

BMO Stable Value Fund disclosure statement

April 2020

Contact

 bmogam.com

Overview

A unit of the BMO Stable Value Fund (the “Stable Value Fund” or the “Fund”) represents an interest in a collective investment trust fund established by BMO Harris Bank N.A. (“BMO Harris”), a National Banking Association and a wholly owned subsidiary of BMO Financial Corp. The Fund is currently managed by BMO Asset Management Corp. A portion of the Fund is sub-advised by Prudential Investment Management, Inc. This disclosure statement contains information you should read and know before you invest in the Fund. You should keep this disclosure statement for future reference.

This disclosure statement is not investment, tax or legal advice. This description, as well as the nature of the investment, should be reviewed by you and your investment, tax or other advisors and your accountants and/or legal counsel. The Fund is governed by a trust agreement, a copy of which is available upon request.

The units of the Stable Value Fund (the “Units”) are not deposits or obligations of, or endorsed or guaranteed by, BMO Financial Corp. or any of its banking subsidiaries. The Units and any investments of the Fund are not insured by the FDIC, the Federal Reserve System, or any other government agency. An investment in Units, like any other investment, may lose value. The Fund is a collective investment fund for tax-qualified employee benefit trusts and plans, is exempt from registration under the Securities Act of 1933, as amended, is not publicly traded, and has not been registered with or approved by the Securities and Exchange Commission or any securities regulatory authority of any state.

After directing the purchase of Units for your retirement plan account, you may elect to direct the transfer of all or part of your retirement plan account from the Stable Value Fund to other investment options permitted by your retirement plan. Such a transfer can be made at such times as permitted by your retirement plan.

There are no restrictions on withdrawals for benefit payments initiated by you, the participant, except those restrictions imposed by your retirement plan. An excessive amount of employer-initiated withdrawals from the Stable Value Fund, however, could result in the Fund having insufficient cash to meet all withdrawal requests. Such excessive withdrawals could therefore harm the Fund’s performance and the holders of units of the Fund. Accordingly, the Fund’s Trustee has discretion to postpone processing of an employer-initiated withdrawal request for up to 12 months.

Trustee

BMO Harris is the trustee and custodian of the Fund. Under a trust agreement, BMO Harris holds the Fund’s assets in safekeeping and keeps all necessary records and documents related to its duties.

Investment objective

The Stable Value Fund's objective is to seek ordinary income generally exceeding that of a money market fund combined with stability of principal. The Fund seeks to maintain a stable \$1.00 unit value. **As with any investment fund, there is no assurance that the Stable Value Fund will achieve its investment objective; the unit value could fluctuate or decline.**

Investment strategy

The principal strategy that the Stable Value Fund uses to pursue its objective is to invest in traditional and synthetic guaranteed investment contracts, government securities, corporate debt, asset-backed securities and registered first-tier money market mutual funds including the BMO Government Money Market Fund, a mutual fund advised by BMO Asset Management Corp.

A traditional guaranteed investment contract ("GIC") is typically issued by an insurance company or a bank. A GIC is a nonmarketable contract under which the issuing insurance company or bank agrees to pay a set interest rate on the funds deposited while guaranteeing return of the deposit upon the contract end date. The contract is the asset of the Fund. GICs purchased by the Fund are limited to those issued by insurance companies rated A or better by A.M. Best and banks rated A or better by Moody's or Standard & Poor's.

A synthetic guaranteed investment contract is a variation on the traditional GIC. Synthetic GICs offer the potential for yield enhancement and increased portfolio diversification. The Fund purchases high quality marketable fixed-income securities and enters into contracts with insurance companies or banks (the "wrap providers") to enable the Fund to maintain its \$1.00 unit value if it needs to liquidate investments to fund participant redemptions. Both fixed income securities and the wrap contracts are assets of the Fund. The wrap providers' commitment in the event of liquidation is limited to the difference between the asset's book value and the market value. As long as the wrap providers are deemed able to satisfy their commitments, the Fund's underlying securities can be carried at book value.

The fixed income securities in which the Fund invests will generally have a maximum effective maturity of 10 years. The average effective maturity of the Fund will generally range between 2 and 3.5 years. Average effective maturity takes into account the possibility that a bond may have prepayments or may be called by the issuer before its stated maturity date.

The Fund provides a monthly Investment Profile report, which includes information regarding the Fund's investments and performance. The Fund's investments are diversified by issuer. For traditional GICs, generally no one issuer will represent more than 10% of the Fund's assets at the time of purchase. For synthetic GICs, generally no wrap provider's commitment will cover more than 25% of the Fund's assets at the time of deposit.

Interest generated from the investments held in the Stable Value Fund is calculated daily and is reinvested monthly to purchase additional Stable Value Fund units for each account.

The investment objective and strategy of the Stable Value Fund may be changed only with the approval of the Board of Directors of BMO Harris.

Principal investment risks

As with any investment fund, there is no assurance that the Fund will achieve its investment objective. The income the Stable Value Fund generates will vary from day to day reflecting changes in interest rates, the creditworthiness of insurance companies, banks, and other issuers of the investments acquired by the Fund, and other economic, political, and regulatory developments, as well as the investment composition of the Fund.

The ability of the Fund to retain a \$1.00 unit value is only as good as the guarantees of the wrap providers. BMO Harris does not guarantee the \$1.00 unit value of the Fund. An investor could lose money if one or more of the wrap providers were unable to pay a contractual obligation to the Fund. The \$1.00 unit value could be at risk and pose a loss to unitholders if the asset manager were not to comply with the investment guidelines and terms set forth in the wrap contracts.

Other risks include interest rate risk, which means that as interest rates fall, the Fund will invest in instruments with lower yields; liquidity risk, which means that the Fund may need to sell one or more securities at a less favorable price to meet unexpected, large withdrawal demands; and credit risk, which is the possibility that an issue or a security will fail to pay interest or principal when due.

The Fund is audited annually by an independent certified public accounting firm, KPMG LLP. You may request the Stable Value Fund's most recent audited financial statements listing the assets held in the Stable Value Fund (including the value of each asset, the issuer of any contracts held in the Fund, the term of contract and its rate of return) or the most recent Investment Profile Report by contacting the sponsor of your retirement plan. You may also obtain a copy of the most recent Investment Profile Report by visiting bmogam.com or by calling 1-844-BMO-FUND (266-3863).

Summary of fund expenses (as of 12/31/2019)

Fund fees (% annualized)				
Unit class	Trustee fee	Service fee	Wrap/Other fees	Total
I	0.28	0.12	0.185	0.585
Z	0.28	0.00	0.185	0.465

Unitholder transaction expenses

There are no transaction expenses when you direct the purchase or sale of units of the Stable Value Fund for your account.

Fees and Expenses – Stable Value Fund

Two classes of Fund units are available – an I Class and a Z Class. The fees associated with an investment in the Fund differs by unit class. The fee table above identifies those differences.

The Trustee Fee borne by all investors compensates BMO Harris for its trustee services, which include investment management and trust administration. BMO Harris may from time to time engage one or more investment advisers or sub-advisers, including its affiliate BMO Asset Management Corp., to provide investment management assistance. The cost associated with any such advisers or sub-advisers is paid by BMO Harris from its Trustee Fee and is not separately borne by the Fund.

The Service Fee borne by Service Class investors is paid to the provider of recordkeeping and administrative services to investing plans to help offset the cost of those services.

The Trustee and Service Fees are accrued daily and paid quarterly in arrears and are charged against the assets invested in the Fund.

Underlying mutual fund fees

Investment management fees – underlying mutual funds

The investment adviser to each unaffiliated mutual fund held in the Fund charges a management fee to that unaffiliated fund. The unaffiliated mutual fund management fees vary from fund to fund, are borne by shareholders on a pro rata basis, and are in addition to the Stable Value Fund management fee discussed above. All investment management fees earned by BMO Asset Management Corp. from the BMO Funds, a mutual fund family advised by BMO Asset Management Corp., in connection with Stable Value Fund investments are credited back to the Stable Value Fund as additional income.

Shareholder service fees

BMO Harris may perform shareholder services for unaffiliated funds and receive fees for those services. Any shareholder services fees or similar administrative fees received by BMO Harris or its affiliates from unaffiliated funds relating to the Stable Value Fund investments will be credited to the Stable Value Fund as additional income. All shareholder services fees or similar administrative fees paid to affiliates of BMO Harris by affiliated funds, like the BMO Government Money Market Fund, will be retained by such affiliate as compensation for its services.

Investment contract fees – wrap providers

The wrap providers charge the Fund a fee to enable the Fund to maintain its \$1.00 unit value if it needs to liquidate investments to fund participant redemptions. For the 12-month period ending December 31, 2019, these fees amounted to 0.185% of the assets of the Stable Value Fund.

Annual fund operating expenses

The Fund will reimburse the Trustee for any out-of-pocket expenses it may incur on behalf of the Fund that relate directly to Fund operations. The total annual fund operating expenses of the Fund after expense reimbursement** (consisting of Stable Value Fund Trustee and Service Fees, auditing fees and other operating expenses, including the aggregate net expense ratios of underlying mutual funds held in the Stable Value Fund, but minus the investment advisory fees from the BMO Funds and shareholder services fees from unaffiliated funds, which are credited to the Stable Value Fund as additional income), were 0.585% for I Class Units and 0.465% for Z Class* Units as of December 31, 2019*. (*Please note that the Z Class Units did not exist until 2016. Historical expense ratios for this Class have been determined on a pro forma basis using the same methodologies and assumptions that currently apply for this Class.)

** Total annual fund operating expenses *before* reimbursement is the same as *after* expense reimbursements as those expenses are immaterial.

Employee benefit trusts participating in the Fund may pay additional fees to BMO Harris or its affiliates for additional services. Where applicable, any such additional fees are assessed in accordance with the fee schedules for such arrangements in effect from time to time.

Other information

The Fund is operated by a person that has claimed an exclusion from the definition of the term “commodity pool operator” (“CPO”) under the Commodity Exchange Act (“CEA”) and, therefore, such person is not subject to registration or regulation as a CPO under the CEA. The Funds are not intended as vehicles for trading in the futures, commodity options, or swaps markets. The U.S. Commodity Futures Trading Commission has neither reviewed nor approved reliance on these exclusions, or the Fund, its investment strategies, or this disclosure statement.

Investment adviser

BMO Harris has engaged BMO Asset Management Corp. to serve as the investment adviser to the Stable Value Fund. BMO Asset Management Corp. is a registered investment adviser that currently manages assets for individuals, corporations, employee benefit plans and not-for-profit organizations. Headquartered in Chicago, Illinois, BMO Asset Management Corp. is a wholly owned subsidiary of BMO Financial Group.

In addition to the services provided by BMO Asset Management Corp., BMO Harris may retain, or cause the Fund to retain, sub-advisers to manage portions of the Fund’s assets on a discretionary basis.

Don McConnell, Senior Portfolio Manager

Don is a senior portfolio manager with the taxable fixed income team at BMO Asset Management Corp. Don is responsible for managing fixed income portfolios, with an emphasis on securitized products and the analysis and trading of the mortgage and asset backed bond sectors. He co-manages the BMO Stable Value Fund in addition to his responsibilities within the team for separately managed fixed income portfolios. Don began his investment experience in 1996 and joined BMO Asset Management in 2013. He previously served in investment management positions with Loop Capital Markets, National Investment Services, Mutual of Omaha Investment Management, and National City Corporation Asset Management Group. He holds an MBA in Finance from Case Western Reserve University and a BS in Finance from University of Dayton.

Robert Stapleton, Portfolio Manager

Robert is a portfolio manager with the taxable fixed income team at BMO Asset Management Corp. Robert co-manages the BMO Stable Value Fund in addition to his responsibilities as a co-manager on three BMO money market funds. He joined BMO Asset Management in 2014, bringing five years of fixed income experience with Loop Capital, Crestmark Bank, and Flagstar Bank. Most recently, he worked on a sell-side institutional trading desk, assisting in mortgage and corporate trade as well as client relations. Robert holds a B.S. in finance from Miami University in Ohio and is a Chartered Financial Analyst® (CFA®) Level II candidate in the CFA Institute.

The BMO Stable Value Fund is a collective investment fund maintained by BMO Harris Bank N.A. and advised by BMO Asset Management Corp. The Fund seeks to maintain a stable \$1.00 unit value through investments in guaranteed and synthetic investment contracts as well as money market securities, although there is no guarantee it will be able to do so. Investment involves risk. The opinions expressed here reflect our judgment as of this date and are subject to change. Market conditions and trends will fluctuate. This material does not constitute investment advice and is not intended as an endorsement of any specific investment.

BMO Funds and the BMO Stable Value Fund are not deposits or obligations of, or endorsed or guaranteed by, BMO Harris Bank N.A. or any of its banking affiliates, nor are they federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency. Investment in the BMO Funds or the BMO Stable Value Fund involves investment risk including the possible loss of principal.

For more complete information, please contact your plan sponsor. A mutual fund prospectus, collective fund disclosure statement, or other applicable fund information can be obtained from your plan sponsor. You should carefully consider the fund's investment objectives, risk, charges, and expenses before you invest. Information about these and other important subjects is in the fund's prospectus, collective fund disclosure, or other applicable fund information, which you should read carefully before investing.

Regarding the BMO Government Money Market Fund: you could lose money by investing in the Fund. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the Fund is not a deposit of BMO Harris Bank N.A., or any of its affiliates, and is not insured or guaranteed by the FDIC or any other government agency. The Adviser has no legal obligation to provide financial support to the Fund, and you should not expect that the Adviser will provide financial support to the Fund at any time.

A unit of this Fund represents an interest in a collective investment fund available to qualified plan clients. Marshall & Ilsley Trust Company, N.A. merged into BMO Harris Bank N.A. on September 1, 2012. For periods prior to 12/31/11, the BMO Employee Benefit Stable Principal Fund was known as the M&I Employee Benefit Stable Principal Fund. BMO Employee Benefit Stable Principal Fund changed its name to BMO Stable Value Fund effective June 1, 2016. BMO Global Asset Management is the brand name for various affiliated entities of BMO Financial Group that provide investment management and trust and custody services. Certain of the products and services offered under the brand name BMO Global Asset Management are designed specifically for various categories of investors in a number of different countries and regions and may not be available to all investors. Products and services are only offered to such investors in those countries and regions in accordance with applicable laws and regulations. BMO Financial Group is a service mark of Bank of Montreal (BMO).

BMO Trust and Custody Services is a part of BMO Global Asset Management and a division of the BMO Harris Bank N.A., offering products and services through various affiliates of BMO Financial Group.

BMO Asset Management Corp., BMO Private Bank, BMO Harris Bank N.A. and BMO Harris Financial Advisors, Inc. are affiliated companies. BMO Private Bank is a brand name used in the United States by BMO Harris Bank N.A.

BMO Asset Management Corp. is the investment adviser to the BMO Funds.

Investment products are: **NOT A DEPOSIT - NOT FDIC INSURED — NOT BANK GUARANTEED — MAY LOSE VALUE.**

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