

# Simplified Prospectus

**November 29, 2024**

**BMO Alternative Mutual Fund**  
BMO Private Strategic Rate Fund I (series A)

The BMO Mutual Fund in this simplified prospectus is offered by BMO Investments Inc.

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

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

**The fund and the securities of the fund offered under this simplified prospectus are not registered with the United States Securities and Exchange Commission and they are sold in the United States only in reliance on exemptions from registration.**

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## Introduction

In this document, “we”, “us”, “our” and the “manager” refer to BMO Investments Inc. We refer to all of the mutual funds we offer as “**BMO Mutual Funds**”. We refer to the fund offered under this simplified prospectus as the “**fund**”. We refer to a unit or the units of the fund as “**unit**” or “**units**”. We also refer to units as “**securities**” and holders of units as “**securityholders**”. We refer to mutual funds, exchange traded funds or other investment funds that the fund may invest in as an “**underlying fund**” or “**underlying funds**”.

When you invest in the fund, you are buying units of a trust and become a “**unitholder**”.

This simplified prospectus contains selected important information to help you make an informed investment decision and understand your rights as an investor. It’s divided into two parts. The first part, from pages 2 to 45, contains general information applicable to the fund. The second part, from pages 48 to 69, contains specific information about the fund described in this simplified prospectus. You’ll find more information about the fund in the following documents:

- the most recently filed fund facts document;
- the most recently filed annual financial statements, together with the accompanying report of the auditor;
- any interim financial statements filed after the most recently filed annual financial statements;
- the most recently filed annual management report of fund performance; and
- any interim management report of fund performance filed after that annual management report of fund performance.

These documents are incorporated by reference into this simplified prospectus, which means they legally form part of this simplified prospectus just as if they were printed as part of this document. The above documents, if filed by the fund after the date of this simplified prospectus and before the end of the distribution hereunder, are also deemed to be incorporated by reference herein.

There’s no charge for these documents. You’ll also find copies of them, and other information about the fund, on the fund’s designated website for legal and regulatory documents at [www.bmogam.com/ca-en/resources/legal-and-regulatory-documents/](http://www.bmogam.com/ca-en/resources/legal-and-regulatory-documents/) and at [www.sedarplus.ca](http://www.sedarplus.ca).

If you would like a copy of these documents and you purchased your securities through a dealer, or for more information about the fund, please call toll free at 1-800-668-7327 or visit our website:

In English: [www.bmogam.com/ca-en/investor/](http://www.bmogam.com/ca-en/investor/)

En français: [www.bmogam.com/ca-fr/investisseur/](http://www.bmogam.com/ca-fr/investisseur/)

## Important terms

While we've made the fund description easy to understand, you'll come across a few specific terms. Here's what they mean.

**Adjusted Cost Base ("ACB"):** The cost of a security adjusted in accordance with the Tax Act.

**BMO Mutual Funds:** All of the mutual funds offered by BMO Investments Inc., as manager.

**Capital Gain:** Generally, the amount an investment has risen in value since it was bought. A capital gain is realized when the investment is sold. Net capital gains are capital gains after deducting capital losses.

**Capitalization:** Market capitalization is the value of a company, generally measured by multiplying the price of its common equity shares by the number of shares outstanding.

**CRA:** The Canada Revenue Agency.

**Derivatives:** Specialized investments like forward contracts, futures, options and swaps whose value is based on the value of another investment called an underlying investment. See page 16 for more information.

**ESG:** Environmental, social and governance.

**ETF:** Exchange traded fund.

**ETF Series:** Exchange traded series of securities offered by certain BMO Mutual Funds.

**FHSA:** First home savings account.

**Fixed Income Securities:** Investments that pay a fixed rate of interest. They're usually corporate and government bonds.

**fund:** The mutual fund offered under this simplified prospectus.

**GIC:** Guaranteed investment certificate.

**Hedging:** A transaction intended to offset risk.

**IRC:** The independent review committee of the fund.

**LIF:** A type of RRIF that can be used to hold locked-in pension funds.

**Liquidity:** How easy it is for the fund to buy and sell a security, like a stock or a bond. The easier it is, the more liquid the investment.

**LRIF:** A type of RRIF that can be used to hold locked-in pension funds.

**Management Expense Ratio (“MER”):** The management expense ratio represents and is based on management fees and operating expenses (excluding commissions and other portfolio transaction costs) expressed as an annualized percentage of the daily average NAV of each series of the fund.

**manager, we or us:** BMO Investments Inc., a wholly-owned, indirect subsidiary of Bank of Montreal.

**Maturity:** The day on which investments like bonds or derivative contracts come due for payment.

**Mutual Fund Series:** All series of securities of a BMO Mutual Fund other than an ETF series.

**Net Asset Value (“NAV”):** The net asset value of the fund or the net asset value per security of each series of securities of the fund determined in accordance with the fund’s constating documents.

**NI 81-102:** National Instrument 81-102 *Investment Funds*, as the same may be amended or replaced from time to time.

**NI 81-107:** National Instrument 81-107 *Independent Review Committee for Investment Funds*, as the same may be amended or replaced from time to time.

**No Load:** No sales or redemption charges are paid by investors on the purchase or sale of Series A securities.

**RDSP:** Registered disability savings plan.

**registered plan:** A RRSP, RRIF (including a LIF or LRIF), RDSP, RESP, TFSA, DPSP or FHSA.

**RESP:** Registered education savings plan.

**Return of Capital (“ROC”):** The fund can generally choose to make a distribution that is a ROC. Also, a mutual fund trust will be considered to distribute a ROC if it distributes more than its net income and net realized capital gains. In any case, a ROC distribution is not included in your taxable income, but instead reduces the ACB of the securities on which it was paid. When you eventually redeem the securities, you may realize a larger capital gain (or smaller capital loss). If the ACB of your securities is reduced to less than zero while you continue to hold them, you will be deemed to realize an immediate capital gain equal to the negative amount and your ACB will be increased to zero. A ROC distribution should not be confused with return on investment or “yield”. You should not draw any conclusions about the fund’s investment performance from the amount of ROC it distributes.

**RRIF:** Registered retirement income fund.

**RRSP:** Registered retirement savings plan

**securities:** Units or shares.

**securityholders:** Holders of shares or units.

**TFSA:** Tax-free savings account.

**Tax Act:** The *Income Tax Act* (Canada) and the regulations promulgated thereunder, as the same is currently in force and may hereafter be amended from time to time.

**Trading Expense Ratio (“TER”):** The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of the daily average NAV of each series of the fund.

**Trustee:** BMO Investments Inc. as the trustee of the fund.

**TSX:** Toronto Stock Exchange.

**underlying funds:** Mutual funds, ETFs or other investment funds that the fund may invest in.

**unit or units:** A unit or the units of certain funds.

**unitholder:** Holders of units of the fund. Investors in the fund are considered unitholders.

**Valuation Day:** Any day that the TSX is open for trading or such other time as we may from time to time determine to be a day for valuation for any fund.

**Volatility:** The amount of uncertainty or risk about the size of changes in a security’s value. A higher volatility means that a security’s value can potentially be spread out over a larger range of values. This means that the price of the security can change more dramatically in either direction, compared to a security with lower volatility.

## Responsibility for mutual fund administration

**This section tells you about the companies that are involved in managing or providing services to the fund.**

### Manager

As manager of the fund, we are responsible for the day-to-day management and administration of the fund and its investment portfolio in compliance with the fund’s constating documents (i.e., the declaration of trust). In addition, we are the principal distributor of the fund. We have taken the initiative in creating the fund and may be considered the promoter of the fund. Our registered and principal office is located at:

100 King Street West, 43rd Floor  
Toronto, Ontario  
M5X 1A1

**1-800-668-7327**

**[mutualfunds@bmo.com](mailto:mutualfunds@bmo.com)**

If you purchased your securities through a dealer, or for more information about the fund, you can direct your inquiries to our administration office by calling us toll free at 1-800-668-7327 or through our website at **[www.bmogam.com/ca-en/investor/](http://www.bmogam.com/ca-en/investor/)**.

The address of our administration office is located at:

250 Yonge Street, 8<sup>th</sup> Floor  
 Toronto, Ontario  
 M5B 2M8

### ***Management agreement***

The amended and restated master management agreement dated as of August 25, 2023, together with an amended and restated Schedule “A” dated as of November 29, 2024, an amended and restated Schedule “B” dated as of November 29, 2024 and an amended and restated Schedule “C” dated as of November 29, 2024, in respect of the fund (as defined under *Name, formation and history of the fund* on page 59) (the “**Master Management Agreement**”) determines how we administer the fund’s day-to-day operations, supervise the fund’s investments, help manage the investment and reinvestment of assets and distribute or cause to be distributed securities of the fund. The Master Management Agreement also provides that we are entitled to management fees in return for our services. We are supervised by, and act on behalf of, the Trustee of the fund. The Master Management Agreement may be terminated at any time by the fund or by us in respect of the fund by not less than 90 days’ prior notice in writing.

We use our best efforts to help the fund make suitable investments consistent with its objectives and strategies. We are under an obligation to be fair and reasonable in all of our management responsibilities.

We may hire experts to provide investment advice and portfolio management services for the fund. We may designate any officers or employees of the fund, and compensate them.

We may engage registered dealers to distribute securities of the fund to the public.

### ***Directors and executive officers of the manager***

Below are the names of the directors and executive officers of BMO Investments Inc., along with their municipalities of residence and their current positions and offices held with BMO Investments Inc.:

<b>Name and municipality of residence</b>	<b>Position with the manager</b>
NELSON C. AVILA Toronto, Ontario	Chief Financial Officer
WILLIAM E.P. BAMBER Toronto, Ontario	Head and Ultimate Designated Person, Investment Fund Manager Line of Business, and Director
MICHAEL E. BONNER Toronto, Ontario	Head, Ultimate Designated Person, Mutual Fund Dealer Line of Business, and Director
SALVATORE CONIGLIO Toronto, Ontario	Chief Anti-Money Laundering Officer
DENISE (CARSON) FERNANDES Toronto, Ontario	Chief Compliance Officer, Investment Fund Manager Line of Business

Name and municipality of residence	Position with the manager
BENJAMIN K. IRAYA Oakville, Ontario	Corporate Secretary
CHRIS MULLIN Toronto, Ontario	Chief Compliance Officer, Mutual Fund Dealer Line of Business
GILLES G. OUELLETTE Toronto, Ontario	Chair and Director
ASMA PANJWANI Toronto, Ontario	Head, Client Management and Distribution
SARA PETRCICH Toronto, Ontario	Head of Exchange Traded Funds and Structured Solutions, and Director
ROBERT J. SCHAUER Toronto, Ontario	Head Investment Funds Operations and Director
FLORA YUNG Markham, Ontario	Director

The securities of underlying funds held by the fund, or a fund that we, or one of our affiliates or associates, manage will not be voted unless, at our discretion, we arrange for securities of the underlying fund to be voted by the securityholders of the fund.

### Portfolio adviser

We have hired a portfolio manager to help us manage the fund. As set out in our agreement with the portfolio manager, the portfolio manager helps us formulate policies and strategies of the fund and provides specific investment recommendations from time to time. Under our direction, they buy and sell investments according to the objectives and strategies of the fund and the criteria approved by the Trustee. At their own expense, they may retain sub-advisors and securities brokers in any country. However, we are responsible at all times for managing the fund's portfolios, and we are answerable to the Trustee.

In respect of the fund, we have an agreement with the portfolio manager. The agreement with the portfolio manager prescribes the duties and powers of the portfolio manager, including setting benchmarks and investment policies, stipulating the standard of care each shall exercise and deciding upon the frequency and nature of reports to be furnished to the manager and to State Street Trust Company Canada (in such capacity, the "**Custodian**"). The portfolio manager is obliged to adhere to all applicable legislative and regulatory requirements and such other guidelines and restrictions as the manager may stipulate. We pay the portfolio manager a fee for their services.

The table below shows the current portfolio manager, the municipality of their principal place of business, their relationship to the manager, and the number of days required to terminate the agreement with them.



Portfolio Manager	Municipality	Relationship to BMO Investments Inc.	Termination Notice Required
BMO Asset Management Inc. (“BMOAM”)	Toronto, Ontario	BMOAM is a wholly-owned, indirect subsidiary of Bank of Montreal, the parent company of BMO Investments Inc.	60 days

Investment decisions are made by a team at BMOAM. The team has lead person and investment decisions are subject to the oversight of a committee.

The table below provides information about the fund’s portfolio manager, as well as the individual(s) who make investment decisions for the fund.

Fund	Portfolio Manager	Individual(s) Making Investment Decisions
BMO Private Strategic Rate Fund I	BMOAM	Duy Le Olivia (Shiwen) Pei Jimmy Xu

The table below contains descriptions of the individuals who make investment decisions for the fund, their titles, and their role in the investment decision-making process.

Name and Title	Role in Investment Decision-Making Process
Duy Le Senior Associate, Portfolio Manager BMOAM	Member of Synthetic Asset Management Team, responsible for structuring and analysis of synthetic asset portfolios and derivatives strategies.
Olivia (Shiwen) Pei Portfolio Manager BMOAM	Member of Structured Solutions and Non Linear ETF teams, responsible for analysis, research and portfolio management for portfolios with derivatives strategies.
Jimmy Xu Head of Liquid Alternatives BMOAM	Leader of the Non-Linear ETF Team, responsible for strategy, portfolio management, and research of equity portfolios with a focus on derivatives strategies.

### Brokerage arrangements

The portfolio adviser that is responsible for making trades on behalf of the fund makes decisions as to the purchase and sale of fund securities, including units of the underlying funds and other assets of the fund (such as cash and term deposits), as well as making decisions regarding the execution of portfolio transactions of the fund, including the selection of market, broker and the negotiation of commissions.

#### Portfolio Adviser

#### **BMOAM**

BMOAM receives goods or services from dealers or brokers in exchange for directing brokerage transactions to such dealers or brokers. The types of goods and services received are order execution

goods and services such as data analysis, software applications and data feeds, and may also include research related to order execution. Research provided by an executing dealer or broker may include: (i) advice as to the value of securities and the advisability of effecting transactions in securities; and (ii) analyses and reports concerning securities, issuers, industries, portfolio strategy or economic or political factors and trends that may have an impact on the value of securities. This research is provided by the executing dealer directly, and not by a party other than the executing dealer.

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

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

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

A list of any other dealer or broker that provides order execution goods and services can be provided upon request. Please call us toll free at 1-800-668-7327 or visit our website at [www.bmogam.com/ca-en/investor/](http://www.bmogam.com/ca-en/investor/).

### **Principal distributor**

BMO Investments Inc. also acts as the principal distributor of the fund. There is a governance and process team responsible for training courses, materials and the sale and distribution of the fund, and the fund's compliance department overseeing trading surveillance, regulatory changes and transactions involving actual or potential conflicts of interest.

**Trustee**

BMO Investments Inc. is the trustee for the fund (in such capacity, the “**Trustee**”) and its registered and principal office is located in Toronto, Ontario. The Trustee has the exclusive authority over the assets and affairs of the fund. It has a fiduciary responsibility to act in the best interests of the unitholders of the fund. The fund is administered in its day-to-day operations by the manager.

**Custodian**

State Street Trust Company Canada is the Custodian of the fund, and its principal office is located in Toronto, Ontario. As Custodian, it holds the cash and securities of the fund pursuant to a custodian contract effective as of June 1, 2018, as amended, restated or supplemented from time to time, among the manager, BMOAM, on behalf of the investment funds it manages, and the Custodian (the “**Custodian Agreement**”). The Custodian is not affiliated with the manager.

The Custodian Agreement may be terminated by any party upon 90 days’ written notice to the other parties unless a different period is agreed to in writing by the parties. The manager may terminate the Custodian Agreement immediately in respect of itself and the fund upon written notice to the Custodian if (i) the Custodian ceases to be qualified to act as a custodian of the fund pursuant to NI 81-102, (ii) there is a change of control of the Custodian, (iii) the manager is required by applicable law or by the direction of a securities regulatory authority to cease acting as an investment fund manager of the fund, (iv) the Custodian commits a material or persistent breach of the Custodian Agreement which is not capable of being remedied or is capable of being remedied but is not remedied within 60 days or such other period as may be agreed between the manager and the Custodian, after receiving notice from the manager requiring the same to be remedied, or (v) the Custodian becomes bankrupt or insolvent or upon the passing of a resolution for its dissolution or the issuance of an order for its dissolution or the making of a general assignment for the benefit of its creditors.

All marketable securities are held at the Custodian’s principal offices located in Toronto, Ontario, with the exception of foreign assets. Foreign assets may be held by local sub-custodians appointed by the Custodian or under their authority in various foreign jurisdictions where the fund may have assets invested. The Custodian or the sub-custodians may use the facilities of any domestic or foreign depository or clearing agency authorized to operate a book-based system. The sub-custodians appointed to hold assets of the fund will be listed in the compliance report prepared by the Custodian and filed on SEDAR+ on behalf of the fund pursuant to the requirements of NI 81-102.

**Auditor**

PricewaterhouseCoopers LLP, Chartered Professional Accountants, is the auditor of the fund and its principal office is located in Toronto, Ontario.

## **Registrar and transfer agent**

State Street Trust Company Canada is the registrar and transfer agent for the fund and its principal office is located in Toronto, Ontario. State Street Trust Company Canada is not affiliated with the manager.

In this capacity, the registrar processes orders, records all investor investment transactions, issues or cancels certificates, as applicable, issues account statements to securityholders and deals with enquiries from investors and dealers. The register of securities of the fund is kept in Toronto, Ontario.

## **Securities lending agents**

Each of State Street Bank and Trust Company and Securities Finance Trust Company (“**eSecLending**”) acts as agent for securities lending transactions for the fund. The principal office of each of State Street Bank and Trust Company and eSecLending is located in Boston, Massachusetts. Neither State Street Bank and Trust Company nor eSecLending is affiliated with the manager.

### *State Street Securities Lending Agreement*

State Street Bank and Trust Company acts as agent for securities lending transactions for the fund pursuant to a securities lending authorization agreement between the manager, on behalf of the fund, and State Street Bank and Trust Company dated as of June 12, 2018, as amended, restated or supplemented from time to time (the “**State Street Securities Lending Agreement**”).

The State Street Securities Lending Agreement sets forth the terms and conditions under which State Street Bank and Trust Company, and any of its affiliates appointed as agents of Street Bank and Trust Company pursuant to the terms of the State Street Securities Lending Agreement (Street Bank and Trust Company and such affiliates are collectively referred to as “**State Street**”), is authorized by the manager to act on behalf of the fund with respect to the lending of certain securities of the fund held by the Custodian or by State Street Bank and Trust Company as sub-custodian. Pursuant to the terms of the State Street Securities Lending Agreement, State Street determines the value of the loaned securities and the collateral on each business day to ensure that the collateral received from each borrower has a market value of not less than 105% of the market value of the loaned securities.

Pursuant to the terms of the State Street Securities Lending Agreement, State Street agrees to indemnify the fund from all direct losses, damages, liabilities, costs or expenses (“**Loss**”) actually incurred by the fund and arising directly from a claim brought, or demand made, by a third party arising from State Street’s failure to satisfy its standard of care; however, such indemnification shall not apply (i) in the event that State Street’s failure to perform is caused by events or circumstances beyond its reasonable control including, but not limited to, nationalization, expropriation, currency restriction, acts of war or terrorism, riot, revolution, acts of God or other similar event or acts, and (ii) to the extent any Loss arises from the fund’s or its agents’ negligent action or omission.

The manager, on behalf of the fund, and State Street may each at any time terminate the State Street Securities Lending Agreement upon five (5) business days’ prior written notice to the other to that effect.

### *eSecLending Lending Agreement*

eSecLending acts as agent for securities lending transactions for the fund pursuant to a securities lending authorization agreement between the manager, on behalf of the fund, and eSecLending dated as of February 22, 2024, as amended, restated or supplemented from time to time (the “**eSecLending Securities Lending Agreement**”).

The eSecLending Securities Lending Agreement sets forth the terms and conditions under which eSecLending is authorized by the manager to act on behalf of the fund with respect to the lending of certain securities of the fund held by the Custodian. Pursuant to the terms of the eSecLending Securities Lending Agreement, eSecLending determines the value of the loaned securities and the collateral on each business day to ensure that the collateral received from each borrower has a market value of not less than 105% of the market value of the loaned securities.

Pursuant to the terms of the eSecLending Securities Lending Agreement, eSecLending agrees to indemnify the fund for losses, costs, expenses, damages, charges, liabilities, demands or claims (including legal and accounting fees) (“**Losses**”) insofar as such Losses are caused by or arise directly out of (i) a material breach by eSecLending of its obligations; (ii) any inaccuracy of any representation or warranty made by eSecLending; and (iii) the negligence, bad faith, wilful misconduct or breach of the standard of care by eSecLending in the performance of its duties except, in each case, to the extent that any such Losses are caused by the negligence, bad faith or wilful misconduct of the manager or the fund.

The eSecLending Securities Lending Agreement may be terminated by each party at any time, effective immediately upon written notice of such termination to the other party if (i) any representation made by the other party in respect of the agreement shall be incorrect or untrue in any material respect when made or deemed to have been reaffirmed; (ii) the other party notifies the party of its inability to or its intention not to perform its obligations under the agreement; (iii) the other party (a) shall have failed to perform any material obligation under the agreement, and (b) shall not have cured such failure within five (5) business days after notice of such failure from the non-defaulting party; or (iv) the other party has its license, charter or other authorization necessary to conduct the services or a material portion of its activities withdrawn, suspended or revoked by any applicable federal or state government or agency thereof.

In addition, each party may terminate the eSecLending Securities Lending Agreement, effective immediately upon written notice of such termination to the other party, in the event that eSecLending notifies the manager in writing that it will not implement changes requested by the manager, or any of the fund, if eSecLending determines, in its sole discretion, that it is not commercially practicable to (i) implement changes that may be required by an entity with regulatory authority over the fund; and/or (ii) any change to (a) the agreement in order to comply with NI 81-102; or (b) the relevant internal controls and procedures of eSecLending to ensure they are adequate and appropriate.

See *Securities lending, repurchase and reverse repurchase transactions* on page 17 for more details.

## **Independent review committee and fund governance**

### ***Independent review committee***

In accordance with NI 81-107, the manager appointed an independent review committee (the “IRC”) for the BMO Mutual Funds. The IRC reviews and provides input on conflict of interest matters in respect of the manager and the BMO Mutual Funds. As required under NI 81-107, the manager has policies and procedures relating to conflicts 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 in respect of the BMO Mutual Funds;
- any standing instruction the IRC has provided to the manager pertaining to conflict of interest matters in respect of the BMO Mutual Funds; and
- the manager’s and the BMO Mutual Funds’ compliance with any conditions imposed by the IRC in a recommendation or approval it has provided to the manager.

In addition, at least annually, the IRC will review and assess the independence of its members, the compensation of its members, its effectiveness as a committee, as well as the effectiveness and contribution of each of its members. The IRC will provide the manager with a report of the results of such assessment.

The IRC currently consists of four members, who are Marlene Davidge (Chair), Jim Falle, Wendy Hannam and Jacqueline Allen. Each IRC member is independent from the manager, the fund and entities related to the manager.

The IRC prepares, at least annually, a report of its activities for securityholders and makes such reports available on the BMO Mutual Funds’ designated website at [www.bmogam.com/ca-en/resources/legal-and-regulatory-documents/](http://www.bmogam.com/ca-en/resources/legal-and-regulatory-documents/) or at the securityholder’s request and at no cost, by contacting us at [mutualfunds@bmo.com](mailto:mutualfunds@bmo.com) or writing to us at BMO Investments Inc., 100 King Street West, 43rd Floor, Toronto, Ontario, M5X 1A1. This report and other information about the IRC are also available at [www.sedarplus.ca](http://www.sedarplus.ca).

### ***Fund governance***

#### ***General oversight***

As stated above, the Trustee has the exclusive authority over the assets and affairs of the fund and is ultimately responsible for the fund. The Trustee delegates the day-to-day administration and operation of the fund to the manager.

We also have a Performance Review & Risk Oversight Committee that generally meets monthly to examine and review investment performance, the risk management process which includes documented internal policies pertaining to the measurement, monitoring, mitigation and reporting of liquidity risks within the fund and related matters in connection with the fund. This committee is responsible for the oversight of policies and procedures related to liquidity risk management. The Performance Review &

Risk Oversight Committee is comprised of at least one member who is independent of portfolio management.

We have hired certain portfolio managers to provide investment advice and portfolio management to the fund. Their activities are carefully and regularly monitored by the manager's Performance Review & Risk Oversight Committee to help ensure observance of investment guidelines, conduct and financial performance.

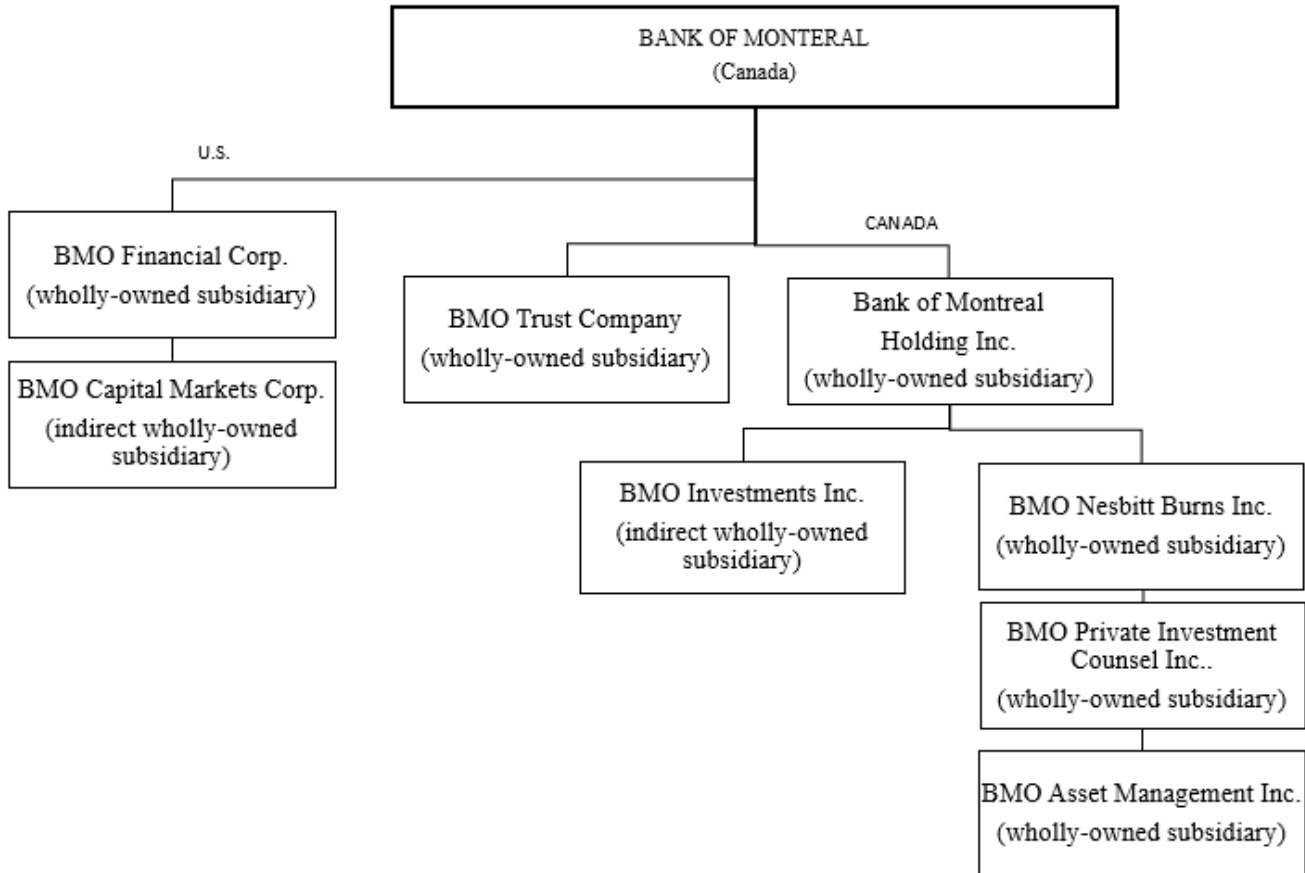
We have established appropriate policies, procedures, practices and guidelines to ensure the proper management of the fund, including the policies and procedures relating to conflict of interest matters as required by NI 81-107. Included among these policies is a personal trading policy for employees of the manager. The personal trading policy is designed to prevent potential, perceived or actual conflicts between the interests of the manager and its employees, and the interests of the fund. Under this policy, certain personnel of the manager are required to obtain prior approval before placing any trades in securities for their personal accounts in order to ensure that the trades do not conflict with the best interests of the fund and have not been made available to the employee because of his or her position, knowledge of or relationship with the fund.

#### *Risk management*

Risk management is dealt with on a number of levels. The agreement between the manager and the portfolio manager set out the objectives and strategies of the fund, the investment restrictions and policies prescribed by the Canadian securities regulatory authorities and any additional guidelines and criteria considered by the manager to be appropriate. Various measures to assess risk are used, including mark-to-market security valuation, fair value accounting, effective exposure reporting, and reconciliations of security and cash positions. Compliance monitoring of the fund's portfolios is ongoing. The fund is priced daily, which aims to ensure that the valuation accurately reflects market movements. See *General oversight* under *Fund governance* on page 13 for a description of the risk management process review of the Performance Review & Risk Oversight Committee.

#### **Affiliated entities**

The diagram below sets out the relationships among the affiliated entities that provide services to the fund or to the manager in connection with the fund. All entities below are wholly-owned by Bank of Montreal, directly or indirectly, unless otherwise indicated.



The disclosure of the amount of fees received from the fund by each affiliated entity that provides services to the fund or to the manager in relation to the fund is, or will be, contained in the audited financial statements of the fund.

### **Fund of fund**

The fund may purchase securities of underlying funds (or obtain exposure to underlying funds by entering into derivative transactions). The fund may invest in underlying funds in a manner that is consistent with the investment objectives and investment strategies of the fund, provided that there shall be no duplication of management fees chargeable in connection with securities held indirectly by the fund through its investments in underlying funds and the management fees directly charged to the fund. In the event that the fund invests in an underlying fund and the management fee payable by the underlying fund is higher than that of the fund, the fund may indirectly pay the higher management fee on the portion of the fund's assets invested in the underlying fund, regardless of whether the underlying fund is managed by us or one of our affiliates or associates or by an independent fund manager.

In some cases, when the fund invests in underlying funds it will predominantly, if not exclusively, invest in underlying funds that are managed by us or one of our affiliates or associates ("**Underlying BMO Funds**").



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

The predominant use of Underlying 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 funds and Underlying BMO Funds, potentially increasing the commercial viability of the fund and Underlying BMO Funds through an increase in assets and greater economies of scale. Despite the predominant use of Underlying BMO Funds for the reasons mentioned above, the portfolio manager has the sole discretion to select unaffiliated underlying funds in any asset class at any time even if an affiliated underlying fund exists in a similar asset class.

### **Dealer manager disclosure**

The fund is a "dealer managed investment fund" (as defined in NI 81-102) if a dealer, or a principal shareholder of a dealer, owns more than 10% of the voting rights of the portfolio adviser of the fund. Dealer managed investment funds are subject to the restrictions set out in section 4.1 of NI 81-102.

Generally, a dealer managed investment fund must not knowingly invest in a class of securities of an issuer, either in the distribution (primary offering) or in the 60-day period following the distribution (secondary market), if a related entity acted as an underwriter in the distribution of securities of that class of securities, unless certain exceptions apply (the "**related underwriting prohibition**"). In addition, a dealer managed investment fund must not knowingly invest in securities of an issuer of which a partner, director, officer or employee of the portfolio adviser is a partner, director, or officer of the issuer of the securities, unless certain exceptions apply. In both cases, an exception is made for an investment in a class of securities issued or fully and unconditionally guaranteed by the government of Canada or the government of a province or territory of Canada. Another exception is made in respect of the related underwriting prohibition if, among other things, the IRC of the fund has approved the transaction and the transaction complies with NI 81-102.

### **Policies and practices**

#### ***Derivatives trading***

The fund may use derivatives as permitted by the Canadian securities regulatory authorities for hedging or non-hedging purposes.

Derivatives may be used to participate in changes to a particular market or group of securities without purchasing the securities directly, or to temporarily reduce participation in a particular market in which the underlying fund has already invested, or to mitigate a risk associated with the portfolio assets held by the fund. The types of derivatives the fund may use include forward contracts, futures contracts, options or options on futures and swaps.

The manager allows for the use of derivatives under certain conditions and limitations. The manager has written policies and procedures in place with respect to risk management and also on the use of, and to supervise the portfolio manager in the use of, derivatives as investments within the fund. These policies and procedures are periodically reviewed by the manager.

The portfolio manager has authority to enter into derivatives transactions on behalf of the fund only as set out in this simplified prospectus and as prescribed in the respective investment management agreement with the manager. Among other limitations, all derivative transactions must adhere to the investment objectives and strategies of the fund. The portfolio manager is also required to adhere to applicable securities legislation, including the restrictions in NI 81-102, subject to any exemptive relief therefrom. While NI 81-102 rules are used as the standard for trading limits on derivative trading, individual funds may employ more conservative guidelines which, in turn, are monitored by the manager on an ongoing basis through confirmations from and due diligence of the portfolio manager. The manager monitors the activities of the portfolio manager through the receipt of quarterly compliance attestations from the portfolio manager that the fund is in compliance with securities laws relating to the use of derivatives by the fund and also conducts annual due diligence on the portfolio manager. The portfolio manager has policies and procedures in place with respect to derivatives trading which are reviewed as part of the manager's annual due diligence review. These procedures dictate the use of derivatives as investments within the fund including specific procedures for the authorization, documentation, reporting, monitoring and review of derivative strategies and positions. When using derivatives, the portfolio manager generally applies various measures to assess risk, including mark-to-market security valuation, fair value accounting, reconciliations of securities and cash positions. No stress testing is conducted specifically with respect to the derivative positions maintained by the fund. The portfolio manager, however, is required to perform a review of exposure on all of its managed portfolios, including the fund, as indicated above.

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

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

Each of the State Street Securities Lending Agreement and eSecLending Securities Lending Agreement complies with the applicable provisions of NI 81-102. The manager manages the fund's risks associated with securities lending (which are described under *General investment risks* at page 59) by requiring the applicable securities lending agent to:

- enter into securities lending transactions with reputable and well-established Canadian and foreign brokers, dealers and institutions (“**counterparties**”);
- maintain internal controls, procedures and records including a list of approved counterparties based on generally accepted creditworthiness standards, transaction and credit limits for each counterparty and collateral diversification standards;
- establish daily the market value of both the securities loaned by the fund under a securities lending transaction or sold by the fund under a repurchase transaction and the cash or collateral held by the fund. If on any business day the market value of the cash or collateral is less than 102% of the

market value of the borrowed or sold securities, the Custodian will request that the counterparty provide additional cash or collateral to the fund to make up the shortfall; and

- ensure that the collateral to be delivered to the fund is one or more of cash, qualified securities or securities immediately convertible into, or exchangeable for, securities of the same issuer, class or type, and same term, if applicable, as the securities being loaned by the fund.

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

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

Although permitted to do so, the fund does not currently engage in repurchase or reverse repurchase transactions.

### ***Short selling***

The fund may engage in short selling of securities as permitted under NI 81-102. Generally, short selling can provide the fund with an opportunity for gain where the fund's portfolio management team expects the price of a security to decrease.

A "short sale" is where the fund borrows securities from a borrowing agent (generally a custodian or dealer) and then sells the borrowed securities in the open market. At a later date, the same number and type of securities are repurchased by the fund and returned to the borrowing agent. When the fund sells securities short, it must post margin with the borrowing agent from whom it is borrowing securities as collateral for the borrowed securities. This margin can be in the form of cash and/or securities. In addition to paying a borrowing fee to the borrowing agent on the borrowed securities, the fund may also be required to pay other fees in connection with the short sale. If the value of the securities declines between the time that the fund borrows the securities and the time it repurchases and returns the securities to the borrowing agent, the fund profits by the amount of the change in the value of the securities (less any borrowing and transaction costs).

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

The risks involved in short selling and the fund's investment strategy relating to short selling are disclosed under *Short selling risk* on page 66.

Short selling by the fund will be subject to the following controls and restrictions as per the manager's written policies and procedures:

- all short sales will be implemented using market facilities through which those securities are normally bought and sold;

- securities will be sold short for cash, with the fund assuming the obligation to return the borrowed securities to the lender. The fund will receive the cash proceeds within normal trading settlement periods for the market in which the short sale is effected;
- the security interest provided by the fund over fund assets will be granted in accordance with industry practice for short sale transactions and will relate only to obligations arising under such transactions;
- securities sold short will be liquid securities that are:
  - (a) listed and posted for trading on a stock exchange and (i) each issuer of a security sold short has a market capitalization of at least C\$300 million at the time of the short sale, or (ii) the fund has pre-arranged to borrow for the purpose of such sale, or
  - (b) bonds, debentures or other evidences of indebtedness of, or guaranteed by, the Government of Canada or any province or territory of Canada or the Government of the United States of America;
- the fund will borrow securities only from its custodian or a regulated dealer. For short sale transactions in Canada, the dealer will have to be a registered dealer and a member of a self-regulatory organization that is a participating member of the Canadian Investor Protection Fund. For short sale transactions outside Canada, the dealer will have to be subject to a regulatory audit from time to time by virtue of being a member of a stock exchange, and have a net worth in excess of C\$50 million, as determined from its most recent audited financial statements that are publicly available;
- the total market value of all securities of an issuer sold short by the fund will not exceed 5% of the total net assets of the fund, and the fund will place a “stop-loss” order with a dealer to immediately purchase for the fund an equal number of the same securities if the trading price of the securities exceeds 120% (or such lesser percentage as the manager may determine) of the price at which the securities were sold short;
- when fund assets are deposited with a dealer as security in connection with a short selling transaction, the amount of fund assets deposited with the dealer will not, when aggregated with the amount of fund assets already held by the dealer as security for outstanding short selling transactions involving the fund, exceed 10% of the net assets of the fund, taken at market value at the time of deposit;
- the total market value of all securities sold short by the fund will not exceed 20% of the net assets of the fund on a daily marked-to-market basis; and
- the fund will hold “cash cover” (as defined in NI 81-102) in an amount that is at least 150% of the total market value of all securities sold short by the fund on a daily marked-to-market basis. The fund assets deposited with lenders as security until the borrowed securities are returned will be included in that amount. The fund will not use the proceeds from short sales to purchase long positions in securities other than cash cover.

On an annual basis, the investment department of the manager will report to the Board of Directors of the manager on short sale strategies, if applicable, and risk management processes used by the fund. The fund does not use simulations to test the portfolio under stress conditions.

***Transactions with related or connected persons or companies***

The manager is a member of a group of related companies known as the “BMO Financial Group”. Applicable securities legislation contains restrictions on the circumstances in which the fund, or the manager on behalf of the fund, may enter into transactions or arrangements with or involving other members of the BMO Financial Group.

From time to time the manager may, on behalf of the fund, enter into transactions or arrangements with or involving other members of the BMO Financial Group, or certain other persons or companies that are related or connected to the manager or the fund. These may include transactions or arrangements with or involving Bank of Montreal, BMOAM, BMO InvestorLine Inc., BMO Nesbitt Burns Inc., BMO Private Investment Counsel Inc., or other related investment funds, and may involve the purchase or sale of portfolio securities through or from a member of the BMO Financial Group, the purchase or sale of securities issued or guaranteed by a member of the BMO Financial Group, the fund entering into forward contracts, options, swaps or other types of over-the-counter derivatives with a member of the BMO Financial Group acting as counterparty, the purchase or redemption of securities of other mutual funds managed by us or by another member of the BMO Financial Group (including exchange traded funds) or the provision of services to the manager. However, these transactions and arrangements will only be entered into where they are permitted under applicable securities legislation or by securities regulatory authorities having jurisdiction and, if applicable, approved by the IRC (or after having received the IRC’s positive recommendation) and where they are, in the opinion of the manager, in the best interests of the fund.

***Proxy voting policies and procedures***

The manager has delegated the voting of proxies for securities held in the fund’s portfolio to the fund’s portfolio manager as part of the investment management services provided to the fund, subject to the manager’s continuing oversight. The portfolio manager voting proxies on behalf of the fund must do so in the best interests of the fund and its securityholders.

Due to the variety of proxy voting issues that may arise, the following summary of the proxy voting policies and procedures is not exhaustive and is intended to provide guidance but not necessarily dictate how each issue must be voted in each instance. Further, the portfolio manager may depart from its respective proxy voting policies and procedures or not vote a proxy in order to avoid voting decisions that may be contrary to the best interests of the fund and its securityholders.

The securities of underlying funds held by that fund that the manager, or one of its affiliates or associates, manages 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 fund. In light of the cost and complexity in doing so, this is not the manager’s typical practice.

The portfolio manager may also engage in active ownership which includes dialogue with companies held in the portfolio of the fund with the aim of alerting companies to ESG risks, proposing solutions to ESG challenges, moving towards best practices in managing ESG issues and impacting ESG

performance. Such company engagement may encompass a spectrum of ESG issues, across a range of sectors and geographies.

### **BMO Asset Management Inc.**

BMOAM, in its capacity as portfolio manager of the fund provides engagement and proxy voting services using its Responsible Investment team (“**RI Team**”), comprised of ESG experts, and any other existing or future resources appropriate for this purpose. The RI Team works alongside BMOAM’s fixed income and equity portfolio managers and investment analysts. The RI Team undertakes engagement activities as well as proxy voting research and analysis, and also supports the development of BMOAM’s publicly available Corporate Governance Guidelines (“**CGG**”) and Expectations on Environmental, Social and Governance Practices, which set out BMOAM’s expectations of companies regarding good ESG practices as well as guides BMOAM’s voting on ESG matters. The RI Team focuses on corporate engagement with North American investee companies and actively votes at company meetings for the Canadian market. BMOAM has retained a third-party engagement and voting service provider to provide it with proxy voting and responsible engagement overlay (“**reo®**”) services to ensure its coverage extends to international markets and to execute votes on its behalf and in line with the CGG. The RI Team monitors and can override any vote instructions by reo® across all markets.

BMOAM has established proxy voting policies and procedures for the fund, 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 fund receive proxy materials for an issuer.

In providing proxy voting services, BMOAM through reo® uses Institutional 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, they consult with the RI Team and obtain instructions on how to proceed.

Although the RI Team generally adheres to the Proxy Voting Guidelines in executing votes and in addition relies on reo® and ISS to execute votes, any proxy issues that differ from the Proxy Voting Guidelines are considered by taking into account the particular circumstances involved. This provides needed flexibility in making prudent judgments in the proxy voting process. Further, BMOAM may depart from the Proxy Voting Guidelines in order to avoid voting decisions that may be contrary to the best interests of the fund and its securityholders.

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

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

- (a) a standing policy for dealing with routine matters on which the fund may vote, such as election of directors, appointment of auditors and an issuance of shares;

- (b) the circumstances under which the fund will deviate from the standing policy for routine matters. For example, the Proxy Voting Guidelines provide that the fund 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 fund 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 fund will typically support incumbent management provided that the financial terms, synergistic benefits and management quality are sound; and
- (d) procedures to ensure that the fund's portfolio securities are voted in accordance with the fund's instructions. This includes the requirement for the portfolio manager to certify to the manager or the portfolio manager, as applicable, that it has voted all securities held by the fund it manages in accordance with the Proxy Voting Guidelines and/or its own proxy voting policy.

BMOAM 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 BMOAM 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, BMOAM 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 BMOAM prefer different voting outcomes.

The Proxy Voting Guidelines are available on request, at no cost, or by calling 1-800-668-7327 (if you purchased your securities through a dealer), or by writing to the manager at 100 King Street West, 43rd Floor, Toronto, Ontario M5X 1A1.

The fund'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 fund upon request at any time after August 31 of the relevant year by calling 1-800-668-7327 (if you purchased your securities through a dealer).

The fund's proxy voting record is also available on the fund's websites at [www.bmogam.com/ca-en/resources/legal-and-regulatory-documents/](http://www.bmogam.com/ca-en/resources/legal-and-regulatory-documents/).

### ***Interests of management and others in material transactions***

The manager will receive fees for its services to the fund. See *Fees and expenses* on page 36.

We are entitled to receive management fees from the fund. See *Management agreement* on page 6 for more details. The fees received by us as management fees are disclosed in the audited financial statements of the fund.

BMOAM is related to us and, as portfolio manager for the fund, is entitled to receive fees from the manager for investment advisory and portfolio management services.

Bank of Montreal, BMO Nesbitt Burns Inc. and BMO InvestorLine Inc. may buy or sell debt securities to or from the fund subject to certain conditions set out in NI 81-102, NI 81-107 and the requirements of the Canadian securities regulators. See *Investment restrictions* on page 53 for further information.

### **Remuneration of directors, officers and trustees**

#### ***Trustee compensation***

The Trustee does not receive any additional fees for serving as trustee of the fund.

#### ***Employee compensation***

The management functions of the fund are carried out by employees of the manager. The fund does not have employees.

#### ***Independent review committee compensation***

The members of the IRC of the BMO Mutual Funds are entitled to compensation. Certain of the BMO Mutual Funds (including the fund) have a financial year end in September.

For the year ended September 30, 2023, members of the IRC received the following amounts in annual fees and reimbursement for expenses in connection with performing their duties for the BMO Mutual Funds (including the fund): Jim Falle \$30,913; Wendy Hannam, \$30,912; Jacqueline Allen, \$30,913; and Marlene Davidge, \$44,437.

These annual fees and reimbursement of expenses were paid by and allocated among the BMO Mutual Funds in a manner that was fair and reasonable.

### **Material contracts**

The material contracts relating to, or executed by the fund, are:

- Declaration of Trust, as amended, as described under *Name, formation and history of the fund* on page 59;
- Master Management Agreement, as amended, as described under *Management agreement* on page 6;



- Custodian Agreement, as amended, as described under *Custodian* on page 10; and
- Investment management agreement between BMO Investments Inc. and BMOAM, as amended, as described under *Portfolio Adviser* on page 7.

You may inspect copies of these material contracts during normal business hours at our head office at 100 King Street West, 43<sup>rd</sup> Floor, Toronto, Ontario M5X 1A1. To receive copies of the Declaration of Trust, as amended, please send us a written request.

### **Legal proceedings**

We are not aware of any material legal proceedings, either pending or ongoing, to which the fund, BMO Global Asset Management (BMO GAM) or the principal distributor of the fund is a party.

### **Designated website**

A mutual fund is required to post certain regulatory disclosure documents on a designated website. The designated website of the mutual funds this document pertains to can be found at [www.bmogam.com/ca-en/resources/legal-and-regulatory-documents/](http://www.bmogam.com/ca-en/resources/legal-and-regulatory-documents/).

## **Valuation of portfolio securities**

### **Valuation of portfolio securities**

#### *Assets*

The assets of the fund may include:

- all cash on hand, on deposit or on call;
- all bills and notes and accounts receivable;
- all shares and subscription rights and other securities;
- all stock and cash dividends and cash distributions not yet received by the fund but declared to shareholders of record before the net asset value per security is determined;
- all bonds, debentures, mortgages and other evidences of indebtedness;
- interest accrued on any fixed interest bearing securities;
- all derivative instruments;
- margin receivable on futures contracts; and
- all other property, including prepaid expenses.

### *Value of assets*

We determine the value of the fund's assets using the following principles:

- Cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, dividends receivable and interest declared or accrued and not yet received are valued at the full amount or at what is considered to be the fair value by the manager;
- Money market or short-term investments are valued at amortized cost which approximates fair value due to their short-term nature;
- Securities listed on any stock exchange or in the over-the-counter market are valued at their closing price within the bid-ask spread or, if there is no closing price, or the closing price is not within the bid-ask spread, the manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. If there are no recent sales, the manager may use its discretion to calculate its best estimate of the fair value of such securities;
- Mutual fund securities that are not listed on any stock exchange are valued at the respective net asset value for such securities quoted by the trustee or the manager of such fund on the relevant valuation date;
- Debt securities are fair valued. Fair value is determined as the last traded market price or close price set by the market makers where the close price falls within the bid-ask spread of the security. In situations where the last traded market price is not within the bid-ask spread, the manager determines the point within the bid-ask spread that is most representative of fair value;
- Securities or property which have no available price quotations are valued at the manager's best estimate of the fair value;
- Foreign currency accounts are expressed in Canadian dollars on the following basis:
  - investments and other assets are valued at the applicable rate of exchange at the valuation date; and
  - purchases and sales of investments, income and expenses are recorded at the applicable rate of exchange on the dates of the transactions;
- The fund's holdings are valued in Canadian dollars before calculating the net asset value of the fund;
- Forward foreign exchange contracts are valued as the difference between the value on the date the contract originated and the value of the contract on the valuation date. Foreign exchange options are valued at their quoted market value. When the contract or option closes or expires, a realized foreign exchange gain or loss shall be recognized;
- Forward contracts are valued as the difference between the value on the date the contract originated and the value of the contract on the valuation date;

- Derivative instruments, such as clearing corporation options, are valued at their fair value, which is determined as the value of an option that would have the effect of closing the position as at the valuation date;
- Where a covered clearing corporation option is written, the premium received is considered a deferred credit with a value equal to the current market value of an option that would have the effect of closing the position. Any difference resulting from revaluation will be treated as an unrealized gain or loss. Deferred credits will be deducted to arrive at the net asset value of the fund;
- Futures contracts are valued at outstanding current margin payable or receivable;
- Bullion, coins, certificates or other evidences of precious metals are valued at current market value;
- Restricted securities are valued at the lesser of (i) the value thereof based on reported quotations in common use, and (ii) the percentage of the market value of unrestricted securities of the same class, equal to the percentage that the fund's acquisition cost was of the market value of such unrestricted securities at the time of acquisition, provided that if we know the time period during which the restrictions on such securities apply, we may adjust the price to reflect that time period;
- All other assets are valued at the manager's best estimate of fair value; and
- If the manager considers any of these valuation principles inappropriate under the circumstances, or the manager cannot value an investment according to these principles, the manager may estimate the fair value of an investment using established fair valuation procedures such as: consideration of public information, broker quotes and valuation models. The manager may also use external fair value service providers. The value calculated on fair value securities for the purposes of calculating the fund's net asset value may differ from the securities' most recent closing market price.

The manager may also fair value securities in the following circumstances:

- when there is a halt trade on a security that is normally traded on an exchange;
- on securities that trade on markets that have closed prior to the time of calculation of the net asset value of the fund and for which there is sufficient evidence that the closing price on that market is not the most appropriate value at the time of valuation; and
- when there are investment or currency restrictions imposed by a country that affect the fund's ability to liquidate the assets held in that market.

The net asset value per security of the fund is calculated in Canadian dollars in accordance with the rules and policies of the Canadian Securities Administrators or in accordance with any exemption therefrom that the fund may obtain. The net asset value per security of the fund determined in accordance with the principles set out above may differ from the net asset value per security of the fund determined under International Financial Reporting Standards.

The manager has valued the securities in the fund in accordance with the disclosed practices, and, in particular, in accordance with the foregoing outlined principles. The manager does not have discretion to deviate from the valuation methods described above.

### ***Liabilities***

The liabilities of the fund include:

- all bills and notes and accounts payable and/or accrued;
- all administrative and operating expenses payable or accrued or both, including management fees;
- all contractual obligations for money or property, including any unpaid distribution credited to securityholders the day before the net asset value per security is determined;
- all allowances authorized or approved by the manager for taxes (if any) or contingencies;
- the value of margin payable on futures contracts; and
- all other liabilities of the fund.

Securities of the fund are still considered outstanding on the day we receive a request to redeem them. They are valued at the redemption price per security on that day, but are considered a liability of the fund only after the close of business on that day.

## **Calculation of net asset value**

### **How we calculate net asset value**

The issue and redemption price of securities of the fund is based on the security's net asset value next determined after the receipt of a purchase order or a redemption order.

We calculate the net asset value of each security for Series A of the fund as at 4:00 p.m. Eastern Time on each Valuation Day. The net asset value per security for securities are published and made available at no cost to the public on the internet at [www.bmogam.com/ca-en/investor/](http://www.bmogam.com/ca-en/investor/).

To determine the net asset value for the series of securities we first calculate four values:

- A = the total market value in Canadian dollars of the series' proportionate share of the assets of the fund
- L = the liabilities of the fund attributable to the series of securities
- N = net assets attributable to the series of the fund
- U = total number of securities of that series outstanding

For the fund,  $N = A \text{ minus } L$ .

The following equation then determines the net asset value per security:

$$N \div U$$

## Purchases, switches and redemptions

### About series of securities

You'll find the type of securities the fund offers through this simplified prospectus in the fund *details* section of its fund description. See *Fees and expenses* on page 36 and *Dealer compensation* on page 39 for details.

Security	Features
Series A	Available to certain investors in our sole discretion, on a no load basis (i.e., under the No Load option).

### Purchasing the fund

#### *Purchasing Series A Securities*

*Through certain dealers*

You may buy Series A securities of the fund through certain registered dealers. Please contact your dealer to find out how to place an order. Some dealers may charge you a fee for their services.

### Purchase options for the fund

#### No Load option

**You don't pay a sales charge when you buy Series A securities of the fund.**

### How the fund is structured

The fund is organized as a trust that issues securities called units. When you invest in an investment fund that is organized as a trust, such as the fund, you buy units. The fund distributes its earnings by allocating and paying its income and net capital gains to unitholders. In general, income and capital gains distributed to you from a trust is taxed as if you received it directly. The fund may also distribute capital to you. Distributions of capital, called ROC, are not taxable but reduce the ACB of your units.

We may terminate or cancel the fund or a series of the fund, as applicable, at any time, and return your portion of the NAV of the fund or series to you. We will give you advance notice of any termination of the fund or series. In the case of the fund's termination, we will provide you with 60 days' advance notice.

### **How often we calculate the NAV of the fund**

We calculate the NAV of each security for a series of the fund as at 4:00 p.m. Eastern Time (“ET”) on each Valuation Day. The NAV per security for Series A of the fund is published on the internet at [www.bmogam.com/ca-en/investor/](http://www.bmogam.com/ca-en/investor/). See *Calculation of net asset value* at page 27 for more details on the methods by which NAV for the fund is determined.

### **How we process your order**

When you buy, switch or redeem Series A securities of the fund, you do so at the NAV per security. Your order to buy, switch or redeem Series A securities must be forwarded to us by your dealer. If we receive your order by 4:00 p.m. (ET) on a Valuation Day, we’ll process it at that day’s NAV per security. If we receive your order after 4:00 p.m. (ET) or on a day that is not a Valuation Day, we’ll process it at the next Valuation Day’s NAV per security. If the TSX closes earlier than 4:00 p.m. (ET) on a Valuation Day, we may impose an earlier deadline. We’ll process your order only if it’s in good order. The issue and redemption price of the Series A securities of the fund is based on the fund’s NAV per security next determined after receipt by the fund of your order.

If you’re buying Series A securities, you must include payment with your order. If we do not receive payment within one (1) business day of processing your purchase order for any securities, we must redeem your securities on the next business day. If the proceeds from the redemption are greater than the payment you owe, the fund keeps the difference. If the proceeds are less than the payment you owe, we will pay the difference to the fund on your behalf, and collect this amount together with additional costs from your dealer who may collect these amounts from you.

We’ll pay to the fund you’re buying any interest earned between the time you make payment and the time the purchase is completed. We generally don’t issue certificates. We may accept or reject an order to buy within one business day of receiving the order. If we accept your order, your broker or dealer or we will send you confirmation of your order, which is your proof of the transaction. If you sign up for our Continuous Savings Plan or Systematic Withdrawal Plan, you’ll only receive confirmation of the first transaction made under the plan. If we reject your order, we’ll return any money we’ve received, without interest.

If you’re redeeming Series A securities, we’ll transmit funds or mail a cheque in the amount of the redemption proceeds to you within one (1) business day after we determine the redemption price, provided all necessary documents and/or information have been received by us. You will receive your redemption proceeds in Canadian dollars when you redeem securities of the fund.

You pay no redemption charges when you buy any Series A securities through us.

### **Short-term trading**

We discourage investors from short-term trading. Short-term trading can include buying and then redeeming or switching securities of the fund within 30 days of buying or switching them into the fund. This type of trading can harm the fund’s performance and the value of other investors’ holdings in the fund because it can increase brokerage and other administrative costs of the fund and interfere with the

long-term investment decisions of the portfolio manager. Short-term trading may be particularly problematic when large sums are involved.

### ***Policies and procedures on short-term trading***

We have policies and procedures to detect and deter short-term or excessive trading that include the ability to refuse your present or future order(s) to buy or switch securities and charging a short-term trading fee.

We monitor for potential timing abuses at our head office. We use an electronic trade surveillance system to review and flag trades for potential problems and we also review transaction records to detect short-term or excessive trading. Flagged trades are reviewed by compliance officers and warnings, verbal or written, may be sent. If, in our sole discretion, we determine that you are engaging in short-term trading, in addition to taking other available remedies, the fund may reject your purchase or switch order(s) or may charge a short-term trading fee to be paid directly to the fund out of the redemption proceeds, reducing the amount otherwise payable to you on the redemption or switch. See *Short-term trading fee* on page 38 for more information. We have the option to waive this penalty at any time. If further short-term trading occurs, any further transactions, other than redemptions, may be refused.

The restrictions imposed on short-term trading, including the short-term trading fee, will generally not apply in connection with redemptions or switches: from money market funds and similar funds; initiated by us; under special circumstances, as determined by us in our sole discretion; or made under optional plans or pursuant to Systematic Withdrawal Plans.

Despite these restrictions and our procedures to detect and deter short-term trading, we cannot ensure that such trading will be completely eliminated.

### **Your guide to buying the fund**

The following table shows you the minimum amounts for buying securities of the fund, and for maintaining an account or an investment in the fund. If the value of your investment in the fund falls below the minimum amount as determined by us from time to time, we may redeem all the securities of the fund in your account. If, as a result of market fluctuation, the value of your securities falls below the minimum balance, we may redeem your securities after giving you 10 days' notice. If, as a result of a partial redemption, the value of your remaining holding falls below the minimum balance, we may redeem such remaining holding immediately and without prior notice to you.

## Buying the fund

All minimum amounts are in Canadian dollars.

	Minimum amount you may buy		Minimum balance
	Your first purchase	Each additional purchase	
SINGLE PURCHASE			
<b>Regular account</b>	\$500	\$50	\$500

## Switches

A switch involves moving your investment from one BMO Mutual Fund or series of a BMO Mutual Fund to another BMO Mutual Fund or series. We describe the kinds of switches you can make below.

When we receive your switch request, we'll switch your Mutual Fund Series securities of one BMO Mutual Fund or series for Mutual Fund Series securities of another BMO Mutual Fund or series at the NAV per security next determined after we receive your switch request.

You may switch Series A securities of the fund through your dealer. If you switch your Series A securities through your dealer, you may pay a fee of up to 2% of the value of the securities redeemed for switching between BMO Mutual Funds. You and your dealer can negotiate this fee. See *Fees and expenses* on page 36 for more information. If necessary, securities of the fund may be redeemed to pay fees or charges. We may require a minimum amount of \$50 for switching, in our sole discretion.

You can't switch between securities of BMO Mutual Funds purchased in U.S. dollars and securities of BMO Mutual Funds purchased in Canadian dollars. You can only switch between securities of BMO Mutual Funds purchased in the same currency.

### *Switching between BMO Mutual Funds*

You can switch your Series A securities of the fund into securities of the same Mutual Fund Series or different Mutual Fund Series of another BMO Mutual Fund, provided you are qualified to hold the series into which you are switching and provided such series is priced in the same currency. A switch between BMO Mutual Funds results in a redemption and purchase of securities. A redemption is a disposition for income tax purposes. Switching securities you hold in a non-registered account, may result in a capital gain or capital loss. Net capital gains are taxable. Switching between ETF Series securities of a fund into securities of the same series or different series of another BMO Mutual Fund is not permitted.

For details about how switches are taxed, see *Income tax considerations for investors*.

### *Switching between purchase options*

Switches between purchase options may involve a change in the compensation paid to your dealer and redemption fees. We do not recommend that you switch between purchase options as it may result in additional fees.



## Redeeming securities

To redeem your Series A securities, we need to receive your request. See *How we process your order* on page 29 for more information.

For your protection, you must sign your redemption request and we may ask that your signature be guaranteed by a bank, trust company or your dealer.

Series A securities of the fund may be redeemed at the option of the investor on any Valuation Day.

You may redeem Series A securities through your dealer. For your protection, you must sign your redemption request and we may ask that your signature be guaranteed by a bank, trust company or your dealer. Your redemption request will be forwarded to us by courier, priority post or telecommunication facility at no charge to you on the same business day you complete the form. However, if you have not completed the form in full, we cannot fulfill your redemption request.

If you are redeeming your Series A securities through your dealer, whenever practicable, your dealer is required to transmit your redemption request by courier or telecommunications facilities in order to expedite the redemption request's receipt by the Manager. The cost of this transmittal, regardless of its form, must be borne by your dealer. As a security measure, the Manager will not accept a redemption request sent by telecommunications facilities directly from an investor. Your redemption request must be forwarded to us by your dealer on the same business day.

If we have not received all the necessary documentation and/or information needed to settle your redemption request within ten (10) business days after the redemption date, we are required under applicable securities legislation to purchase the equivalent number of securities you asked to be redeemed as of the close of business on the tenth business day. If the purchase price of these securities is less than the original redemption price, the fund will keep the difference. If the amount of the purchase price of these securities exceeds the original redemption price, we will immediately pay the difference to the fund and may seek reimbursement from your dealer, together with any additional costs. Your dealer may be entitled to recover these amounts from you.

Redeeming securities you hold in a non-registered account may result in a capital gain or capital loss. You'll find information about the taxation of securities held in a non-registered account under *Income tax considerations for investors* on page 41.

If applicable, an investor whose security holding is evidenced by a registered certificate who wishes to have his or her securities redeemed shall surrender his or her certificate to the Manager with the request that the same shall be redeemed. For the protection of investors, an investor's signature on any redemption request or on the back of any certificate must be guaranteed by a bank, trust company or dealer.

Further documentation may be required for corporations, and other accounts that are not in the name of an individual.

If all necessary redemption documents, properly completed, accompany the redemption request, within one (1) business day after we determine the redemption price, we will:

- send you a cheque, make a direct deposit to your bank account or send money to your dealer in payment for the Series A securities you have redeemed; and

- send you or your dealer a transaction confirmation including the balance in your investment account.

### **Automatic redemption**

If the value of your investment in the fund falls below the minimum amount as determined by us from time to time, we will give you 30 days' written notice before we redeem all the securities of the fund in your account. If, as a result of market fluctuation, the value of your securities falls below the minimum balance, we may redeem your securities after giving you 10 days' notice. If, as a result of a partial redemption, the value of your remaining holding falls below the minimum balance, we may redeem such remaining holding immediately and without prior notice to you. For the minimum amounts for buying securities of the fund and for maintaining an account or an investment in the fund, see *Purchases, switches and redemptions* for more details. The Manager may change the minimum amounts at any time without notice.

### **Extraordinary circumstances when you may not be allowed to redeem your securities**

The fund may suspend your right to request a redemption of securities for all or part of a period when:

- normal trading is suspended on a stock, options or futures exchange in Canada or outside Canada in which securities or derivatives that make up more than 50% of the value or underlying exposure of the fund's total assets are traded, and those securities or derivatives are not traded on any other exchange that represents a reasonable alternative for the fund; or
- 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 fund or that impair the ability of the valuation agent to determine the value of the assets of the fund.

The fund may postpone a redemption payment for any period during which your right to request a redemption is suspended under the circumstances described above or with the approval of the Canadian securities regulatory authorities. The fund may not accept orders for the purchase of securities during any period when the redemption of its securities has been suspended.

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 securityholders 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 day following the termination of the suspension. All such securityholders 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 fund, any declaration of suspension made by the manager shall be conclusive.

## Optional services

This section tells you about the plans and services that are available to BMO Mutual Funds investors in respect of the Series A securities. Call us toll free at 1-800-665-7700 or 1-800-668-7327 or ask your dealer for full details.

### Continuous savings plan

You can generally make weekly, bi-weekly, semi-monthly, monthly or quarterly investments in the fund using our Continuous Savings Plan. Here's how the plan works:

- we'll automatically transfer money from your bank account to buy securities of the fund you choose
- you must meet the following minimum requirements:

Series	Minimum amount you may buy	Minimum balance
Series A	\$50 a month	—

### *Averaging the cost of your investments*

Making regular investments through our Continuous Savings Plan can reduce the cost of investing. Here's how. Let's say you invest \$100 in the fund each month. That money will buy more securities of the fund when prices are low and fewer securities when prices are high. Over time, this can mean a lower average cost per security than if you had made one lump-sum purchase.

The most recently filed fund facts documents will be delivered by dealers once to participants in a Continuous Savings Plan upon their initial purchase of securities of the fund and then not thereafter for subsequent purchases of the same fund pursuant to the Continuous Savings Plan unless they request it. You may request copies of the most recently filed fund facts documents for your funds at any time and at no cost by calling us toll free at 1-800-668-7327 if you purchased your securities through a dealer. The most recently filed fund facts documents and simplified prospectus of the fund may also be found on the SEDAR+ website at [www.sedarplus.ca](http://www.sedarplus.ca) or on our website at [www.bmogam.com/ca-en/investor/](http://www.bmogam.com/ca-en/investor/).

You do not have a statutory right of withdrawal under applicable securities legislation for your purchase of securities of the fund pursuant to a Continuous Savings Plan, other than in respect of your initial purchase of these securities. However, you will continue to have all other statutory rights under applicable securities legislation, including a right of action if there is a misrepresentation in this simplified prospectus or any document incorporated by reference into the simplified prospectus. Please see *What are your legal rights* on page 45 for more information. You may terminate your participation in the Continuous Savings Plan at any time upon providing notice to us at least four (4) business days before the next scheduled investment date.

## Systematic withdrawal plan

You can withdraw money monthly, quarterly, semi-annually or annually from your funds using our Systematic Withdrawal Plan. Here's how the plan works:

- you must hold your funds in a non-registered account
- we'll redeem enough securities to withdraw money from your account and make payments to you
- you must meet the following minimum requirements:

Series/Accounts	Minimum amount you can withdraw	Minimum balance
Series A	\$100 monthly, quarterly or semi-annually	\$10,000

If you withdraw more than your funds are earning, you'll reduce your original investment and may use it up altogether.

## Registered plans

The fund does not and is not expected to qualify as a "mutual fund trust" or a "registered investment" under the Tax Act. As such, securities of the fund are not expected to be "qualified investments" under the Tax Act for an RRSP, RRIF, RDSP, RESP, TFSA, FHSA or DPSP. **Registered plans and their annuitants, holders or subscribers, as the case may be, are generally subject to severe adverse tax consequences when a registered plan acquires and holds a non-qualified investment.**

## BMO Mutual Funds automatic rebalancing service

The automatic rebalancing service is a portfolio management tool used to maintain accounts at certain defined asset mixes. Under this program, which is available only through dealers, you can arrange for regular rebalancing. The program will adjust to maintain the asset mix you submit based on current market values. The program will determine whether the current market values meet the desired asset mix. Any deviations from the desired asset mix will be evaluated against a threshold. If the threshold has been met/exceeded; the program will automatically trigger the necessary transactions (switches) to rebalance the account to the specified asset mix.

## BMO Mutual Funds distribution transfer program

Under this program, which is available only through dealers, you can arrange to have distributions made by one BMO Mutual Fund automatically reinvested in Mutual Fund Series securities of another BMO Mutual Fund or BMO Mutual Funds within the same series and currency. The reinvestment will be processed and trade dated on the same valuation date. This service is not available to investors who hold their Mutual Fund Series securities in a registered plan.

## Fees and expenses

The following table shows the fees and expenses payable by the fund and the fees and expenses you may have to pay directly if you invest in the fund. Fees are paid by the fund before they calculate their price per security. These fees indirectly reduce the value of your investment.

In general, the approval of securityholders will not be obtained if the basis of the calculation of a fee or expense that is charged to Series A securities of the fund (or is charged directly to securityholders of Series A by the fund or by us in connection with the holding of Series A securities of the fund) is changed in a way that could result in an increase in charges to the Series A or to securityholders of the Series A or if a fee or expense, to be charged to Series A securities of the fund (or to be charged directly to securityholders of Series A by the fund or by us in connection with the holding of Series A securities of the fund) that could result in an increase in charges to the Series A or to securityholders of the Series A, is introduced. In the cases above, securityholders of such Series A will be sent a written notice of the change at least 60 days prior to the effective date.

If the fund holds securities of an underlying fund, fees and expenses are payable by the underlying fund in addition to the fees and expenses payable by the fund. No management fees or incentive fees are payable by the fund that, to a reasonable person, would duplicate a fee payable by an underlying fund for the same service. No sales fees or redemption fees are payable by the fund in relation to its purchases or redemptions of the underlying fund that, to a reasonable person, would duplicate a fee payable by an investor in the fund. Further, except in cases where we have obtained exemptive relief, no sales or redemption fees are payable by the fund in relation to its purchases or redemptions of the securities of an underlying fund if we or one of our affiliates or associates manage the underlying fund. See *Investment restrictions* for more details.

### Fees and expenses payable by the fund

<b>Management fees</b>	<p>The fund pays us a fee for our management services. For this management fee, various services are provided to the fund such as investment management and advisory services, sales and trailing commissions to registered dealers on the distribution of the fund's securities, and other services that include, but are not limited to, advertising and promotional services, office overhead expenses related to the manager's activities, and all other services necessary or desirable to conduct and operate the fund's business in an efficient manner.</p> <p>The management fee is expressed as a percentage of the daily NAV of the series. This fee is calculated daily and payable monthly. Management fees are subject to applicable taxes. You'll find the management fee that we charge for the Series A of securities of the fund in the fund <i>details</i> section.</p> <p>We may, at our discretion, waive a portion or the entire amount of the management fee chargeable at any given time.</p> <p>Depending on several factors, we may reduce all or a portion of the management fee for certain investors in the fund. These factors include the value of an investment in the fund and the nature of an investment, such as large investments by institutional investors.</p>
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<p><b>Operating expenses</b></p>	<p>The manager pays certain operating expenses of the fund, including, audit and legal fees and expenses; custodian and transfer agency fees; costs attributable to the issue, redemption and change of securities, including the cost of the securityholder record keeping system; expenses incurred in respect of preparing and distributing prospectuses, financial reports and other types of reports, statements and communications to securityholders; fund accounting and valuation costs; and filing fees, including those incurred by the manager (collectively, the “<b>Administration Expenses</b>”). A fixed administration fee is paid to the manager.</p> <p>The administration fee is a fixed annual percentage of the NAV of the fund. The administration fee paid to the manager by the fund in respect of Series A may, in any particular period, exceed or be lower than the operating expenses the manager actually incurs in providing services for Series A of the fund. Administration fees are subject to applicable taxes.</p> <p>The manager may, in certain cases, waive a portion of the administration fee that it receives from the fund. As a result, the administration fee payable by the fund to the manager may be lower than the fee shown in the fund <i>details</i> section of the fund description. The manager may, in its sole discretion, suspend or cease to offer any waiver of the administration fee at any time without notice to securityholders.</p> <p>The fund also pays the following operating expenses directly (“<b>Fund Expenses</b>”): expenses incurred in respect of preparing and distributing fund facts; interest or other borrowing expenses; all reasonable costs and expenses incurred in relation to compliance with NI 81-107, including compensation and expenses payable to IRC members and any independent counsel or other advisors employed by the IRC, the costs of the orientation and continuing education of IRC members and the costs and expenses associated with IRC meetings; taxes of all kinds to which the fund is or might be subject; and costs associated with compliance with any new governmental or regulatory requirement introduced after December 1, 2007. Funds that offer more than one series of securities allocate Fund Expenses proportionately among the series. Fund Expenses that are specific to a series are allocated to that series.</p> <p>Certain Fund Expenses are subject to applicable taxes. The fixed administration fee (if applicable) and Fund Expenses are included in the management expense ratios of these funds.</p> <p><b>IRC fees and expenses</b></p> <p>Each IRC member receives compensation for the duties he or she performs as an IRC member. In addition, each IRC member is entitled to reimbursement of all reasonable expenses in connection with his or her duties as an IRC member. These annual fees and reimbursement of expenses are allocated among the fund in a manner that is fair and reasonable.</p> <p>Please see above under the heading <i>Remuneration of directors, officers and trustee – Independent review committee compensation</i> on page 23 for particulars.</p>
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## Fees and expenses payable directly by you

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

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### Switch fees

0-2% of the amount you switch

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<b>Short-term trading fee</b>	Short-term trading by investors may adversely affect all investors in the fund. To discourage short-term trading, the fund may, at our sole discretion, charge a short-term trading fee of up to 2% of the amount that you redeem or switch if you buy or switch and then redeem or switch securities of the fund within 30 days of purchasing or switching them. This fee will be paid directly to the fund. While this fee generally will be paid out of the redemption proceeds of the fund, we have the right to redeem such other funds in any of your accounts without further notice to pay this fee. We may in our sole discretion decide which securities will be redeemed in such manner as we may determine. You will be responsible for any costs and expenses, as well as any tax consequences, resulting from the collection of this fee. We may waive this fee at any time. See <i>Short-term trading</i> on page 29.
<b>Other fees and expenses</b>	Continuous Savings Plan – None Systematic Withdrawal Plan – None BMO Distribution Transfer Program – None Your dealer may charge a fee for similar services Dishonoured payments – \$25 (plus applicable taxes)

### Management fee distribution programs

In return for our services, Series A of the fund pays us a management fee (plus applicable taxes). The fee is calculated daily and payable monthly. The management fee that we may charge for Series A securities of the fund is disclosed in this simplified prospectus. Management fees are subject to applicable taxes.

We may, at our discretion, waive a portion or the entire amount of the management fees chargeable at any given time without notice.

To encourage large investments in the fund or to accommodate special situations, we may reduce all or a portion of the management fees we charge to the fund in respect of certain investors in the fund. The reduction is based on a number of factors, including the type of investor, the number and value of securities held by an investor and the relationship between the investor and the manager.

If your investments qualify, we will calculate the reduction in the management fees according to a schedule that we may change at our discretion. If we reduce our usual management fee for an investment in the fund, the fund will pay an amount equal to the reduction to you in the form of a special distribution, which is called a management fee distribution.

We calculate management fee distributions on each Valuation Day. They are distributed or paid regularly to eligible investors. We will reinvest the distribution in additional securities of the fund.

Management fee distributions are made first out of net income and net realized capital gains and then out of capital. A unitholder who is not exempt from tax and who receives a management fee distribution from the fund must take into account in the calculation of the unitholder's income for tax purposes the portion paid out of net income and net realized capital gains of the fund. See *Income tax considerations for investors* on page 41 for information on the tax consequences of management fee distributions.

The income tax consequences of management fee distributions will generally be borne by the qualifying investors receiving the distributions and will not result in adverse tax consequences to the fund.

At all times, the manager is entitled to charge the fund or the investor, as applicable, the rate of management fee as set out in this simplified prospectus. The manager may reduce the rate of any management fee reductions or cancel any management fee reduction at any time.

## **Dealer compensation**

### ***Sales commissions***

Sales commissions are not paid when you switch between BMO Mutual Funds, but a switch fee of up to 2% may be charged by your dealer. This fee may be negotiated between you and your dealer. No commissions are paid when you receive securities from reinvested distributions.

### ***Trailing commissions***

For Series A securities of the fund, out of the management fees that we receive, we pay your registered dealer a trailing commission, calculated daily and paid monthly or quarterly at the option of the dealer. The trailing commission is a percentage of the average daily value of the securities you hold.

For Series A securities of the fund, we pay your registered dealer an annual trailing commission of 0.30%.

## **Other incentive programs**

We'll pay for any new compensation programs that we may introduce as well as a portion of marketing and educational programs. Neither the fund nor the securityholders pay for any compensation programs.

### **Sales incentive programs**

We pay for marketing materials we give to dealers to help support their sales efforts. We may also share with dealers up to 50% of their costs in marketing the fund.

We may pay up to 10% of the total direct costs of some participating dealers to hold educational seminars or conferences for their representatives to teach them about, among other things, new developments in the mutual fund industry, financial planning or new financial products. The participating dealer makes all decisions about where and when the conference is held and who can attend.

We may arrange seminars for representatives of the dealers where we inform them about new developments in our mutual funds, our products and services and mutual fund industry matters. We invite dealers to send their representatives to our seminars and we do not decide who attends. The representatives must pay their own travel, accommodation and personal expenses in connection with attending our seminars.

## **Equity interests**

Bank of Montreal Holding Inc. owns 100% of the issued shares of the manager. Bank of Montreal Holding Inc. is a wholly-owned subsidiary of Bank of Montreal. BMO Nesbitt Burns Inc., BMO InvestorLine Inc. and BMO Private Investment Counsel Inc., all wholly-owned, indirect subsidiaries of



Bank of Montreal, may sell securities of the fund. Such sales are made on the same basis as those made by other dealers, with no preferential compensation.

### **Income tax considerations**

The following is a summary of the principal Canadian federal income tax considerations under the Tax Act as of the date hereof generally applicable to the fund and to you if, at all relevant times, you are a Canadian resident individual (other than a trust) who holds securities directly as capital property, who deals at arm's length with the fund and who is not affiliated with the fund, each within the meaning of the Tax Act.

This summary is based on the current provisions of the Tax Act and, subject to the comments in the following paragraph, all specific proposals to amend the Tax Act publicly announced before the date hereof (the "**Tax Proposals**") which we assume will be enacted as proposed although there is no assurance in that regard. It also takes into account our understanding of the CRA's administrative policies and assessing practices published in writing before the date hereof.

Certain Tax Proposals released on September 23, 2024 to implement proposals first announced in the 2024 Federal Budget (Canada) (the "**Capital Gains Amendments**") would generally increase the capital gains inclusion rate from one-half to two-thirds. The Capital Gains Amendments are described in this summary under the heading "**Redeeming your securities**" but are not otherwise described in this summary.

**This summary is not intended to be legal or tax advice. We have tried to make it easy to understand. As a result, we cannot be technically precise, or cover all the tax consequences that may apply. We suggest that you consult your tax advisor for details about your situation.**

#### **Income of the fund**

The fund must calculate its net income, including net taxable capital gains, in Canadian dollars, for each taxation year according to the rules in the Tax Act. In general, interest must be included in income as it accrues, dividends when they are received and capital gains and losses when they are realized. Trust income that is paid or payable to the fund during the trust's taxation year is generally included in the calculation of the fund's income for the taxation year of the fund in which the trust's taxation year ends. Each year the fund is required to include in the calculation of its income, an amount as notional interest accrued on strip bonds, zero-coupon bonds and certain other prescribed debt obligations held by the fund even though the fund is not entitled to receive interest on the debt instrument. Foreign source income received by the fund (whether directly or indirectly from an underlying trust) will generally be net of any taxes withheld in the foreign jurisdiction. The foreign taxes so withheld will be included in the calculation of the fund's income. The fund may be deemed to earn income on investments in some types of foreign entities. Gains and losses realized on futures, forward contracts, options and other derivatives may be treated as ordinary income and loss or as capital gains and capital losses, depending on the circumstances. Gains and losses realized on the short sale of securities by the fund will generally be on income account unless the securities are "Canadian securities" as defined in the Tax Act and, in the case of the fund, the fund will make an irrevocable election that gains and losses on Canadian securities be on capital account.

In calculating the fund's net income all of the fund's deductible expenses will be taken into account.

The fund may receive capital gains distributions or capital gains dividends from an underlying fund, which generally will be treated as capital gains realized by the fund.

Investments in foreign denominated securities must calculate its ACB and proceeds of disposition in Canadian dollars based on the conversion rate on the date the securities were purchased and sold, as applicable. As a result, the fund may realize capital gains and losses due to changes in the value of foreign currency relative to the Canadian dollar.

Capital gains realized during a taxation year are reduced by capital losses realized during the year. Net capital losses realized during a taxation year may be used to offset net capital gains realized during future taxation years subject to certain limitations. In certain circumstances, a capital loss realized by the fund may be denied or suspended and, therefore, may not be available to offset capital gains. For example, a capital loss realized by the fund will be suspended if, during the period that begins 30 days before and ends 30 days after the date on which the capital loss was realized, the fund (or a person affiliated with the fund for the purposes of the Tax Act) acquires a property that is, or is identical to, the particular property on which the loss was realized and owns that property at the end of that period.

### **Taxation of the fund**

The fund will distribute to unitholders a sufficient amount of its net income and net capital gains, if any, for each taxation year so that it will not be liable for ordinary income tax under Part I of the Tax Act for any taxation year, after taking into account any capital gains refund to which it is entitled if it qualifies as a mutual fund trust under the Tax Act throughout the taxation year.

If the fund does not qualify as a mutual fund trust under the Tax Act throughout its taxation year, it will not be eligible to claim a capital gains refund for the year and may become liable to alternative minimum tax. However, we expect that the fund will qualify, or be deemed to qualify, as a mutual fund trust under the Tax Act at all relevant times.

As income and capital gains of the fund may be derived from investments in countries other than Canada, the fund may be liable to pay income or profits tax to such countries. To the extent that such foreign tax paid by the fund exceeds 15% of the foreign income (excluding capital gains from investments made directly by the fund), such excess may generally be deducted by the fund in computing its income for purposes of the Tax Act. To the extent that foreign tax paid by the fund does not exceed 15% and has not been deducted in computing the income of the fund, the fund may designate a portion of its foreign source income in respect of your securities, so that such income and a portion of the foreign tax paid or deemed to be paid by the fund may be regarded as foreign source income of, and foreign tax paid by, you for the purposes of the foreign tax credit provisions of the Tax Act.

### **Income tax considerations for investors**

You must include in your income for a taxation year, the taxable portion of all distributions (including management fee distributions from the fund), whether you received them in cash or invested them in additional securities. The amount of reinvested distributions is added to the ACB of your securities. This ensures that you do not pay tax on the amount again at a later date.

Distributions paid by the fund may consist of capital gains, dividends, foreign source income, other income and/or ROC.

Subject to the Capital Gains Amendments (discussed below), one-half of a capital gain distribution from the fund is a “taxable capital gain” and included in your income. You may be eligible for foreign tax credits in respect of foreign taxes paid by the fund in respect of foreign source income distributed to you. Dividends from Canadian corporations distributed by the fund will be eligible for the dividend tax credit.

ROC is not immediately taxable to you but will reduce the ACB of the securities on which it was paid. As a result, the amount of any capital gain that you realize when you redeem your securities will be larger (or the capital loss will be smaller), unless the ROC was reinvested in additional securities. If the ACB of your securities is reduced to less than zero while you continue to hold them, you will be deemed to realize an immediate capital gain equal to the negative amount and your ACB will be increased to zero.

### **Buying securities before a distribution date**

The NAV per security of the fund may include income and capital gains that the fund has earned, but not yet realized (in the case of capital gains) and/or paid out as a distribution. If you buy securities of the fund just before it makes a distribution, you must include in your income the taxable portion of a distribution received from the fund even though the fund may have earned the income or realized the capital gains that gave rise to the distribution before you owned your securities. For example, since the fund distributes its net capital gains once a year in December, if you invest in the fund late in the year, you may have to pay tax on your portion of the net capital gains it earned for the whole year notwithstanding that such amounts may have been reflected in the price you paid for the securities.

### **Portfolio turnover rate**

In general, the higher the fund’s portfolio turnover rate, the greater the chance that it will realize capital gains and that you will receive a capital gains distribution from the fund. Any capital gains realized would be offset by any available capital losses realized on portfolio transactions. There is not necessarily a relationship between a high turnover rate and the performance of the fund.

### **Sales charge and fees**

Sales charges paid on the purchase of securities are not deductible in computing your income but are added to the ACB of your securities.

### **Switching your securities**

If you switch your securities of the fund for securities of another BMO Mutual Fund, such switch involves the redemption of your securities, which is a disposition for income tax purposes.

## Redeeming your securities

You will realize a capital gain or capital loss when you redeem or otherwise dispose of your securities. The capital gain (or capital loss) will be the amount by which your proceeds of disposition exceed (or are exceeded by) the aggregate of the ACB of the security and any reasonable costs of disposition.

Based on the current provisions of the Tax Act, you must include one-half of any capital gain (“**taxable capital gain**”) in computing your income for tax purposes and must deduct one-half of any capital loss (“**allowable capital loss**”) to offset taxable capital gains. Allowable capital losses in excess of taxable capital gains in the year may be carried back three years or forward indefinitely for deduction against taxable capital gains realized in those years subject to certain limitations. Under the Capital Gains Amendments, the portion of a capital gain realized by you on or after June 25, 2024 that must be included in your income and the portion of a capital loss which is or can be deducted against the taxable portion of capital gains will be increased from one-half to two-thirds. However, the two-thirds inclusion rate will only apply to a unitholder who generally realizes net capital gains (including net taxable capital gains designated by the fund) above an annual \$250,000 threshold (with such threshold not being pro-rated for 2024). Under the Capital Gains Amendments, two-thirds of capital losses realized prior to 2024 will be deductible against capital gains included in income at the two-thirds inclusion rate such that a capital loss will offset an equivalent capital gain regardless of the inclusion rate. Unitholders should consult their own tax advisors about the Capital Gains Amendments based on their individual circumstances.

In certain situations where you dispose of a security of the fund and would otherwise realize a capital loss, the loss will be denied. This may occur if you, your spouse or a person affiliated with you for purposes of the Tax Act acquires securities of the fund within 30 days before or after you dispose of the security which are considered to be “substituted property”. In these circumstances, the capital loss may be deemed to be a “superficial loss” and denied. The amount of the denied capital loss would be added to the ACB of the securities which are “substituted property”.

We will provide you with details of your proceeds of redemption. However, in order to calculate your gain or loss you will need to know the ACB of your securities on the date of the redemption.

### *How to calculate ACB*

For most situations, here’s how the total ACB of your securities of a series of a particular fund is calculated.

- Start with the cost of your initial investment, including any sales charges you paid.
- Add the cost of any additional investments, including any sales charges you paid.
- Add the amount of any distributions that were reinvested (including ROC and management fee distributions).
- Subtract the amount of any ROC.
- For a tax-deferred switch into the series, add the ACB of switched securities.
- For a tax-deferred switch out of the series, subtract the ACB of the switched securities.

- Subtract the ACB of any previously redeemed securities.

The ACB of a single security is the average of the ACB of all the identical securities.

### **Tax reporting**

Each year we will send you a tax slip with detailed information about the distributions paid to you on securities held in a non-registered account. To calculate your ACB, you will need to keep detailed records of the cost of all purchases and the amount of all distributions paid to you, as well as exchange rates where relevant.

### **Minimum tax**

Individuals (other than certain trusts) are subject to an alternative minimum tax (“AMT”). Net income of the fund paid or payable to you that is designated as dividends received on shares of taxable Canadian corporations or as net realized taxable capital gains on the disposition of securities of the fund may give rise to liability for such AMT. Recent amendments to the Tax Act have increased the AMT tax rate, raised the exemption and broadened the tax base. In particular, the full amount of most capital gains will be included in the tax base rather than 80%.

### **Exchange of tax information**

As a result of due diligence and reporting obligations in the Tax Act, securityholders may be asked to provide their dealer with information about their citizenship and tax residence, including their foreign taxpayer identification number (if applicable). If a securityholder is identified as a “U.S. Specified Person” (including a U.S. resident or citizen living in Canada), is identified as a tax resident of a country other than Canada or the U.S., or does not provide the required information and indicia of U.S. or non-Canadian status is present, information about the securityholder and their investment in the fund will be reported to the CRA. The CRA will provide that information to the U.S. Internal Revenue Service in the case of U.S. Specified Persons or the relevant tax authority of any country that is a signatory of the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information or that has otherwise agreed to a bilateral information exchange with Canada under Common Reporting Standard in the case of non-Canadian tax residents other than U.S. tax residents. Securityholders are required by law to provide certain information for the purposes of such information exchange.

## **What are your legal rights?**

Under securities law in some provinces and territories, you have the right to:

- withdraw from your agreement to buy mutual funds within two business days after you receive a simplified prospectus or fund facts document, or
- cancel your purchase within 48 hours after you receive confirmation of the purchase.

In some provinces and territories, you also have the right to cancel a purchase, or in some jurisdictions, claim damages, if the simplified prospectus, fund facts document or financial statements contain a misrepresentation. You must act within the time limits set by law in the applicable province or territory.

For more information, see the securities law of your province or territory or ask a lawyer.

## **Exemptions and approvals**

Please see *Investment restrictions* on page 53 for a description of all exemptions from, or approvals in relation to, NI 81-102, obtained by the fund or the manager that continue to be relied on by the fund or the manager.

## Certificate of the fund and the Manager and Promoter of the fund

BMO Private Strategic Rate Fund I

(the “Fund”)

This simplified prospectus and the documents incorporated by reference into the simplified prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus, as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Prince Edward Island, Nova Scotia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Yukon Territory and Nunavut, and do not contain any misrepresentations.

DATED the 29<sup>th</sup> day of November, 2024.

*(Signed) “William E.P. Bamber”*  
 \_\_\_\_\_  
 WILLIAM E.P. BAMBER  
 Acting in the capacity of  
 Chief Executive Officer,  
 BMO Investments Inc. as Trustee and  
 manager of the Fund

*(Signed) “Nelson C. Avila”*  
 \_\_\_\_\_  
 NELSON C. AVILA  
 Chief Financial Officer  
 BMO Investments Inc. as Trustee and  
 manager of the Fund

**ON BEHALF OF THE BOARD OF DIRECTORS  
 OF BMO INVESTMENTS INC.,  
 the Trustee, manager and promoter of the Fund**

*(Signed) “Gilles G. Ouellette”*  
 \_\_\_\_\_  
 GILLES G. OUELLETTE  
 Director

*(Signed) “Robert J. Schauer”*  
 \_\_\_\_\_  
 ROBERT J. SCHAUER  
 Director

**Certificate of the Principal Distributor****BMO Private Strategic Rate Fund I**

To the best of our knowledge, information and belief, this simplified prospectus and the documents incorporated by reference into the simplified prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus, as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Prince Edward Island, Nova Scotia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Yukon Territory and Nunavut and do not contain any misrepresentations.

DATED the 29<sup>th</sup> day of November, 2024.

**PRINCIPAL DISTRIBUTOR,  
BMO INVESTMENTS INC.**

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

WILLIAM E.P. BAMBER

Acting in the capacity of  
Chief Executive Officer



## Specific Information about BMO Private Strategic Rate Fund I

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

#### *What is a mutual fund?*

A mutual fund is a pool of investments managed by professional money managers. When you invest in a mutual fund, you're actually pooling your money with other people who have similar investment goals. A portfolio manager invests that money on behalf of the whole group. If the investments make money, everyone shares in the gain. If the investments lose money, the whole group shares in the loss.

Mutual fund companies keep track of each investor's share of the pool by selling mutual funds in units or shares. The more you invest the more units or shares you own and the bigger your share of the fund's income, gains and losses. As an investor, you also share a portion of the fund's expenses.

Mutual funds come in many varieties that are designed to meet the differing needs of investors. The fund could hold investments like stocks, bonds, cash, derivatives, or underlying funds or some combination of these, depending on its investment objectives.

The value of these investments can go up or down. They're affected by things such as changes in interest rates or currency exchange rates, economic conditions in Canada or abroad, global pandemics or health crises or news about the companies the fund invests in. When the value of the investments change, it can make the price of the mutual fund securities rise or fall. That's why mutual fund investments can increase or decrease in value after you buy them and why the value of your investment in a mutual fund may be more or less when you redeem it than when you purchased it.

Under exceptional circumstances, a mutual fund may not allow you to redeem your securities. See *Extraordinary circumstances when you may not be allowed to redeem your securities* on page 33 for more information.

#### *How mutual funds are structured*

A mutual fund can be set up as a trust or corporation. Both allow you to pool your money with other investors, but there are some differences. When you invest in a trust, you buy units of the trust. When you invest in a corporation, you buy shares of the corporation. Some mutual fund corporations issue several classes of shares, where each share class works like a separate mutual fund with its own investment objectives.

The main difference between an investment in a trust and a corporation is in how the entity and your investment in the entity are taxed. Distributions from a mutual fund that is a trust are generally treated differently for tax purposes than distributions from a mutual fund that is a corporation.

Units of a mutual fund trust and classes of a mutual fund corporation may be issued in different series. Each series is intended for different kinds of investors and may have different fees and expenses or different distribution policies.

***Classes and series of securities of funds structured as trusts***

A fund that is structured as a trust may issue securities in one or more classes and a class may be issued in one or more series. An unlimited number of securities of each series may be issued. In respect of a fund structured as a trust, for some purposes, such as calculating fees and expenses, a class or a series of securities may be dealt with separately from other classes or series of securities of that fund. In addition, the money that you and other investors pay to purchase securities of any series is tracked on a series-by-series basis in your fund's administration records. For other purposes, such as the investment activity of the portfolio of a fund, all classes and series of securities of the fund are dealt with together.

See *About series of securities* on page 28 for more details on the different series of securities available.

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

Risk varies from one fund to another. You can measure risk by how often the fund's value changes and how big the changes tend to be. This is called volatility. The bigger and more often the changes in value the more volatile the fund.

Every fund has a different degree of volatility, which depends largely on the investments that the fund makes. For example, if a fund only invests in interest-paying money market instruments offered by the Canadian government, it will be subject to very little volatility. That's because the government guarantees payment of a certain interest rate and there's little chance it will fail to keep its promise. On the other hand, some funds may invest heavily in technology stocks. Technology stocks can have frequent, large changes in value as a company's products go in and out of favour, so funds that have heavy exposure to technology stocks can be quite volatile.

As a general rule, the higher the risk, the higher the potential for gains (and losses). The lower the risk the lower the potential for gains (and losses). A key to reducing the overall volatility of your portfolio is to hold a wide variety of investments.

The fund is an "alternative mutual fund" for securities law purposes and is permitted to use strategies generally prohibited for conventional mutual funds, such as the ability to invest up to 20% of its NAV in securities of a single issuer, and the ability to borrow cash, to short sell beyond the limited prescribed for conventional mutual funds and to generally employ leverage. While these strategies will only be used in accordance with the investment objectives and strategies of the fund, during certain market conditions they may accelerate the risk that an investment in the fund decreases in value.

When you're deciding which funds to invest in, you need to ask yourself how comfortable you'll be with their volatility. Here are some important points that can help you decide:

- *the length of time you're prepared to invest.* The more time you have until you need to cash in your investments, the more you should be thinking about investing in funds that have exposure to equities. These can be volatile in the short-term, but over the long-term, they've tended to provide higher returns than other kinds of investments.

- *your investment goals.* Your goals are unique and will influence the amount of risk that you are willing to take. If you can reach your goal only by earning higher returns on your investments, you may want to think about taking on more risk by making more volatile funds a larger part of your portfolio.
- *your portfolio as a whole.* A fund that may seem too risky on its own may be suitable as a small percentage of your portfolio. Why? Diversification. When you hold a variety of interest-paying funds and equity funds in your portfolio, you increase the potential for higher returns. At the same time, a good mix of investments tends to reduce wide swings in the value of your portfolio. That's because the various kinds of investments the fund hold tend to react differently to market and economic changes.

**Mutual fund investments are not guaranteed**

Unlike bank accounts or GICs, the fund aren't covered by the Canada Deposit Insurance Corporation or the Régie de l'assurance-dépôts du Québec and aren't guaranteed by Bank of Montreal or by anyone else. The value of the fund will vary with changes in the value of the fund's investments.

Under exceptional circumstances, the fund may suspend redemptions. See *Extraordinary circumstances when you may not be allowed to redeem your securities* on page 33.

## Fund details

<b>Type of fund</b>	Global Fixed Income
<b>Date started</b>	Series A: November 29, 2024
<b>Securities offered</b>	Units of a mutual fund trust
<b>Eligible for registered plans</b>	Not eligible for registered plans
<b>Management fee</b>	Series A: 0.55%
<b>Administration fee</b>	0.10%

Fees and expenses also include taxes and other fund costs. See *Fees and expenses* on page 36 for details.

<b>Portfolio manager</b>	<b>BMO Asset Management Inc.</b> Toronto, Ontario (Portfolio Manager since November, 2024)
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## What Does the Fund Invest in?

### Investment Objectives

The fund's objective is to generate income while preserving capital by investing primarily in debt instruments anywhere in the world. The fund may make these investments directly, or indirectly by using derivative instruments or investing all or a portion of its assets in one or more investment funds.

The fund is an alternative mutual fund that uses derivatives, which may result in a level of leverage that is not permissible for conventional mutual funds. Also, unlike conventional mutual funds, the fund is not required to hold liquid short-term debt or other types of cash cover in respect of the fund's market exposures obtained through the use of derivatives. The fund's aggregate exposure to cash borrowing, short selling and specified derivatives transactions used for leverage or for other non-hedging purposes may not exceed 300% of the fund's NAV, calculated on a daily basis, except as permitted by NI 81-102 or any exemption therefrom.

The fundamental investment objectives may only be changed with the approval of a majority of the votes cast at a meeting of unitholders called for that purpose.

### Investment Strategies

These are the strategies the portfolio manager uses to try to achieve the fund's objectives:

- invests primarily, either directly or indirectly, in debt instruments anywhere in the world including through the use of derivatives and/or investments in structured notes from issuers that provide exposure to global fixed income or other interest-bearing securities and/or interest rates

- may also hold cash or cash equivalents, fixed income securities, money market instruments and/or money market funds from time to time including to fund redemption requests
- may dynamically shift the fund's investment exposure across global markets
- may invest up to 100% of the fund's assets in securities of underlying funds, with such underlying funds expected to be predominantly or exclusively underlying funds that are managed by us or one of our affiliates or associates
- may invest up to 100 % of the fund's assets in foreign securities
- may use derivatives to implement the investment strategy
- may use derivatives, such as options, futures, forward contracts, swaps and other derivative instruments for both hedging and non-hedging purposes, including but not limited to:
  - entering into swaps (including structured total return swaps or rate swaps) on a structured pay-off, security (including securities of exchange traded funds), basket of securities or reference asset such as an index or benchmark rate
  - reducing the impact of volatility on the fund. For example, the portfolio manager may attempt to reduce the impact of any adverse changes in exchange rates by buying currency forwards. The fund's foreign currency exposure is typically fully hedged.
  - buying call options on a security (including securities of exchange traded funds) or basket of securities for return potential
  - writing call options on a security (including securities of exchange traded funds) or basket of securities which cap their upside and generate cash flow
  - buying put options on a security (including securities of exchange traded funds) or basket of securities to decrease downside risk
  - writing put options on a security (including securities of exchange traded funds) or basket of securities to generate cash flow
  - buying forward contracts on a security (including securities of exchange traded funds) or basket of securities.

As permitted by Canadian securities legislation, the IRC has provided us with approval to enable the fund to engage in certain transactions with, and purchase securities of, certain related parties. Please see *Investment restrictions* on page 53 for more information.

The decision to engage in derivatives transactions for non-hedging purposes will be made based on the opportunity for income and capital appreciation, and by considering the overall market risk exposure of the fund's portfolio. The capital appreciation achieved by the fund through the use of these derivative strategies may be less than the increase in the value of the underlying securities themselves or other relevant reference asset or level over the same period. Derivatives may also be used to gain exposure to securities without buying securities directly. The use of derivatives in this manner and the fund's market exposure resulting from such use may result in a level of leverage not permissible for conventional funds. See below for details regarding the amount of leverage permissible by the fund.

Derivatives may be used for hedging purposes to protect the fund against potential losses. For example, the portfolio manager may attempt to reduce the impact of security price fluctuations by using interest rate swaps and/or equity swaps. Derivatives may be used to reduce the impact of volatility on the fund. For example, the portfolio manager may attempt to reduce the impact of any adverse changes in exchange rates by buying currency forwards, futures and/or options.

The fund will only use derivatives as permitted by Canadian securities regulators.

The fund or the underlying funds may enter into securities lending, repurchase and reverse repurchase transactions to earn additional income. These transactions will be used in conjunction with the other investment strategies in a manner considered appropriate to achieving the fund's investment objectives. Please see *Securities lending, repurchase and reverse repurchase transactions risk* on page 17.

The fund may engage in short selling in order to manage volatility or enhance the fund's performance in declining or volatile markets. In compliance with its investment objectives, the fund may engage in short sales by borrowing securities which the portfolio manager believes are overvalued and selling them in the open market. The securities will then be repurchased by the fund at a later date and returned to the lender. The fund will only engage in short sales as permitted by Canadian securities regulators.

The fund may use leverage. Leverage may be created through the use of cash borrowings, short sales and/or derivatives. The fund's aggregate exposure to the sources of leverage, to be calculated as the sum of the following divided by the fund's NAV, must not exceed 300% of the fund's NAV: (i) the aggregate market value of the fund's cash borrowing; (ii) the aggregate market value of short sales on equities, fixed income securities or other portfolio assets; and (iii) the aggregate notional value of the fund's specified derivatives positions excluding any specified derivatives used for hedging purposes. Leverage will be calculated in accordance with the methodology prescribed by securities laws, or any exemptions therefrom.

The fund may temporarily depart from its investment objectives by holding a portion of its assets in cash or cash equivalents, short-term money market instruments and/or high-quality fixed income securities while seeking investment opportunities or for defensive purposes to reflect economic and market conditions.

## **Investment restrictions**

The fund is subject to certain restrictions and requirements contained in securities legislation, including NI 81-102, that are designed in part to ensure that investments of the fund are diversified and relatively liquid and to ensure the proper administration of the fund. The fund is managed in accordance with these restrictions and requirements subject to any exemptive relief from those restrictions and requirements, which are described below.

### **Approval of the securities regulatory authority**

BMO GAM, on behalf of the fund, has received the approval of the securities regulatory authority to vary certain of the investment restrictions and requirements contained in applicable securities legislation, including NI 81-102.

### ***Consolidation Relief***

The fund has obtained exemptive relief from subsection 5.1(4) of National Instrument 81-101 *Mutual Fund Prospectus Disclosure*, to allow the Manager to consolidate the prospectus of the conventional mutual funds that it manages with the prospectus of the "alternative mutual funds" (within the meaning of NI 81-102) that it manages.

### *Appointment of eSecLending as Agent*

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

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

The manager has received relief that permits the fund to invest in corporate debt securities of issuers that are not reporting issuers in Canada regardless of whether or not the securities have a designated rating (as defined in NI 81-102) and that have been underwritten by an entity related to the fund, the manager or an entity related to the manager, provided certain conditions are met, including that the fund has obtained prior IRC approval.

### *In specie transactions*

The manager has received relief that permits the fund to engage in *in specie* transactions, provided certain conditions are met.

### *Rule 144A Securities*

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

In addition, BMO GAM, on behalf of the fund (as applicable), has obtained exemptions from, or approvals in relation to, NI 81-105 or National Policy Statement No. 39 as set out below.

### *Awards and ratings*

The fund has received exemptive relief from Canadian securities regulatory authorities to permit the Lipper Fund Awards and Lipper Leader Ratings, and the FundGrade A+ Awards and FundGrade Ratings to be referenced in sales communications relating to the fund, subject to certain conditions.

### **Approval of the IRC**

The fund has received the approval of the IRC, and may rely upon such approval and the relevant requirements of NI 81-107, to vary certain of the investment restrictions and requirements contained in securities legislation, including NI 81-102, to engage in certain transactions with a related party (each, a “**Related Party Transaction**”). Set out below is a summary of each Related Party Transaction. In respect of each Related Party Transaction, the IRC has provided its approval by way of a standing instruction.

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

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

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

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

Lastly, in accordance with NI 81-107, the fund may make an investment in a long-term debt security of an issuer related to it, its manager or an entity related to the manager, provided that the investment is made under a distribution of the long-term debt security of that issuer (i.e., in a primary offering), and if certain conditions are met, including that the debt security has a term to maturity greater than 365 days, the debt security is not asset-backed commercial paper and that, immediately after the investment is made, the fund complies with holding limits.

***Principal trades in debt securities***

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

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

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

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

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



which the securities of the reporting issuer are listed and traded and that certain pricing conditions are met (in the case of a debt security that does not trade on an exchange).

### ***Inter-fund trades***

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

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

The IRC of the fund has provided its approval and issued standing instructions in respect of each of the Related Party Transactions described above. In accordance with the conditions of the applicable standing instructions of the IRC, the IRC reviews each of the Related Party Transactions at least quarterly. In its review, the IRC considers whether the investment decisions in respect of the Related Party Transactions:

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

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

Additional information about the mandate, duties and responsibilities of the IRC is disclosed under *Independent review committee and fund governance* on page 13.

### **Description of securities offered**

The fund currently offers one series of securities. You'll find the type of securities the fund offers through this simplified prospectus in the fund *details* section of the fund description. See *About series of securities* under *Purchases, switches and redemptions* on page 28 for a description of the series of securities offered by the fund and the eligibility requirements attached to the series. See also *Fees and expenses* on page 36 and *Dealer compensation* on page 39 for details.

The fund is divided into units and is authorized to issue an unlimited number of units and fractions of units. Certificates are generally not issued to unitholders.

The fund may issue more than one series of units. Generally, the principal differences between series of the fund are the fees payable by the series, the purchase options under which you may purchase the series, the type and frequency of distributions you may receive as an investor in the series.

As a unitholder, you are generally entitled to participate *pro rata* in the net income and net capital gains of the fund that are attributable to the units you hold. On liquidation, you are entitled to participate *pro rata* in the net assets of the fund remaining after satisfaction of outstanding liabilities that are attributable to the units you hold. You may not transfer or assign units of the fund but may redeem units on demand and pledge units as security. You have no ownership rights in any assets of the fund. A unit of one fund does not carry rights to any other fund. As a unitholder, you have no special rights to buy other units. See *Meetings of securityholders* on page 58 for a description of your voting rights.

All units are issued as fully paid and non-assessable in Canadian dollars so that you will not be liable for any further payments to the fund for those units.

#### ***Amendments to the constating documents***

We may make certain amendments to the applicable constating documents (i.e., the Declaration of Trust) of the fund, as permitted by applicable legislation. You will be entitled to vote on certain material changes to the fund's constating documents. Please see *Meetings of securityholders* on page 58 for more details.

#### ***Changes requiring written notice to unitholders***

Subject to any longer notice requirements imposed under applicable securities legislation, the Trustee is permitted to amend the Declaration of Trust by giving not less than 30 days' notice to unitholders of the fund affected by the proposed amendment in circumstances where:

- (a) applicable securities legislation requires that written notice be given to unitholders before the change takes effect; or
- (b) the change would not be prohibited by applicable securities legislation and the Trustee reasonably believes that the proposed amendment has the potential to materially adversely impact the financial interests or rights of the unitholders, so that it is equitable to give unitholders advance notice of the proposed change.

#### ***Changes not requiring written notice to unitholders***

The Trustee is permitted to amend the Declaration of Trust, without the approval of, or prior notice to, the unitholders of the fund, if the Trustee reasonably believes that the proposed amendment does not have the potential to materially adversely impact the financial interests or rights of unitholders of the fund or that the proposed amendment is necessary to:

- (a) ensure compliance with applicable laws, regulations or policies of any governmental authority having jurisdiction over the fund or the distribution of its units;
- (b) remove any conflicts or other inconsistencies that may exist between any of the terms of the Declaration of Trust and any provisions of any applicable laws, regulations or policies affecting the fund, the Trustee or its agents;

- (c) make any change or correction in the Declaration of Trust that is a typographical correction or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission or error contained therein;
- (d) facilitate the administration of the fund as a mutual fund trust or make amendments or adjustments in response to any existing or proposed amendments to the Tax Act or its administration which might otherwise adversely affect the tax status of the fund or its unitholders; or
- (e) for the purpose of protecting the unitholders of the fund.

### ***Meetings of securityholders***

You have a right to exercise one vote for each whole security you hold at meetings of securityholders of the fund or of your series on any matters that require securityholder approval under NI 81-102, under the constating documents of the fund, as provided for under corporate legislation.

You are entitled to vote on the following matters:

- certain reorganizations of the fund (see below for further details);
- certain material changes to the fund's constating documents (see *Amendments to the constating documents* on page 57 for more details);
- the appointment of a new manager of the fund, unless the new manager is an affiliate of the manager;
- any change in the fundamental investment objectives of the fund; and
- any decrease in the frequency of calculating the fund's net asset value.

In general, the approval of securityholders will not be obtained if the basis of the calculation of a fee or expense that is charged to Series A securities of the fund (or is charged directly to securityholders of Series A by the fund or by us in connection with the holding of Series A securities of the fund) is changed in a way that could result in an increase in charges to the Series A or to securityholders of the Series A or if a fee or expense, to be charged to Series A securities of the fund (or to be charged directly to securityholders of Series A by the fund or by us in connection with the holding of Series A securities of the fund) that could result in an increase in charges to the Series A or to securityholders of the Series A, is introduced. In the cases above, securityholders of such Series A will be sent a written notice of the change at least 60 days prior to the effective date.

In certain circumstances, in place of you approving a fund merger, the IRC has been permitted under applicable securities legislation to approve a fund merger. In these circumstances, you will receive written notice of any proposed merger at least 60 days prior to the effective date of the merger.

If the fund holds securities of another mutual fund that is managed by us or one of our associates or affiliates, the fund will not vote the securities of the underlying fund. We may, at our discretion, arrange for securities of the underlying fund to be voted by the securityholders of the fund holding those securities.

We may change securityholders’ rights for any fund, as permitted by applicable securities legislation, by amending its declaration of trust, as the case may be. See “*Amendments to the constating documents*” on page 57 for more details.

In order to effect any change which requires securityholder approval, unless otherwise required by the constating documents of the fund or by applicable securities legislation or corporate legislation, as applicable, a resolution passed by at least a majority of the votes cast at a meeting of securityholders is required. In the case of an equality of votes, the chairman presiding at the meetings of the fund will have a casting vote.

***Distributions***

The fund distributes monthly any net income and/or ROC and any net capital gains in December. Distributions are automatically reinvested in additional securities of the fund, unless you tell us in writing that you prefer to receive cash distributions.

**Name, formation and history of the fund**

The fund is an open-ended mutual fund trust established under the laws of the Province of Ontario, and is governed by an amended and restated master declaration of trust dated as of May 22, 2022 together with an amended and restated Schedule “A” dated as of November 29, 2024 (the “**Declaration of Trust**”).

Fund	Formation	Previous name(s), if any, in the last 10 years
BMO Private Strategic Rate Fund I	November 29, 2024	N/A

**What are the risks of investing in the fund?**

**General investment risks**

An investment in the fund should be made with an understanding that the value of the fund will fluctuate in accordance with changes in the financial condition of the fund’s underlying investments. Underlying investments and the value of the fund may fluctuate over short term periods due to short term market movements and over longer periods during more prolonged market upturns or downturns. In addition to changes in the condition of markets generally and other factors such as local, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issues, recessions, or other events could have a significant impact on the fund and its investments and could also result in fluctuations in the value of the fund. The economies of certain foreign markets may also be more vulnerable to diplomatic developments, the imposition of economic sanctions against a particular country or countries, changes in international trading patterns, trade barriers, and other protectionist or retaliatory measures. Here are some common risk factors that may cause the value of the fund to change.

### **Borrowing risk**

An alternative mutual fund may borrow cash or securities which could magnify the impact of any movements in the prices of underlying investments and could impact the value of your investment. As a result, the gains or losses on investments realized by an alternative mutual fund may be more volatile as compared to investing in the same asset classes and securities without making use of borrowings.

### **Call writing risk**

The fund is subject to the full risk of its investment position in the securities in its portfolio, including the securities that are subject to call options written by the fund, should the market price of such securities decline. In addition, the fund is not expected to participate in a gain on a security subject to a call option, if the gain results in the market price of the security exceeding the exercise price of the option. In such circumstances, the holder of the option will likely exercise the option. The premiums associated with writing covered call options may not exceed the returns that would have resulted if any of the applicable funds had remained directly invested in the securities subject to call options. The use of options may have the effect of limiting or reducing the total returns of the fund.

There can be no assurance that a liquid exchange or over-the-counter market will exist to permit the fund to write covered call options on desired terms or to close out option positions should it desire to do so. The ability of the fund to close out its positions may also be affected by exchange-imposed daily trading limits. In addition, exchanges may suspend the trading of options in volatile markets. If the fund is unable to repurchase a call option that is in-the-money, it will be unable to realize its profits or limit its losses until such time as the option it has written becomes exercisable or expires.

### **Credit risk**

Credit risk is the risk that the company, government or other entity (including a special purpose vehicle) that issued a bond or other fixed income security (including asset-backed and mortgage-backed securities) can't pay interest or repay principal when it's due. This risk is lowest among issuers that have a high credit rating from a credit rating agency. It's highest among issuers that have a low credit rating or no credit rating. Investments with a lower credit rating usually offer a better return than higher-grade investments, but have the potential for substantial loss as well as gain, as will a fund that buys them.

High yielding, higher risk income securities in which the fund may invest are subject to greater risk of loss of principal and income than higher rated fixed income securities, and are considered to be less certain with respect to the issuer's capacity to pay interest and repay principal.

A specialized credit rating agency, such as Standard & Poor's or DBRS, may reduce the credit rating of an issuer's debt securities. Unexpected downgrades in credit rating typically decrease the value of such securities.

### **Cybersecurity risk**

With the increased use of technologies such as the internet to conduct business, the manager and the fund is susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding)

for purposes of misappropriating assets or sensitive information, corrupting data or causing operational disruption. Cyber attacks also may be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Cyber incidents affecting the fund, the manager or the fund's service providers (including, but not limited to, the fund's portfolio manager, sub-advisor(s), transfer agent, custodian and sub-custodians) have the ability to cause disruptions and impact each of their respective business operations, potentially resulting in financial losses, interference with the fund's ability to calculate their NAV, impediments to trading, the inability of securityholders to transact business with the fund and the inability of the fund to process transactions including redeeming securities, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs associated with the implementation of any corrective measures. Similar adverse consequences could result from cyber incidents affecting the issuers of securities in which the fund invests and counterparties with which the fund engages in transactions.

In addition, substantial costs may be incurred to prevent any cyber incidents in the future. While the manager and the fund has established business continuity plans in the event of, and risk management systems to prevent, such cyber incidents, inherent limitations exist in such plans and systems including the possibility that certain risks have not been identified. Furthermore, the manager and the fund cannot control the cyber security plans and systems of the fund's service providers, the issuers of securities in which the fund invests or any other third parties whose operations may affect the fund or its securityholders. As a result, the fund and its securityholders could be negatively affected.

### **Deposit risk**

The fund may deposit some or all of its assets in deposit accounts with one or more Canadian chartered banks or trust companies. As a result, such funds may be exposed to counterparty risk associated with the chartered banks and trust companies that hold the assets. The cash of most of the fund on deposit with such Canadian chartered banks or trust companies is not expected to be covered by the Canada Deposit Insurance Corporation or any other government deposit insurer.

### **Derivatives risk**

Funds may use derivatives for two main purposes: hedging risk or gaining investment exposure. Derivatives have their own risks. The following are some of the common risks:

- there is no guarantee the hedging or investment strategy will be effective or achieve the intended effect;
- derivatives entered into for hedging purposes may reduce the opportunity for gains if the value of the hedged instrument rises because the derivative may incur an offsetting loss, and hedging may also be costly or difficult to implement;
- using derivatives for investment purposes does not protect a mutual fund from a decline in the value of the underlying security, currency or market for which the derivative is a substitute;
- when entering into a derivative contract, a fund may be required to provide margin or collateral to the counterparty, which exposes the fund to the credit risk of the counterparty. If the counterparty becomes insolvent, the fund could lose its margin or collateral or incur expenses to recover the margin or collateral;

- the other party to a derivative contract may not be able to meet its obligations to complete the transaction;
- many derivatives, particularly those that are privately negotiated, are complex and often valued subjectively. Improper valuations can result in increased cash payment requirements to counterparties or a loss of value to a fund;
- the price of a derivative may change more than the price of the underlying security or asset, and the price of a derivative can be affected by factors other than the price of the underlying security or asset;
- there is no guarantee that a fund can close out a derivative contract when it wants to at a price that corresponds to the price the derivative contract has been valued at for NAV purposes, which may result in the fund experiencing losses. For example,
  - stock exchanges may set daily trading limits on exchange traded derivatives, which could prevent a fund from trading or closing out its position in such derivatives;
  - the price of stock index options may be distorted if trading in some or all of the stocks that make up the index is interrupted, and a fund may not be able to close out its position in these options if exchange trading is interrupted or trading restrictions are imposed; and
  - a counterparty may not be willing, when requested by a fund, to agree to an early close out of a derivative contract at a price which reflects the current market value of the derivative contract.
- derivatives traded on certain foreign markets may be harder to price and/or close out and may have higher credit risks than derivatives traded in North America; and
- derivatives (other than exchange traded derivatives) are entered into at prices and on terms that are negotiated on a bilateral basis between the counterparty and the fund, and accordingly the negotiated pricing levels do not benefit from exchange-based pricing (which generally provides active price competition and liquidity), and moreover the pricing of bilaterally negotiated derivatives available to the fund may become less attractive over time if counterparties consider that the fund is price insensitive or has limited alternatives.

In addition, in determining its income for tax purposes, the fund will treat gains and losses realized on derivatives used to hedge against fluctuations in the value of securities held as capital property as capital gains and capital losses provided there is sufficient linkage. The fund will treat option premiums received from writing covered put and call options on capital property and any gains or losses realized from closing out the options as capital gains or losses in accordance with the CRA's published administrative practice. The fund will generally treat gains and losses realized on other derivatives on income account.

The CRA's practice is to not grant advance income tax rulings on the characterization of items as capital or income. No advance income tax ruling has been sought or received from the CRA. Accordingly, there is a risk that the CRA may disagree with the tax treatment adopted by the fund. In such case, the net income of the fund for tax purposes and, in the case of the fund, the taxable component of distributions to investors could subsequently be determined to be more than originally reported. Investors or the fund could be reassessed for income tax. Also, the fund could become liable for unremitted withholding taxes on prior distributions made to non-resident investors. Any liability imposed on the fund will reduce the value of the fund and the value of an investor's investment in the fund.

**Foreign investment risk**

When a fund invests in foreign securities, its value is affected by financial markets and general economic trends in the countries where the securities are issued. While the U.S. market has standards that are similar to those in Canada, other foreign markets may not. For example, some foreign markets may not be as strictly regulated as Canadian and U.S. markets. Their laws might make it difficult to protect investor rights. The political climate might be less stable and social, religious and regional tensions may exist. Business disclosure and accounting standards may be less stringent than in Canada and the U.S., making it difficult to obtain complete information about a potential investment. Securities markets may be smaller than in more developed countries, making it more difficult to sell securities in order to take profits or avoid losses. As a result, the value of foreign securities, and the value of funds that hold them, may rise or fall more rapidly and to a greater degree than Canadian and U.S. investments. In general, securities issued in more developed markets have lower foreign investment risk. Securities issued in emerging or developing markets have higher foreign investment risk.

Funds that concentrate their investments in a single country or region of the world tend to be riskier than funds with greater geographic diversification because prices of securities in the same markets tend to move up and down together.

In addition, a fund that invests in foreign securities may become subject to foreign withholding taxes on dividends or other distributions on such securities and on the disposition of such securities. Depending on the circumstances, some of all of such foreign taxes may not be eligible for relief under the provisions of the Tax Act that permit a credit or deduction for certain foreign taxes by a fund or securityholders.

**Fund of funds risk**

The fund invests directly in, or obtains exposure to, other investment funds as part of its investment strategy. Therefore, the fund will be subject to the risks of the underlying funds. Also, if an underlying fund suspends redemptions, the investment fund that invests in the underlying fund will be unable to value part of its portfolio and may be unable to redeem securities.

The fund may be deemed to earn income on certain investments in some types of foreign investment entities. There is a risk that the CRA may disagree with the tax treatment adopted by the fund. In such case, the net income of the fund for tax purposes and the taxable component of distributions to investors could subsequently be determined to be more than originally reported. Investors or the fund could be reassessed for income tax. Also, the fund could become liable for unremitted withholding taxes on prior distributions made to non-resident investors. Any liability imposed on the fund may reduce the value of the fund and the value of an investor's investment in the fund.

**Indexing risk**

Certain funds, including index funds and certain exchange traded funds, use a variety of indexing strategies or have exposure to underlying mutual funds that use indexing strategies. Indexing strategies involve tracking the performance of an index by tracking the performance of the investments included in the index. It's unlikely that a fund or an underlying mutual fund will be able to track an index perfectly because each of the fund and underlying mutual fund has its own operating and trading costs which lower returns. Indices don't have these costs.



Also, a fund or an underlying mutual fund may, in basing its investment decisions on an index, have more of its assets invested in one or more issuers than is usually permitted for mutual funds. In these circumstances, the fund or underlying mutual fund may tend to be more volatile and less liquid than more diversified mutual funds as it is affected more by the performance of individual issuers.

Further, concentrating its investments in the securities of a particular index allows a fund or an underlying mutual fund to focus on that index's potential, but it also means that the fund or underlying mutual fund may tend to be more volatile than a fund or underlying mutual fund that invests in the securities of a variety of indices because prices of securities on the same index tend to move up and down together. If required by its investment objectives, the fund or underlying mutual fund must continue to invest in the securities of the index, even if the index is performing poorly. That means the fund or underlying mutual fund won't be able to reduce risk by diversifying its investments into securities listed on other indices.

Also, if the stock market upon which the index is based is not open, the fund or underlying mutual fund may be unable to determine its NAV per security, and so may be unable to satisfy redemption requests.

### **Interest rate risk**

The value of funds that invest in fixed income securities can move up or down as interest rates change. Here's why. Fixed income securities – including bonds, mortgages, treasury bills and commercial paper – pay a rate of interest that's fixed when they're issued. Their value tends to move in the opposite direction to interest rate changes. For example, when interest rates rise, the value of an existing bond will fall because the interest rate on that bond is less than the market rate. The opposite is also true. These changes in turn affect the value of any fund investing in fixed income securities. In addition, to the extent a fund invests in instruments with a negative yield (e.g. where there are negative interest rates), its value could be impaired.

### **Issuer concentration risk**

Some mutual funds concentrate their investments in a particular issuer. This allows them to focus on that issuer's potential, but it also means that they tend to be more volatile than more diversified funds. Their liquidity, and therefore their ability to satisfy redemption requests, may be adversely affected. And because these funds invest in fewer issuers, they're affected more by the performance of individual issuers. These funds may be riskier than other funds that hold a greater number of issuers in their portfolios.

### **Large transaction risk**

The fund may have one or more investors who hold or acquire a significant amount of securities of the fund, including another mutual fund. For example, a financial institution may buy or sell large amounts of the securities of the fund to hedge its obligations relating to a guaranteed investment product whose performance is linked to the performance of the fund. As well, certain mutual funds, including the BMO Mutual Funds, may invest directly in the funds. If one or more of these investors (including these investing funds) decides to redeem its investment in the fund, the fund may have to make large sales of securities to meet these requests. The portfolio manager may have to change the composition of the fund's portfolio significantly or may be forced to sell investments at unfavourable prices which can negatively impact the fund's returns. Conversely, if one or more of these investors decides to increase

its investment in the fund, the fund may have to hold a relatively large position in cash for a period of time while the portfolio manager attempts to find suitable investments. This could negatively impact the fund's return.

A trust, such as the fund, is subject to a "loss restriction event" for the purposes of the Tax Act if a person becomes a "majority-interest beneficiary" of the fund, or a group of persons becomes a "majority-interest group of beneficiaries" of the fund, as those terms are defined in the Tax Act. Generally, a majority-interest beneficiary of the fund is a unitholder who, together with persons and partnerships with whom the unitholder is affiliated, owns units with fair market value that is greater than 50% of the fair market value of all units of the fund. If the fund experiences a "loss restriction event" (i) it will be deemed to have a year-end for tax purposes (which would result in an allocation of the fund's taxable income at such time to unitholders so that the fund is not liable for income tax on such amounts), and (ii) it will become subject to the loss restriction rules generally applicable to corporations that experience an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on their ability to carry forward losses. As a result of the application of these rules, the amount of distributions paid by the fund after a loss restriction event may be larger than it otherwise would have been. However, no person or group of persons should become a majority-interest beneficiary or majority-interest group of beneficiaries of the fund as long as the fund qualifies as an "investment fund" under the Tax Act by satisfying certain investment diversification and other conditions.

### **Leverage risk**

When an alternative mutual fund makes investments in derivatives, borrows cash for investment purposes, or uses short sales on equities, fixed income securities or other reference assets or benchmark or index levels, leverage may be introduced into the alternative mutual fund. Leverage occurs when the alternative mutual fund's notional exposure to underlying assets or relevant benchmarks or similar levels is greater than the amount invested. It is an investment technique that can magnify gains and losses. Consequently, any adverse change in the value or level of the underlying asset, rate or index may amplify losses compared to those that would have been incurred if the underlying asset had been directly held by the alternative mutual fund and may result in losses greater than the amount invested in the derivative itself. Leverage may increase volatility, may impair the alternative mutual fund's liquidity and may cause the alternative mutual fund to liquidate positions at unfavourable times.

### **Liquidity risk**

Some securities may be difficult to buy or sell because they're not well known or because political or economic events significantly affect them. These include investments in specific sectors, especially commodity sectors, and investments in developing or smaller markets. In addition, smaller companies may be hard to value because they're developing new products or services for which there is not yet a developed market or revenue stream. They may only have a small number of shares in the market, which may make it difficult for the fund to buy or sell shares when it wants to. The value of funds that hold these investments may rise or fall substantially.

### **Put writing risk**

Certain funds collect premiums on the options they write. These funds' risk of loss, if one or more of its options is exercised and expires in-the-money, may substantially outweigh the gains to these funds from

the receipt of such option premiums. These funds will either earmark or segregate sufficient liquid assets to cover their obligations under each option on an ongoing basis. While the put option strategy is intended to be profitable in neutral, rising and moderately declining markets, large market declines may negatively impact these funds' performance.

There can be no assurance that a liquid exchange or over-the-counter market will exist to permit the fund to write put options on desired terms or to close out option positions should it desire to do so. The ability of the fund to close out its positions may also be affected by exchange-imposed daily trading limits. In addition, exchanges may suspend the trading of options in volatile markets. If the fund is unable to repurchase a put option that is in-the-money, it will be unable to realize its profits or limit its losses until such time as the option it has written becomes exercisable or expires.

### **Securities lending, repurchase and reverse repurchase transactions risk**

The fund may engage in securities lending, repurchase and reverse repurchase transactions. These transactions will be used in conjunction with the other investment strategies in a manner considered appropriate to achieving the fund's investment objectives. Securities lending is an agreement whereby the fund lends securities through an authorized agent in exchange for a fee and a form of acceptable collateral. Under a repurchase transaction, the fund agrees to sell securities for cash while, at the same time, assuming an obligation to repurchase the same securities for cash (usually at a higher price) at a later date. A reverse repurchase transaction is a transaction pursuant to which the fund buys securities for cash while, at the same time, agreeing to resell the same securities for cash (usually at a higher price) at a later date.

The risks associated with securities lending, repurchase or reverse repurchase transactions arise when a counterparty defaults under the agreement evidencing the transaction and the fund is forced to make a claim in order to recover its investment. In a securities lending or a repurchase transaction, the fund could incur a loss if the value of the securities loaned or sold has increased in value relative to the value of the collateral held by the fund. In the case of a reverse repurchase transaction, the fund could incur a loss if the value of the securities purchased by the fund decreases in value relative to the value of the collateral held by the fund.

To limit these risks:

- the collateral held by the fund must equal at least 102% of the market value of the security sold, loaned or cash paid (the collateral is adjusted on each business day to ensure that this value is maintained);
- repurchase transactions and securities lending agreements are limited to 50% of the fund's assets. Collateral held for loaned securities and cash paid for received securities are not included when making this calculation; and
- we only enter into such transactions with parties who appear to have the resources and the financial strength to fulfill the terms of the agreements.

### **Short selling risk**

Short selling strategies can provide the fund with an opportunity to manage volatility and enhance performance in declining or volatile markets. Short selling securities involves risk because there is no

assurance that securities will sufficiently decline in value during the period of the short sale to offset the interest paid by the fund and make a profit for the fund. Securities sold short may instead increase in value. The fund may also experience difficulties repurchasing and returning the borrowed securities. The borrowing agent from whom the fund has borrowed securities may go bankrupt and the fund may lose the collateral it has deposited with the borrowing agent.

To limit these risks, the fund will implement controls when conducting a short sale:

- the security sold short must not be an illiquid asset
- at the time the fund sells the security short:
  - the fund has borrowed or arranged to borrow the security from a borrowing agent
  - the aggregate market value of all securities of the issuer of the securities sold short by the fund, other than government securities, does not exceed 10% of the NAV of the fund
  - the aggregate market value of all securities sold short by the fund does not exceed 50% of the NAV of the fund.

### **Tax changes risk**

There is no assurance that Canadian federal or provincial tax laws, foreign tax laws or the administrative policies or assessing practices of the CRA respecting the treatment of mutual fund trusts and mutual fund corporations will not be changed in a manner that adversely affects the fund or securityholders.

The Tax Act contains the “**EIFEL Rules**” which impose a limit on the amount of net interest and financing expenses incurred by certain corporations and trusts, whether incurred directly or indirectly through a partnership, that may be deducted in computing its taxable income for Canadian income tax purposes to a fixed ratio of its “adjusted taxable income” as defined in the EIFEL Rules. The EIFEL Rules provide, in certain circumstances, for unused deduction capacity in a particular year to be carried back or forward to other taxation years. The EIFEL Rules and their application are highly complex and may have an unfavourable effect on a unitholder’s investment in the fund.

The CRA’s practice is not to grant advance income tax rulings on the characterization of items as capital gains or income. No advance income tax ruling has been sought or received from the CRA. Accordingly, there is a risk that the CRA may disagree with the with the tax treatment adopted by the fund. In such case, the net income of the fund for tax purposes and, in the case of the fund, the taxable component of distributions to investors could subsequently be determined to be more than originally reported. Investors or the fund could be reassessed for income tax. Any liability imposed on the fund will reduce the value of the fund and the value of an investor’s investment in the fund.

### **Zero-coupon securities risk**

The fund may invest in zero-coupon securities. Zero-coupon securities tend to be more highly sensitive to interest rate fluctuations than securities with similar terms to maturity that pay a coupon.

## Investment risk classification methodology

We assign an investment risk level to the fund to provide you with further information to help you determine whether a fund is appropriate for you. The methodology we use to determine the investment risk level of a fund, for purposes of the disclosure in the fund facts, is required to be determined in accordance with a standardized risk classification methodology mandated by the Canadian Securities Administrators that is based on a fund's historical volatility as measured by the 10-year standard deviation of the monthly returns of the fund. However, other types of risk, both measurable and non-measurable, may exist. It is also important to note that a fund's historical volatility may not be indicative of its future volatility.

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

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

In certain instances, this methodology may produce a result that would require us to assign a lower investment risk level for the fund which we believe may not be indicative of the fund's future volatility. As a result, in addition to using the standardized risk classification methodology described above, we may increase the fund's investment risk level if we determine the increase 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 fund and the liquidity of those investments.

As the fund does not have a 10-year return history, the return history of a reference index that is expected to reasonably approximate the standard deviation of the fund will be used for the 10-year period when calculating the standard deviation of the fund. This investment risk level may change once the fund has sufficient performance history. The investment risk level and the reference index for the fund 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 fund's investment objectives and/or investment strategies.

The following chart sets out the reference index used for the fund.

Fund	Reference Index
BMO Private Strategic Rate Fund I	Bloomberg U.S. Aggregate Bond Index (Hedged to CAD)

The following chart sets out a description of the reference index used for the fund.

Reference index	Description of reference index
Bloomberg U.S. Aggregate Bond Index	The Bloomberg U.S. Aggregate Bond Index provides a broad-based measure of the U.S. investment grade fixed rate debt markets that contains four major sub-index components: the U.S. Government Index, the U.S. Credit Index, the U.S. Mortgage-Backed Securities Index and the U.S. Asset-Backed Securities Index.

These investment risk levels do not necessarily correspond to an investor's risk tolerance assessment. Please consult your financial advisor for advice regarding your personal circumstances.

Details about the standardized risk classification methodology used to identify the investment risk level of the fund are available on request, at no cost to you. You may call us toll free at 1-800-665-7700, write to BMO Investments Inc. at 100 King Street West, 43rd Floor, Toronto, Ontario M5X 1A1 or email us at [mutualfunds@bmo.com](mailto:mutualfunds@bmo.com). If you purchased your securities of the fund through a dealer, you may call us toll free at 1-800-668-7327, write to BMO Investments Inc. at 250 Yonge Street, 8<sup>th</sup> Floor, Toronto, Ontario, M5B 2M8 or email us at [clientservices.mutualfunds@bmo.com](mailto:clientservices.mutualfunds@bmo.com).

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You'll find more information about the fund in the fund's fund facts, management reports of fund performance and financial statements. These documents are incorporated by reference into this simplified prospectus, which means that they legally form part of this simplified prospectus just as if they were printed in it.

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

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