially on the net assets of the BMO ETF. As a result, the BMO ETF's obligations for net assets attributable to a holder of redeemable units are classified as financial liabilities and presented at the redemption amounts.

## **3. Fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying value of the obligation for net assets attributable to holders of redeemable units for the BMO ETF approximates its fair value.

## **4. Risks associated with financial instruments**

The BMO ETF's overall risk management program seeks to maximize the returns derived for the level of risk to which the BMO ETF is exposed and seeks to minimize potential adverse effects on the BMO ETF's financial performance.

### **Credit risk**

The BMO ETF is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. As at August 28, 2025, the credit risk is considered limited as the cash balance represents a deposit with an AA-rated financial institution.

### **Liquidity risk**

Liquidity risk is the risk that the BMO ETF will encounter difficulty in meeting obligations associated with financial liabilities. The BMO ETF maintains sufficient liquidity to fund anticipated redemptions.

### **Capital risk management**

The capital of the BMO ETF is represented by the net assets attributable to holders of redeemable units. The amount of net assets attributable to holders of redeemable units can change significantly subject to the amount and frequency of subscriptions and redemptions at the discretion of unitholders. On any trading day, unitholders may redeem units of the BMO ETF for cash at a redemption price per unit equal to the lesser of: (i) 95% of the closing price for the units on Cboe Canada, as applicable, on the effective day of the redemption; and (ii) the net asset value per Unit on the effective day of the redemption.

In order for cash redemption to be effective on a trading day, a cash redemption request in the form prescribed by the Manager from time to time must be delivered to the BMO ETF at its registered office by 9:00 a.m. (EST) on the trading day (or such later time on such trading day as the Manager may permit). In addition, unitholders may exchange their units for baskets of securities and/or cash, as applicable. To affect an exchange of units, a unitholder must submit an exchange request in the form prescribed by the Manager from time to time to the BMO ETF at its registered office by 9:00 a.m. (EST) on a trading day (or such later time on such trading day as the Manager may permit). The exchange price is equal to the NAV of the units on the effective day of the exchange request, payable by delivery of baskets of securities and/or cash, as applicable.

## **5. Redeemable units**

The capital of the BMO ETF is represented by issued redeemable units with no par value. The units are entitled to distributions, if any, and to a proportionate share of the net assets attributable to the unitholders. In accordance with its investment objective and strategies, and the risk management practices outlined in Note 4, the BMO ETF endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to

meet redemptions, such liquidity being augmented by short-term borrowings or disposal of investments where necessary. The BMO ETF is authorized to issue an unlimited number of units.

On any trading day, a Designated Broker or Dealer may place a subscription or exchange order for the prescribed number of units (or an integral multiple thereof) of the BMO ETF. For the BMO ETF, a trading day is a day on which the Exchange is open for business and on which the primary market or exchange for the majority of the securities held by the BMO ETF is open for trading.

If the subscription or exchange order is accepted, the BMO ETF will issue or exchange units to/from the Designated Broker or Dealer (i) by no later than the third business day after the date on which the order is accepted, if the BMO ETF that invests 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, (ii) by no later than the second business day after the date on which the order is accepted, if the BMO ETF does not 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, or (iii) in such shorter period than specified under (i) or (ii) as may be determined by the Manager in response to changes in applicable law or general changes to settlement procedures in applicable markets, provided that payment for such units has been received. For each prescribed number of units issued or exchanged, the Designated Broker or Dealer must deliver or receive payment consisting of, in the Manager's discretion:

- (a) a basket of applicable securities and cash in an amount sufficient so that the value of the securities and the cash received is equal to the NAV of the units issued or exchanged; or
- (b) cash in an amount equal to the NAV of the units issued or exchanged.

Units exchanged for a Basket of Securities will be exchanged at a price equal to the NAV of the units on the effective date of the exchange request, payable by delivery of baskets of securities and cash. The units will be redeemed in the exchange. On any trading day, unitholders may redeem units of the BMO ETF for cash. Units redeemed for cash will be redeemed at a redemption price per unit equal to the lesser of: (i) 95% of the closing price for the units on the Exchange on the effective day of the redemption; and (ii) the net asset value per unit on the effective day of the redemption.

The NAV per unit of a series for the purposes of subscription, redemption or exchange is computed by dividing the NAV of each series of the BMO ETF (that is, the total fair value of the assets attributable to each series of the BMO ETF less the liabilities attributable to the series) by the total number of units of the relevant series of the BMO ETF outstanding at such time on each Valuation Date, in accordance with Part 14 National Instrument 81-106 *Investment Fund Continuous Disclosure* for the purpose of processing unitholder transactions. Net assets are determined in accordance with IFRS Accounting Standards and may differ from the BMO ETF's NAV. As at August 28, 2025, there is no difference between net assets and NAV of the BMO ETF.

## 6. Related party transactions

The BMO ETF's investment activities are managed by the Manager. BMO Investments Inc., an affiliate of the Manager, has purchased the initial units of the BMO ETF as summarized in the table below:

	Units	Consideration	Price per Unit
BMO BBB CLO ETF (CAD Units)	1	C\$30	C\$30
BMO BBB CLO ETF (Hedged Units)	1	C\$30	C\$30
BMO BBB CLO ETF (USD Units)	1	US\$30	US\$30

The BMO ETF will pay management fees, in accordance with the Declaration of Trust, to the Manager, and the Manager is entitled to a management fee as set forth in the table below based on the average daily net asset value of the BMO ETF. The management fee, plus applicable taxes including HST, is accrued daily and paid quarterly in arrears. The Manager may, from time to time in its discretion, waive a portion of the management fee charged.

	Annual Management Fee (%)
BMO BBB CLO ETF (each series)	0.40

BMO Investments Inc. may not exchange the initial unit of any series of the BMO ETF that it purchased on August 28, 2025 until the BMO ETF has received total subscriptions with a value of \$500,000 from other investors in the relevant series.

**CERTIFICATE OF THE BMO ETF, THE MANAGER AND THE PROMOTER**

Dated: August 28, 2025

This prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador, Yukon Territory, Northwest Territories and Nunavut.

**BMO ASSET MANAGEMENT INC.  
as Manager and Trustee of the BMO ETF**

*(Signed) "William Bamber"*

*(Signed) "Nelson Avila"*

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WILLIAM BAMBER  
Acting in the capacity of  
Chief Executive Officer

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NELSON AVILA  
Chief Financial Officer

**On behalf of the Board of Directors of BMO Asset Management Inc.**

*(Signed) "Sara Petrcich"*

*(Signed) "Asma Panjwani"*

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SARA PETRCICH  
Director

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ASMA PANJWANI  
Director

**BMO ASSET MANAGEMENT INC.  
as Promoter of the BMO ETF**

*(Signed) "William Bamber"*

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WILLIAM BAMBER  
Acting in the capacity of Chief Executive Officer