BMO Funds

Navigating turbulent times

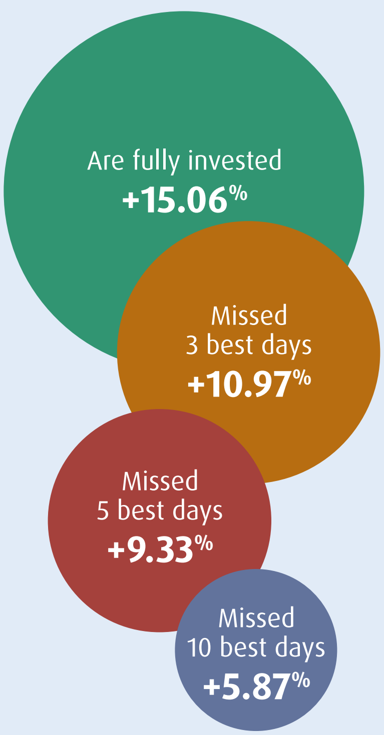
BMO Low Volatility Equity Fund
BMO Global Low Volatility Equity Fund

BMO Global Asset Management

It pays to stay invested

We believe that investing for the long-term often yields the best results. In the short-run, attempting to time the market may help investors avoid negative returns, but it can also erode long-term results if just a handful of the market's best days are missed.

Russell 1000® returns over the past three years[2] when investors:



Low volatility investing can help investors stay in the market, while reducing the drawdowns that may occur.

[2] Source: Morningstar Direct. Annualized returns for the three-year period ended 12/31/2019.

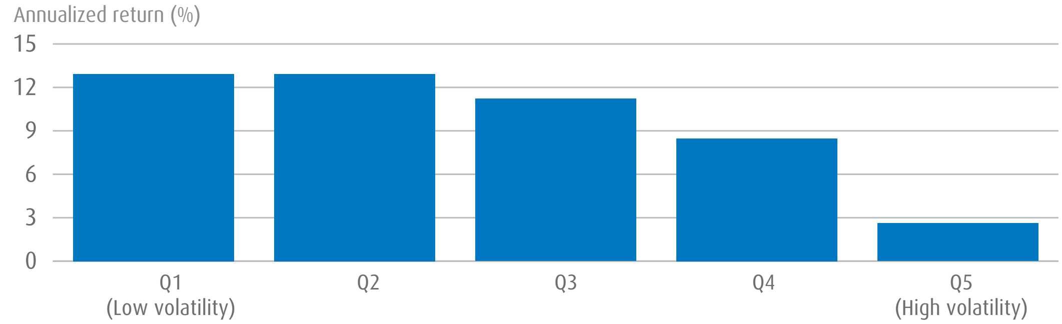
In recent years, volatility has had a meaningful impact throughout global markets. While market fluctuations may sometimes create opportunities for investors, the rapid swings of asset prices can more often be a detriment to our portfolios. As a result, many investors feel that they are left with a dilemma — either sacrifice returns, or endure the unpredictable movements of the market.

At BMO, we believe there is a third solution to that challenge — enter low volatility investing.

The low volatility anomaly

There is a widely held belief that the more risk investors take, the higher returns they can potentially generate. While this may sound intuitive, history has not supported this view. Contrary to academic theory, higher risk stocks have not outperformed lower risk stocks over time. This phenomenon is known as the "low volatility anomaly."

Equity performance by quintiles of volatility (1970—2018)[1]



[1] Includes 1000 largest U.S. stocks by market cap. Monthly rebalances. Volatility defined as 36-month price return volatility.
Source: BMO Global Asset Management
Past performance does not guarantee future results.

Why do we believe this anomaly exists and persists?

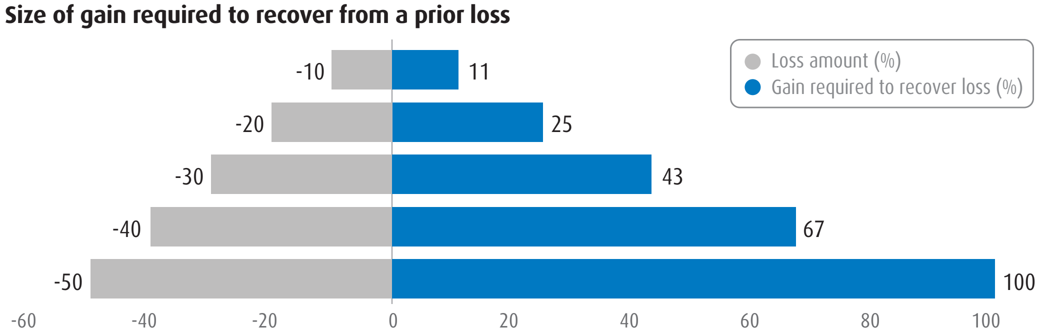
Exists › **Persists**

It exists because of behavioral biases	It persists because of structural reasons
Lottery effect Investors may allocate to stocks with the hopes of capturing high returns, even when valuations and logic may indicate otherwise.	**Benchmark sensitivity** Can lead to high concentrations in certain stocks and sectors.
Glamour effect Investors favor popular stocks that are in the headlines.	**Long-only constraint** Most investors do not short-sell stocks, which could add downward pressure to equity prices.
Uncertainty and optimism Investors can be overly optimistic about the future prospects of high growth stocks.	**Focus on returns not risk** Investors have a tendency to chase returns, not manage risk.

The ups and downs of volatility

While volatility takes into account both the positive and negative movements of the market, most investors are concerned with the downside risks. This is because the further that asset prices fall, the more upside it takes to recover from the losses when markets rebound.

Size of gain required to recover from a prior loss



Source: BMO Global Asset Management
The Fund cannot assure that it will achieve its investment objective. You could lose money by investing in the Fund. Investments cannot be made in an index.

Investing in volatile markets

As shown, investors have not historically been compensated for taking on higher levels of risk. Successfully generating true equity-like returns while minimizing volatility, however, is not as simple as investing in the least volatile stocks and sectors.

At BMO, we take a data-driven approach to low volatility investing, seeking to avoid the overcrowded segments of the market while building a portfolio of equities that complement one another. The result is a true low volatility portfolio — not just a portfolio of low volatility stocks.

One comprehensive approach. Two distinguished portfolios.

Risk management is integrated throughout our entire process. We use five risk models to identify both short- and long-term risks.

Valuation is key. Our alpha model ranks each stock in the universe — favoring what we believe are the most attractively valued, fundamentally strong companies that have improving investor interests.

Using our proprietary tool called Market Monitor[3] allows us to address emerging risks in the market and answer key questions regarding the current market environment.

Our portfolio construction process seeks to minimize total risk by selecting stocks with above average return potential and exploiting the correlation structure to further lower portfolio risk.

We recognize that even the most carefully designed models have limitations. Our team reviews all trades and characteristics, and examines both risk and potential returns from a quantitative and fundamental perspective before constructing the final portfolios.

	BMO Low Volatility Equity Fund	BMO Global Low Volatility Equity Fund
Class A	BLVAX	BAEGX
Class I	MLVEX	BGLBX
Morningstar Category	Large Value	World Large Stock

[3] Market Monitor is a proprietary tool used to evaluate and adapt to the current market environment by searching for trends and dislocations in securities.

All investments involve risk, including the possible loss of principal.

Past performance does not guarantee future results.

The **Morningstar Large Value Category** is comprised of funds that invest primarily in big U.S. companies that are less expensive or growing more slowly than other large-cap stocks. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large cap. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow).

The **Morningstar World Large Stock Category** is comprised of funds that invest in a variety of international stocks that are larger. World-stock portfolios have few geographical limitations. It is common for these portfolios to invest the majority of their assets in developed markets, with the remainder divided among the globe's smaller markets. These portfolios typically have 20%-60% of assets in U.S. stocks.

Foreign investing involves special risks due to factors such as increased volatility, currency fluctuation and political uncertainties.

Our investment philosophy

We believe in...

Low volatility anomaly

Investors overestimate the expected returns of high risk stocks.

Power of compounding

Reducing volatility can help minimize drawdowns and allow the portfolio to recover from losses more quickly.

Disciplined implementation

Our clients benefit from integrating the complementary strengths of fundamental and quantitative analysis.

BMO Global Asset Management

Contact us
1-800-553-0332

Learn more
bmogam.com

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You should consider the Fund's investment objectives, risks, charges and expenses carefully before investing. For a prospectus, which contains this and other information about the BMO Funds, call 1-800-236-3863. Please read it carefully before investing.

The BMO Low Volatility Equity Fund and the BMO Global Low Volatility Equity Fund primarily invest in common stocks, which are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in, and perceptions of, their issuers change. Holders of common stocks are generally subject to greater risk than holders of preferred stocks and debt obligations of the same issuer because common stockholders generally have inferior rights to receive payments from issuers in comparison with the rights of preferred stockholders, bondholders, and other creditors.

The BMO Low Volatility Equity Fund Class A has a gross expense ratio of 0.93% and a net expense ratio of 0.90%. For Class I, the gross expense ratio is 0.68% and the net expense ratio is 0.65%.

The BMO Global Low Volatility Equity Fund Class A has a gross expense ratio of 1.47% and a net expense ratio of 1.10%. For Class I, the gross expense ratio is 1.22% and the net expense ratio is 0.85%.

To open an account, your first investment must be at least $1,000 for Class A shares and $1,000,000 for Class I shares. For Class A, the minimum subsequent purchase amount is $50. You may qualify for sales charge discounts if you and your family invest, or agree to invest in the future, at least $50,000 in Class A shares of certain BMO Funds. Please see the Funds' Prospectus and Statement of Additional Information for more details.

The Russell 1000® Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the U.S. market. The Russell 1000 Index is constructed to provide a comprehensive and unbiased barometer for the large-cap segment and is completely reconstituted annually to ensure new and growing equities are reflected. Investments cannot be made in an index.

Investing in foreign securities may involve additional risks, including currency-rate fluctuations, political and economic instability, differences in financial reporting standards, less strict regulation of the securities markets, and possible imposition of foreign withholding taxes. Furthermore, the Fund may incur higher costs and expenses when making foreign investments, which will affect the Fund's total return.

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).

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