

Recent mailing – Q&A – Conversion to Lower Cost Share Classes and Redemption of Small Holdings

What is the mailing about?

A letter has recently been sent to customers who hold impacted funds (see mailing Appendix A) to explain that your shareholding will automatically be converted to a lower cost share class on 25 September 2020, unless your shareholding is below the minimum investment level of £1000.

Do you need to take any action regarding this letter?

Most customers that have been mailed will not need to take any action. Your shares will automatically convert on the 25 September 2020 and you will benefit from being invested in the same fund but **with lower costs, meaning that your net of fees returns could be higher.**

If your shareholding is less than £1000 per fund, you may need to consider your options if you don't want the compulsory redemption referred to in the mailing to take place.

Why have BMO decided to convert your share classes?

Recent regulatory changes allow us to convert shareholdings to new share classes within the same fund without your approval where we believe it is in your best interests.

We have reviewed all shareholdings in the BMO UK investment fund range to ensure they continue to deliver good value for all our investors. Each fund has various categories of shares (i.e. share classes) that have different charging structures suited to certain types of customers. BMO have identified certain shareholdings that could benefit from a lower annual management fee if converted into a different share class from the one they are currently in.

What funds have been impacted by these changes?

See details in Appendix A enclosed in the mailing.

How can I find out what I am invested in and how much my investment is currently worth?

To find out what fund you are invested in and the current value of your investment, phone **0330 123 3798** and select **Option 2**. However, please be aware that market movements will continue to affect the value of your investment until the 4th September 2020. You can also check the price of the fund(s) that you hold at <https://www.bmogam.com/gb-en/retail/our-funds>

Is there a cost to convert to the lower share class?

No. It is our understanding that the conversion generally won't be treated as a disposal for tax purposes. However, we would always recommend you check with your accountant/tax adviser before taking any action.

When will the conversions to the lower cost share classes take place?

If your shareholding per fund is above £1000 on 4th September 2020, then we will convert your shares free of charge to a category of shares with lower management fees on 25th September 2020. We will send a contract note confirming this conversion out to you. The number of shares that you hold will change, but this will not affect the value of the investment.

What action will BMO take if my shareholding is below the minimum investment size for the fund?

Where your shareholding is below the minimum investment size for the share category in the fund (**currently £1,000 for all share categories**) on 4th September 2020, then we will automatically redeem your holdings on 7th September 2020. ("Compulsory Redemption")

Any redemption will be treated as a disposal for tax purposes if this takes place outside of a tax efficient product.

These proceeds will be sent to you upon settlement unless we don't have up-to-date identity and address verification. As we need to meet our anti-money laundering obligations, if this is the case, we will contact you to request the required documents and hold your proceeds in a non-interest-bearing bank account until this is received.

Why is a compulsory redemption taking place?

Each fund in the BMO UK investment fund range has a minimum investment size that a customer must hold as a condition to remaining invested. This ensures that you do not pay disproportionately higher charges as a result of many small investor holdings. To ensure this situation doesn't happen we are permitted to redeem these holdings provided we communicate to you that we are doing so.

What can I do now if my investment is below the minimum size allowed for the share category?

You can top-up your investment to meet the minimum investment size. You could consider investing more than is needed to meet this requirement to ensure that market movements do not result in your shareholding falling back below the minimum investment size by 4th September 2020. This is when we will redeem all shareholdings that are below this size.

If you invest directly in the fund or you invest via an ISA set up during the current tax year (assuming you have not used all your annual allowance), you can top up your shareholding by writing to us and enclosing a cheque for the amount due. You should send written instructions, applications and cheques to your financial intermediary or BMO Fund Management Limited, PO Box 9040, Chelmsford, Essex, CM99 2XH. Please make cheques payable to BMO Fund Management Limited.

Are there any other changes being made to my investment fund as a result of the proposed conversion?

No. All share categories in your investment fund will continue to follow the same investment objective, strategy and risk profile. There will be no change to the way the fund's investments are managed. Consequently, if we convert your holdings into a new category of share on 25th September 2020, then the only change is that you will benefit from a lower annual management fee.

What do the classes mean; Class 1, Class 2 etc?

These abbreviations represent different shares of the same fund which the fund manager has created to suit each type of buyer (e.g. savings plan holders or institutional investors such as pension funds). Each share class in the fund may have different costs (such as Annual Management Charge ("AMC") and minimum investment levels.

What do we mean by lower cost share classes?

Different annual management fees apply for each share class (e.g. Share class 1,2, A etc.,) within a fund depending on the type of investor and how they invest into the fund (e.g., they may invest through a fund supermarket platform). The new share classes categories all have a lower annual management charge and so are lower cost. For instance, BMO Emerging Markets Equity 1 Accumulation currently has an annual management charge of 1.50%, so is being converted into BMO Emerging Markets Equity 2 Accumulation with an annual management charge of 0.75%.

Will the performance of an investment improve by holding a lower cost share class?

By moving to a share class with a lower annual management charge, its overall on-going charge will reduce. This may result in improved fund performance depending on market movements and investment returns. As mentioned above, we will not charge you any costs we incur in transferring your holding into a share class with a lower annual management charge.

What happens if I have an active regular savings plan set up, but my shareholding is below the required minimum investment size?

To ensure that we are treating all investors fairly, if the value of your investment is still less than the minimum size of investment required on 4 September 2020, we will redeem your holdings. At this point, we will also need to cancel your regular saving set up and stop taking monthly direct debits from your bank account.

This will **NOT** affect any other regular saving arrangement that you have in place for any other share class not included in this conversion exercise.

Will the conversion in September impact the income received on my investment?

No, if you are receiving income from your investment currently, then this will continue once you move into your new share class. The income that you receive will be at least as high as before this change.

If I invest in a share class through an Investment Plan and separately through an ISA in the same share category, will the holdings be consolidated to determine whether a holding meets the minimum investment size?

Yes - holdings are at share-class level irrespective of product, so all holdings will be amalgamated for the purpose of this exercise.

Will I be able to consolidate smaller holdings in different products?

You can always contact us to discuss your holdings and the opportunities for consolidation across products, which we will be happy to support where possible. However, we will not be able to give you investment advice and so if, after consulting with us, you are unsure what course of action to take, you should seek independent guidance from a financial adviser.

Why will the number of shares I hold change post 25th September 2020?

Given the price difference between shares in different share classes, the number of shares held will change, but the value of your investment will remain the same. This exercise involves converting the shares in the original higher cost share class and buying shares of the same value in the new lower cost share class.

The value of your investment in the Funds is the number of shares you own of a share class multiplied by the price of those shares. When we move your investment to a new share class, the price of its shares will be different. The new number of shares in the new share class will be calculated at the point of this change to make sure that the value of your investment stays the same. So, if the price of shares in the new class is half that of the shares in the existing class, then the number of shares we will allocate to you will be double.

Can I switch to the lower share class now?

- (1) Where the share class is currently available, and you meet the minimum holding across products within your account you can request conversion to the lower share class now.
- (2) Where you do not meet the £1,000 minimum, you will not be able to convert at the current time unless you top up above the minimum holding.
- (3) Where the share class is not currently available (as it's not being created until conversion date) you are not required to take any further action at this stage. Your holding will be converted automatically on 25 September 2020 subject to it exceeding the minimum investment value on 4 September 2020.

When will the new share class Key Investor Information Document (KIID) be available on your website?

These will be available as soon as the share classes are launched.

Do I need to merge/consolidate my holdings now?

No – there is no requirement to consolidate your holdings. As we will consider the overall value of your holding across multiple products.

In order to reach the minimum investment limit of £1,000 can I make top ups below the minimum of £1,000?

Yes, we can accept top ups to take them over the minimum holding. However, you should consider putting in a little more than what's currently required to ensure that you meet the minimum investment level.

Useful Documents

Documents available for download here: <https://www.bmogam.com/gb-en/retail/documents/> or <https://www.bmogam.com/gb-en/retail/our-funds>

Link to Glossary here: <https://www.bmogam.com/gb-en/retail/glossary/>