

BMO Investment Funds (UK) ICVC X

BMO UK Equity-Linked Inflation Fund

BMO UK Equity-Linked Gilt Fund

BMO Overseas Equity-Linked UK Inflation Fund

BMO Overseas Equity-Linked UK Gilt Fund

Statement on Assessment of Value For the year ended: 30 November 2019

Overview of Assessment of Value

Under the rules of the Financial Conduct Authority (the "FCA"), BMO Fund Management Limited, the authorised corporate director (the "ACD") of BMO Investment Funds (UK) ICVC X (the "Company"), is required to conduct an assessment, at least annually, of whether the payments made out of the scheme property of the Company as set out in the Prospectus are justified in the context of the overall value delivered to shareholders.

At a Board meeting held on 18 November 2019 (the "Meeting"), the Board of Directors (the "Board") of the ACD met to conduct this assessment of value for BMO Overseas Equity-Linked UK Fund, BMO Overseas Equity-Linked UK Inflation Fund, BMO UK Equity-Linked Gilt Fund and BMO UK Equity-Linked Gilt Fund, BMO Overseas Equity-Linked Inflation Fund and BMO Equity-Linked Inflation Fund, each a sub-fund of the Company (each, a "Fund" and collectively, the "Funds"). The ACD has appointed BMO Asset Management Limited as investment manager to the Funds (the "Investment Manager").

In conducting the assessment of value, the FCA prescribe a minimum of seven factors which must be considered and these are set out below. In order to effectively carry out the assessment of value, the ACD uses a detailed framework based around these factors (the "Framework") to allow the Board fully to consider and assess each element. The Board discussed the philosophy, procedures and reporting employed to conduct the assessment of value, identifying that these aligned with the approach discussed at previous Board meetings and discussions with the independent directors of the Board. Each director of the Board, including each independent director, is named in the Prospectus.

At the Meeting, the Board considered the Framework, the process supporting the Framework, the content and format of supporting documents, details relating to the specific funds being assessed and, where relevant, the wider fund ranges of which they are part.

The Board reviewed, among other things, information on each Fund's investment objective, policy and strategy, investment process, risk management process and performance; comparative performance of each Fund against benchmark indices; reports regarding comparative costs and charges; reports regarding the quality of service provided by, and the oversight by the ACD of, both affiliated companies and external service providers; and various reports detailing oversight of the Funds' compliance with applicable regulations, policies and procedures.

The Board noted that the objective of the Funds in the Company is to provide joint exposure to equity markets and gilts or inflation-linked gilts markets, employing a mechanistic investment process. As such, most investors were likely to utilise the Funds to provide hedging solutions for pension liabilities. Consequently, some of the indicators used to assess value were likely to differ to that of more traditional equity or fixed income funds.

In its deliberations, the Board did not identify any single factor or group of factors as all-important or dominant but considered all factors together. The material factors and conclusions that led to the Board's conclusions are discussed below.

1. Quality of Services

The Board is required to consider the range and quality of services provided to shareholders.

The Board evaluated the nature, extent and quality of the services provided by the ACD and the Investment Manager in addition to the following external service providers to the Funds:

- Depositary: State Street Trustees Limited
- Custodian: State Street Bank and Trust Company
- Fund Accountant: State Street Bank and Trust Company

- Administrator: DST Financial Services Europe Limited

In its evaluation, the Board reviewed information describing the experience, resources and key personnel of the Investment Manager.

The Board considered the Investment Manager's skills, process and experience in providing investment management services to each Fund. The Board further considered any changes to the processes, systems or analytics made to the implementation of the investment strategy during the course of the past twelve months. It also reviewed the governance and oversight of these activities by the ACD, including monitoring adherence to the Funds' investment restrictions, and the Funds' compliance with their policies and procedures and with applicable risk restrictions. The Board noted that the Funds are managed by the Investment Manager's specialist Liability Driven Investment team, which had received multiple awards for its range of products and client solutions. The Board also reviewed the activity of the Investment Manager relating to client marketing, communications, producing shareholder reports and providing support services for clients.

With respect to the Depository, Custodian, Fund Accountant, Administrator and any other third parties, the Board considered the range of services that are provided to each Fund and delivery of key services against an agreed universe of key performance indicators and metrics. The Board additionally considered the governance and oversight by the ACD of the activities of non-affiliated service providers, noting the format and frequency of committees and review meetings between the service providers and the relevant subject matter experts of the Investment Manager.

Based upon this review, the Board concluded that the nature, extent and quality of the services provided to each Fund by the ACD, the Investment Manager and each service provider are satisfactory.

2. Review of Fund Performance

The Board is required to consider the performance of each Fund, after deduction of all payments out of scheme property as set out in the Prospectus. Performance is considered over an appropriate timescale having regard to the Fund's investment objective, policy and strategy.

The Board reviewed investment performance reports for each Fund. In particular, the Board considered whether the benchmark for each Fund and its categorisation are appropriate, the Fund's performance relative to its benchmark and each Fund's performance relative to a comparable group of funds. Given the specialised nature of the investment strategy, the Board considered the performance of the Funds relative to its peers less relevant. The Board also considered whether an appropriate level of market risk was being taken. The Board requested that additional clarity be added to the description of the benchmark in the Funds' documents.

The Board reviewed the performance (net of fees for each share class) of each Fund relative to its comparator benchmark over the one-year, three-year and five-year periods. The Board discussed that a five-year performance period is the most appropriate timescale to review performance in light of the Fund's investment objective, policy and strategy.

The Board noted that the performance of all share classes of each Fund was below the applicable benchmark over both the three-year and five-year periods. However, this was expected since, although the investment process is mechanistic, a number of factors specific to the Funds will cause performance to lag the benchmark. These factors include transaction costs, funding costs for collateral held, in-fund expenses and the asymmetric impact of tax on the Funds, which are all inherent implementation costs for these Funds. The Board discussed that performance of the Funds was acceptable after taking these factors into account.

The Board determined that it generally was satisfied with the Funds' performance, given the investment process and associated costs with implementing the Funds.

3. Costs – general

The Board is required to consider, in relation to each charge, the cost of providing the service to which the charge relates, and when money is paid directly to associates or external parties, the cost is the amount paid to that person.

The Board considered the fees each Fund pays to the ACD (the Annual Management Charge or "AMC") (from which the ACD pays, amongst other things, the Investment Manager). In addition, the Board reviewed information regarding each Fund's additional Expenses ("AE"), which are the costs of administration services paid to service providers such as the depository, custodian or administrator. The Board also reviewed the ongoing charges figure ("OCF"), which are the aggregate of costs and charges incurred for each Fund.

The Board considered these relative to the following factors: historic performance and risk, potential performance relative to the benchmark or any target outperformance, fees charged on comparable funds or institutional segregated accounts operated by the ACD and/or managed by the Investment Manager, and market fee rates. Costs and charges relative to historical and expected performance were considered less relevant given the specialised investment process of the Funds.

The Board reviewed data at a share class level and considered whether economies of scale existed that could generate cost savings for each Fund. As part of its review, the Board also considered transaction costs (costs of dealing and execution) and the financial condition of the wider range of funds operated by the ACD and managed by the Investment Manager and certain of its affiliates.

The Board noted that the AMC relative to comparable pooled funds and segregated accounts offered by affiliates of the Adviser appeared competitive. AE and OCF for most of the share classes were considered acceptable, relative to comparable funds managed by the Investment Manager. Two share classes: BMO Equity Linked Gilt share classes 2 Acc. and 2 Inc. have expenses higher than others in the range. This is attributable to their small size and, in the case of the Inc. share class, the costs of income distributions.

The Board noted that transaction costs were low across all the Funds.

4. Economies of Scale

The Board is required to consider whether the ACD is able to achieve savings and benefits from economies of scale, relating to the direct and indirect costs of managing the scheme property and taking into account the value of the scheme property and whether it has grown or contracted in size as a result of the sale and redemption of shares.

The Board considered the extent to which economies of scale would be realized as the Funds grow and whether the Funds' fee levels reflect these economies of scale for the benefit of Fund shareholders. The Board considered each Fund's fee structure, asset size and net expense ratio. In addition, the Board reviewed profitability information it received in connection with the services provided to each Fund and to the wider range of funds to which it is ACD.

The Board noted that the AMC schedule for each share class in the Funds is currently fixed and does not incorporate economies of scale. This contrasts with the fee schedule for some segregated institutional mandates managed by the Investment Manager. However, the minimum fee requirements and larger flows associated with segregated mandates were considered a factor in accounting for this difference in pricing.

The Board also considered the profitability of the Funds to the ACD and the Investment Manager. The Funds are of insufficient scale to generate economies to the ACD or the Investment Manager, once costs of managing the funds are taken into consideration.

The Board determined that economies of scale could not be realized at present with the AMC and was satisfied with the fee structure currently. However, the Board agreed that it will monitor the Funds to evaluate whether breakpoints in the AMC could be implemented in the future.

The Board noted that the AE of the wider fund ranges of which the Funds are part do benefit from economies of scale (including through the fees of the Depository) and exhibit a modest decline at higher levels of assets under management.

5. Comparable Market Rates

The Board is required to consider in relation to each service, the market rate for any comparable service provided by the ACD or to the ACD or on its behalf, including by a person to which any aspect of a Fund's management has been delegated.

The Board considered these factors in the context of the costs and charges incurred by the Funds and detailed in Section 3 above

6. Comparable Services

The Board is required to consider in relation to each separate charge, the ACD's charges and those of its associates for comparable services provided to clients, including for institutional mandates of a comparable size and having similar investment objectives and policies.

The Board considered these factors in the context of the costs and charges incurred by the Funds and detailed in Section 3 above.

7. Classes of Units

The Board is required to consider whether it is appropriate for shareholders to hold shares in classes subject to higher charges than those applying to other classes of the same Fund with substantially similar rights.

The Board reviewed the share classes for each Fund, including the applicable management fees, target market and expenses for each share class. The Board determined that the share classes and their fee and cost structures were appropriate, and any differences could be justified by reference to the size of the share classes and the associated costs.

Overall Conclusions

Based on all of the information considered and the conclusions reached, the Board determined that the ACD and the Investment Manager and its affiliates, and the other key service providers to the Funds, provide overall value to shareholders of the Funds and that continuation of the agreements and services in place is in the best interests of the shareholders of each Fund. The Board noted that the assessment of value is a new process, and agreed that the format and data were likely to evolve over time.