

## Independent Review Committee 2023 Report to Securityholders

September 30, 2023

Dear Securityholder:

As Chair of the Independent Review Committee (the “IRC”) and together with the Members of the IRC for certain of the BMO Mutual Funds (the “Funds”) managed by BMO Investments Inc. (the “Manager”), I am pleased to provide you with the IRC’s 2023 Report to Securityholders of the Funds, as required under National Instrument 81-107 – *Independent Review Committee for Investment Funds* (“NI 81-107”) for the period of October 1, 2022 to September 30, 2023 (the “Period”).

The IRC’s mandate is to review conflict of interest matters identified and referred to the IRC by the Manager and to provide an approval or a recommendation, depending on the nature of the conflict of interest, as required. When considering such matters, the IRC asks itself whether the Manager’s proposed action will achieve a fair and reasonable result for the Funds.

During the Period, the IRC met with the Manager on a quarterly basis and received the Manager’s reports of compliance with its conflict of interest policies and procedures. On an annual basis, the IRC conducts the following: a review of the Manager’s policies and procedures to confirm they continue to be adequate and effective in respect of the Funds and a review of its written charter which outlines its mandate, responsibilities, and procedures on how it performs its functions. In addition, the IRC assessed our effectiveness as a committee and the effectiveness and contributions of each of our members.

The members of the IRC, whose names are listed in the report, bring to their roles a combination of educational, professional and diverse experience and skills to adequately address the scope of the conflict of interest matters that come before the IRC. Since the formation of the IRC, its members have been fully satisfied with the open and cooperative attitude of the Manager.

The IRC looks forward to maintaining the highest level of integrity and cooperation, and will continue to carry out its mandate to ensure that the best interests of the Funds are paramount when the Manager is faced with a conflict of interest matter.

You may request a copy of this report, free of charge in one of two ways: If you purchased your securities at a BMO Bank of Montreal branch or through the BMO Investment Centre, call us toll free at 1-800-665-7700 or email us at [mutualfunds@bmo.com](mailto:mutualfunds@bmo.com). If you purchased your securities through a dealer, call us toll free at 1-800-668-7327 or email us at [clientservices.mutualfunds@bmo.com](mailto:clientservices.mutualfunds@bmo.com). A copy of this report is also available at [www.bmogam.com/ca-en/legal-and-regulatory/](http://www.bmogam.com/ca-en/legal-and-regulatory/) or on [www.sedarplus.ca](http://www.sedarplus.ca).

“Marlene Davidge”

Marlene Davidge  
*Chair of the Independent Review Committee*

## Members of the IRC

NAME	RESIDENCE	FIRST APPOINTED
Marlene Davidge (Chair)	Toronto, Ontario	September 6, 2018
Wendy Hannam	Toronto, Ontario	March 22, 2017
Jim Falle	Port Perry, Ontario	March 22, 2017
Jacqueline Allen	Toronto, Ontario	June 6, 2018

The IRC also serves as the independent review committee of other funds managed by BMO Investments Inc. as well as funds managed by BMO Asset Management Inc. and BMO Private Investment Counsel Inc. Each member of the IRC is independent of the Funds, the Manager and any person or company related to the Manager.

During the Period, there was no material relationship that may cause a reasonable person to question a member's independence.

## Holdings of Securities

### Funds

As at September 30, 2023, the percentage of securities of each series of the Funds (as set out in Schedule A) beneficially owned, directly or indirectly, in aggregate, by all members of the IRC did not exceed 10%.

### Manager

As at September 30, 2023, no member of the IRC beneficially owned, directly or indirectly, any class or series of voting or equity securities of the Manager.

### Service Providers

Bank of Montreal and/or subsidiaries are service providers to the Funds and the Manager. As at September 30, 2023, the percentage of securities of each class of voting or equity securities of Bank of Montreal and other service providers beneficially owned, directly or indirectly, in aggregate, by all members of the IRC was less than 0.01%.

## Compensation and Indemnities

The members of the IRC are entitled to be compensated by the Funds and to be indemnified by the Funds in appropriate circumstances. The aggregate compensation, including expenses, paid by the Funds to the IRC during the Period was \$137,175. This amount was allocated among the Funds in a manner that was fair and reasonable.

No indemnities were paid to the members of the IRC by the Funds during the Period.

At least annually, the IRC reviews its compensation in a manner consistent with good governance practices, giving consideration to, among other factors the IRC considers important, the following:

- the best interests of the Funds
- that each Fund must pay its reasonable allocation of the compensation of the IRC from the assets of the Fund
- that compensation paid to the IRC by each Fund should fairly and reasonably reflect the general benefits accruing to the Funds
- the number, nature and complexity of the Funds for which the IRC acts
- the nature and extent of the workload of each IRC member, including the commitment of time and energy that is expected from each member
- industry best practices, including industry averages and surveys on IRC compensation
- the IRC's most recent annual self-assessment, and
- the Manager's recommendations about IRC compensation and expenses, if made.

## Conflict of Interest Matters

The Manager is required to refer to the IRC its proposed actions, and its related policies and procedures, for situations in which the Manager or a related entity has or could be perceived to have an interest that may conflict with the Manager's ability to act in the best interests of a Fund.

### Approvals pursuant to Standing Instructions

The Manager relied on approvals and standing instructions of the IRC in the Period in relation to the activities set out below. In each case, the standing instructions required the Manager to comply with its related policy and procedure and to report periodically to the IRC.

- Allowing the Funds to purchase or hold securities of a related issuer of the Manager or an entity related to the Manager
- Allowing the Funds to purchase securities of an issuer, for which a related party acted as an underwriter, in an offering of the securities or at any time during the restricted period following the completion of the offering
- Allowing the Funds to purchase or sell debt securities from or to a related dealer when the related dealer is acting as principal
- Allowing the purchase or sale of portfolio securities between Funds, or between the Funds and other investment funds or accounts managed by the Manager or an affiliate (referred to as inter-fund trades and cross-trades)

*Positive Recommendations pursuant to Standing Instructions*

The Manager received positive recommendations and relied on standing instructions of the IRC with respect to the conflict of interest matters addressed by the policies set out below. In each case, the standing instructions required the Manager to comply with its related policy and procedure and to report periodically to the IRC.

1. **Best Execution** – Includes selection of execution and clearing brokers for the Funds, including related party brokers
2. **Designated Broker Agreement** – Allows the Manager to retain a related party to act as the designated broker of a class or series of securities of the Funds that are listed and traded on an exchange
3. **Errors and Breaches** – Provides how trading, valuation or other errors made within a Fund are identified and corrected
4. **Fund of Fund Transactions** – Sets out the framework for investment decisions for Funds that invest in other underlying funds
5. **Fund Valuation** – Directs how a Fund's portfolio assets will be valued to obtain a fair and accurate net asset value of the Fund
6. **Large Securityholders and Redemptions** – Sets out the steps the Manager will take to manage the impact of large transactions by securityholders in securities of the Funds
7. **NAV Errors** – Directs the circumstances and manner in which the Manager will correct purchases and redemptions of securities of the Funds based on an incorrect net asset value or net asset value per unit, including making payments to make the Fund whole and adjusting securityholder accounts
8. **Order Allocation and Aggregation** – Allows the Manager to trade on behalf of multiple clients, including the Funds, and to allocate trades fairly among clients, including the Funds
9. **Outside Activities** – Ensures the Manager's directors, officers and employees adhere to corporate standards governing their outside activities where conflicts of interest may arise
10. **Payment of Fund Expenses** – Allows the Manager to charge expenses to the Funds, to allocate expenses between the Manager and the Funds, and to allocate expenses among the Funds and other investment funds managed by the Manager or an affiliate
11. **Payment of Income Tax (BMO Corporate Class Funds)** – Allows the Manager to determine the amount of income taxes to be paid by each of the BMO Corporate Class Funds. BMO Corporate Class Funds were terminated on August 25, 2023
12. **Personal Trading** – Restricts most personal trading by certain individuals employed by the Manager but allows those individuals to trade in certain securities for their own account subject to controls
13. **Portfolio Advisor Oversight** – Sets out the framework the Manager will use when selecting and monitoring portfolio advisors, including external portfolio advisors
14. **Proxy Voting and Engagement** – Allows the Manager to exercise a Fund's proxies although the Manager, a client or an affiliate of the Manager may have an interest in the outcome of the vote
15. **Receipt of Gifts and Entertainment** – Provides guidelines regarding the acceptance of gifts and entertainment by the Manager's employees
16. **Related Counterparty** – Applies to Cash-Settled OTC Derivatives Transactions with a Related Counterparty
17. **Related Entity Cash Term Deposits** – Addresses the conflict of interest that arises when BMO GAM, acting in its capacity as the manager and/or portfolio manager of a BMO NI 81-102 Fund, invests in a Cash Term Deposit issued by a Related Entity
18. **Related Entity Acting as Prime Broker and Borrowing Agent** – Sets out the policy of BMO Global Asset Management (BMO GAM), acting in its capacity as the manager and/or portfolio manager of a BMO Alternative Fund (each, a "BMO Alt Fund" and collectively, the "BMO Alt Funds"), when retaining a prime broker on behalf of a BMO Alt Fund from which a BMO Alt Fund may borrow cash and/or securities for purposes of short selling
19. **Short-Term Trading** – Sets out the steps the Manager will take to monitor, detect, and deter frequent and short-term trading by securityholders in securities of the Funds
20. **Third-Party Currency Management** – The Fund Managers along with the Portfolio Managers are responsible for overseeing any conflict of interest matter that may arise when a Portfolio Manager engages a new currency manager and/or monitors the services provided by a currency manager, solely for currency hedging decisions on behalf of an investment fund

***The following conflict of interest matters were reviewed by the IRC***

- On March 29, 2023, the Manager received a positive recommendation to engage a third party currency manager in the execution of foreign exchange hedging trades on behalf of its clients.
- On March 29, 2023, the Manager received a positive recommendation on conducting principal trades with a related party.
- On June 14, 2023, the Manager received a positive recommendation to enter into a prime brokerage agreement with BMO Nesbitt Burns Inc. an entity related to the Manager, pursuant to which BMO Alternative Funds will borrow cash from BMO Nesbitt Burns Inc.
- On June 14, 2023, the Manager received a positive recommendation to enter into cash-settled over-the-counter derivative transactions with a related counterparty.
- On September 27, 2023, the Manager received a positive recommendation to invest some, or all of the cash held by BMO Exchange Traded Funds and BMO Mutual Funds into bank accounts, guaranteed deposit certificate and/or term deposit receipts that are considered “evidence of deposit” issued by a bank listed in Schedule I, II or III to the Bank Act (Canada), or trust corporation registered under the Loan and Trust Corporations Act including Bank of Montreal or BMO Trust Company, which are affiliates of the Manager.
- On September 27, 2023, the Manager received a positive recommendation to enter into a prime brokerage agreement with BMO Capital Markets (which includes the following legal entities: BMO Nesbitt Burns Inc., BMO Capital Markets Corp., Bank of Montreal, Bank of Montreal Europe plc and/or BMO Capital Markets Limited), an entity related to the Manager, pursuant to which BMO Alternative Funds will borrow cash from BMO Nesbitt Burns Inc.

The positive recommendations set out above were provided on the basis that the actions achieved a fair and reasonable result for the Funds.

## Compliance

The IRC has not been informed of any instance in which the Manager acted in a conflict of interest matter but did not meet a condition of its policies or imposed by the IRC in its approval, recommendation and/or standing instruction.

The Manager has an obligation to notify the IRC of any such instance.

## SCHEDULE "A"

### BMO Mutual Funds

#### BMO Security Funds

BMO Money Market Fund

#### BMO Income Funds

BMO Aggregate Bond ETF Fund\*  
BMO ARK Genomic Revolution Fund\*  
BMO ARK Innovation Fund\*  
BMO ARK Next Generation Internet Fund\*  
BMO Core Bond Fund  
BMO Core Plus Bond Fund  
BMO Corporate Bond ETF Fund\*  
BMO Crossover Bond Fund  
BMO Diversified Income Portfolio  
BMO Emerging Markets Bond Fund  
BMO Global Monthly Income Fund  
BMO Global Strategic Bond Fund  
BMO Monthly Income Fund  
BMO Mortgage and Short-Term Income Fund  
BMO Preferred Share Fund  
BMO Sustainable Bond Fund  
BMO Sustainable Global Multi-Sector Bond Fund  
(formerly BMO Global Multi-Sector Bond Fund)  
BMO Ultra Short-Term Bond ETF Fund\*  
BMO U.S. Corporate Bond Fund  
BMO U.S. High Yield Bond Fund  
BMO World Bond Fund

#### BMO Growth Funds

BMO Asset Allocation Fund  
BMO Brookfield Global Real Estate Tech Fund  
BMO Brookfield Global Renewables  
Infrastructure Fund  
BMO Canadian Banks ETF Fund  
BMO Canadian Equity ETF Fund  
BMO Canadian Equity Fund  
BMO Canadian Income & Growth Fund\*  
BMO Concentrated Global Equity Fund  
BMO Concentrated U.S. Equity Fund  
BMO Covered Call Canada High Dividend ETF Fund  
BMO Covered Call Canadian Banks ETF Fund  
BMO Covered Call Energy ETF Fund\*  
BMO Covered Call Europe High Dividend ETF Fund  
BMO Covered Call U.S. High Dividend ETF Fund  
BMO Covered Call Utilities ETF Fund\*

BMO Dividend Fund  
BMO European Fund  
BMO Global Climate Transition Fund\*  
BMO Global Dividend Fund  
BMO Global Dividend Opportunities Fund\*  
BMO Global Enhanced Income Fund  
BMO Global Equity Fund  
BMO Global Health Care Fund\*  
BMO Global Income & Growth Fund\*  
BMO Global Infrastructure Fund  
BMO Global Innovators Fund\*  
BMO Global Low Volatility ETF Fund\*  
BMO Global Quality ETF Fund  
BMO Global REIT Fund\*  
BMO Greater China Fund\*  
BMO Growth Opportunities Fund  
BMO International Equity ETF Fund  
BMO International Equity Fund  
BMO Japan Fund  
BMO Low Volatility Canadian Equity ETF Fund  
BMO Low Volatility U.S. Equity ETF Fund  
BMO Multi-Factor Equity Fund  
BMO Nasdaq 100 Equity ETF Fund  
BMO North American Dividend Fund  
BMO Premium Yield ETF Fund\*  
BMO SDG Engagement Global Equity Fund  
BMO SIA Focused Canadian Equity Fund  
BMO SIA Focused North American Equity Fund  
BMO Strategic Equity Yield Fund\*  
BMO Sustainable Global Balanced Fund  
(formerly BMO Global Balanced Fund)  
BMO Sustainable Opportunities Canadian Equity Fund  
BMO Sustainable Opportunities China Equity Fund  
BMO Sustainable Opportunities Global Equity Fund  
BMO Tactical Balanced ETF Fund  
BMO Tactical Dividend ETF Fund  
BMO Tactical Global Asset Allocation ETF Fund  
BMO Tactical Global Equity ETF Fund  
BMO Tactical Global Growth ETF Fund  
BMO U.S. All Cap Equity Fund  
BMO U.S. Dividend Fund  
BMO U.S. Equity ETF Fund  
BMO U.S. Equity Fund  
BMO U.S. Equity Growth MFR Fund\*  
BMO U.S. Equity Value MFR Fund\*  
BMO U.S. Equity Plus Fund  
BMO Women in Leadership Fund

\*New funds launched during the period.

## SCHEDULE "A" (cont'd)

### BMO Equity Growth Funds

BMO Canadian Small Cap Equity Fund  
BMO Clean Energy ETF Fund  
BMO Emerging Markets Fund  
BMO Global Energy Fund\*  
BMO Precious Metals Fund  
BMO Resource Fund  
BMO U.S. Small Cap Fund

### BMO ETF Portfolios

BMO Balanced ETF Portfolio  
BMO Conservative ETF Portfolio  
BMO Equity Growth ETF Portfolio  
BMO Fixed Income ETF Portfolio  
BMO Growth ETF Portfolio  
BMO Income ETF Portfolio

### BMO U.S. Dollar Funds

BMO USD Balanced ETF Portfolio  
BMO USD Conservative ETF Portfolio  
BMO USD Income ETF Portfolio  
BMO U.S. Dollar Balanced Fund  
BMO U.S. Dollar Dividend Fund  
BMO U.S. Dollar Equity Index Fund  
BMO U.S. Dollar Money Market Fund  
BMO U.S. Dollar Monthly Income Fund

### BMO Corporate Class Funds<sup>±</sup>

BMO Asian Growth and Income Class  
(continuing Trust Fund:  
*BMO Asian Growth and Income Fund\*\**)  
BMO Canadian Equity Class  
(continuing Trust Fund:  
*BMO Canadian Equity Fund*)  
BMO Dividend Class  
(continuing Trust Fund: *BMO Dividend Fund*)  
BMO Global Dividend Class  
(continuing Trust Fund:  
*BMO Global Dividend Opportunities Fund*)

BMO Global Energy Class  
(continuing Trust Fund: *BMO Global Energy Fund*)  
BMO Global Equity Class  
(continuing Trust Fund: *BMO Global Equity Fund*)  
BMO Global Low Volatility ETF Class  
(continuing Trust Fund:  
*BMO Global Low Volatility ETF Fund*)  
BMO Greater China Class  
(continuing Trust Fund: *BMO Greater China Fund*)  
BMO International Value Class  
(continuing Trust Fund:  
*BMO International Value Fund\*\**)  
BMO U.S. Equity Class  
(continuing Trust Fund: *BMO U.S. Equity Fund*)  
BMO SelectClass<sup>®</sup> Balanced Portfolio  
(continuing Trust Fund:  
*BMO SelectTrust<sup>®</sup> Balanced Portfolio\*\**)  
BMO SelectClass<sup>®</sup> Equity Growth Portfolio  
(continuing Trust Fund:  
*BMO SelectTrust<sup>®</sup> Equity Growth Portfolio\*\**)  
BMO SelectClass<sup>®</sup> Growth Portfolio  
(continuing Trust Fund:  
*BMO SelectTrust<sup>®</sup> Growth Portfolio\*\**)  
BMO SelectClass<sup>®</sup> Income Portfolio  
(continuing Trust Fund:  
*BMO SelectTrust<sup>®</sup> Income Portfolio\*\**)  
BMO Balanced ETF Portfolio Class  
(continuing Trust Fund:  
*BMO Balanced ETF Portfolio*)  
BMO Equity Growth ETF Portfolio Class  
(continuing Trust Fund:  
*BMO Equity Growth ETF Portfolio*)  
BMO Growth ETF Portfolio Class  
(continuing Trust Fund:  
*BMO Growth ETF Portfolio*)  
BMO Income ETF Portfolio Class  
(continuing Trust Fund:  
*BMO Income ETF Portfolio*)

\*New funds launched during the period.

\*\*The Continuing Trust Funds are December Year-End Funds.

<sup>±</sup> Each fund within this category is a class of BMO Corporate Class Inc., a mutual fund corporation.  
BMO Corporate Class Funds were terminated on August 25, 2023.

## **SCHEDULE "A" (cont'd)**

### **BMO LifeStage Plus Funds**

BMO LifeStage Plus 2025 Fund  
BMO LifeStage Plus 2026 Fund  
BMO LifeStage Plus 2030 Fund

### **BMO Managed Portfolios (formerly BMO FundSelect® Portfolios)**

BMO Managed Balanced Portfolio  
*(formerly BMO FundSelect® Balanced Portfolios)*  
BMO Managed Conservative Portfolio\*  
BMO Managed Equity Growth Portfolio  
*(formerly, BMO FundSelect® Equity Growth Portfolio)*  
BMO Managed Growth Portfolio  
*(formerly, BMO FundSelect® Growth Portfolio)*  
BMO Managed Income Portfolio  
*(formerly, BMO FundSelect® Income Portfolio)*

### **BMO Target Education Portfolios**

BMO Target Education Income Portfolio  
BMO Target Education 2025 Portfolio  
BMO Target Education 2030 Portfolio  
BMO Target Education 2035 Portfolio  
BMO Target Education 2040 Portfolio

### **BMO Retirement Portfolios**

BMO Retirement Income Portfolio  
BMO Retirement Conservative Portfolio  
BMO Retirement Balanced Portfolio

### **BMO SelectTrust® Portfolios**

BMO SelectTrust® Fixed Income Portfolio

### **BMO Risk Reduction Funds**

BMO Risk Reduction Fixed Income Fund  
BMO Risk Reduction Equity Fund

### **BMO Ascent™ Portfolios**

BMO Ascent™ Balanced Portfolio  
BMO Ascent™ Conservative Portfolio  
BMO Ascent™ Equity Growth Portfolio  
BMO Ascent™ Growth Portfolio  
BMO Ascent™ Income Portfolio

### **BMO Sustainable Portfolios**

BMO Sustainable Balanced Portfolio  
BMO Sustainable Conservative Portfolio  
BMO Sustainable Equity Growth Portfolio\*  
BMO Sustainable Growth Portfolio  
BMO Sustainable Income Portfolio

*\*New funds launched during the period.*

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