

This Notice is important and requires your immediate attention. If you have any doubt about the contents of this Notice, you should seek independent professional financial advice.

BMO Global Asset Management (Asia) Limited (the “Manager”) accepts full responsibility for the accuracy of the information contained in this Notice at the date of publication and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading.

Capitalized terms used herein not otherwise defined have the meaning ascribed to those terms in the Prospectus of the BMO Funds dated November 2019, as may be amended and supplemented from time to time (the “Prospectus”).

Dear Investors

BMO Funds (the “Trust”)

- **BMO Balanced Fund (the “Sub-Fund”)**

We are writing to inform you of the following changes to the Trust and the Sub-Fund with effect from 25 November 2019 (the “**Effective Date**”), unless otherwise specified.

1. Changes pursuant to the revised Code

The Trust and the Sub-Fund are subject to the Code on Unit Trusts and Mutual Funds (“**Code**”) issued by the Securities and Futures Commission in Hong Kong (“**SFC**”). The Code has been revised. The Trust Deed will be amended by way of a supplemental deed (“**Supplemental Deed**”) and the Prospectus will be amended by way a revised Prospectus (“**Revised Prospectus**”) to reflect the requirements under the revised Code.

The following key changes (“**Changes**”) are made to the Trust Deed and/or the Prospectus (where applicable) to reflect the requirements under the revised Code:

- (a) Trustee and Manager - additional obligations of the Trustee and the Manager under Chapters 4 and 5 respectively of the revised Code.
- (b) Investment Restrictions: Core Requirements - amendments to the core requirements of the investment limitations and prohibitions under Chapter 7 of the revised Code, including but not limited to amendments in relation to the following: spread of investments, restriction on investment in commodities, restrictions on making loans, limitations on borrowing, financial derivative instruments, securities financing transactions and collateral etc.

A summary of the key revised investment restrictions/requirements pursuant to the revised Code are set out in Annexure A enclosed with this Notice.

In addition, investment restrictions under Chapters 8.2 (money market funds) and 8.6 (unlisted index funds and index tracking exchange traded funds) of the revised Code are also included in the Trust Deed and Revised Prospectus for future sub-funds of the Trust. Note however, that the Sub-Fund is neither a

money market fund nor an index fund and as such, the investment restrictions under Chapters 8.2 and 8.6 do not apply to the Sub-Fund.

For further details on the investment restrictions, please refer to Schedule 1 of the Revised Prospectus.

- (c) Other Amendments – other amendments and enhancement of disclosures to reflect the requirements of the revised Code including the following:
- (i) amendments to reflect the requirements under the revised Code on transactions with connected persons and soft dollars arrangements;
 - (ii) enhanced disclosures on arrangements in handling unclaimed proceeds of Unitholders where a sub-fund of the Trust is terminated;
 - (iii) amendments to reflect the requirements under the revised Code for modifications of the Trust Deed; and
 - (iv) amendments to reflect the requirements under the revised Code on suspension of dealings of units.

Please refer to the Revised Prospectus and the Supplemental Deed for further details.

2. Enhanced and updated disclosure on Investment Strategy

The investment strategy of the Sub-Fund is enhanced and updated to provide that:

- (a) The Sub-Fund may invest in an Underlying ETF which invests in financial derivative instruments for hedging purposes and provided that such Underlying ETF's net derivative exposure does not exceed 50% of its net asset value.
- (b) Where the Sub-Fund invests in Underlying ETFs and other collective investment schemes which are also managed by the Manager or its connected persons, in addition to initial charges and management fees, the redemption charges on such Underlying ETFs and other collective investment schemes managed by the Manager or its connected persons must be waived. In addition, the Manager or any person acting on behalf of the Sub-Fund or the Manager may not obtain a rebate on any fees or charges levied by such Underlying ETFs and other collective investment schemes or their management company, or any quantifiable monetary benefits in connection with investments in such Underlying ETFs and other collective investment schemes.

3. Cap on ongoing charges

The ongoing charges for the Sub-Fund for the period from 1 January 2020 to 31 December 2020 will be capped at 1.30%.

4. Other ancillary updates

The profile of the Manager in the Revised Prospectus is also updated.

5. Implication of Changes

Save as disclosed in this Notice, the above changes will not result in any material change to the investment objective and risk profile of the Sub-Fund. There will be no increase in the fees payable out of the assets of the Sub-Fund as a result of these changes. These changes will also not result in a change in the manner in which the Trust and the Sub-Fund currently operate or are being managed save as disclosed in this Notice.

6. Availability of Documents

Copies of the Trust Deed together with all supplemental deeds (including the Supplemental Deed) can be inspected free of charge at the Manager's office.

Investors may access the Revised Prospectus and updated Product Key Facts Statement of the Sub-Fund at the Manager's website www.bmo.hk¹.

7. Enquiries

Should you have any enquiries, please contact the Manager at 36/F & Suite 3808 One Exchange Square, 8 Connaught Place, Central, Hong Kong, or call the Manager at (852) 3716 0990.

BMO Global Asset Management (Asia) Limited
as Manager of BMO Funds

25 November 2019

¹ This website has not been reviewed or authorized by the SFC.

ANNEXURE A

SUMMARY OF KEY REVISED INVESTMENT RESTRICTIONS

The key amendments to the investment restrictions are as follows:

- (a) the aggregate value of the Sub-Fund's investments in, or exposure to, any single entity (other than Government and other public securities) through the following may not exceed 10% of its latest available Net Asset Value:
 - (i) investments in securities issued by that entity;
 - (ii) exposure to that entity through underlying assets of financial derivative instruments; and
 - (iii) net counterparty exposure to that entity arising from transactions of over-the-counter financial derivative instruments.
- (b) subject to the requirements under the revised Code, the aggregate value of the Sub-Fund's investments in, or exposure to, entities within the same group (i.e. generally, entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with internationally recognized accounting standards) through the following may not exceed 20% of its latest available Net Asset Value:
 - (i) investments in securities issued by those entities;
 - (ii) exposure to those entities through underlying assets of financial derivative instruments; and
 - (iii) net counterparty exposure to those entities arising from transactions of over-the-counter financial derivative instruments.
- (c) the value of the Sub-Fund's cash deposits made with the same entity or entities within the same group may not exceed 20% of its latest available Net Asset Value provided that the 20% limit may be exceeded in certain circumstances specified in the revised Code.
- (d) the Sub-Fund may not invest in physical commodities unless otherwise approved by the SFC and disclosed in the investment policies of the Sub-Fund.
- (e) subject to the requirements under the revised Code, the Sub-Fund may not lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person. For the avoidance of doubt, reverse repurchase transactions in compliance with the requirements under the revised Code are not subject to the limitations in this paragraph.
- (f) the maximum borrowing of the Sub-Fund has been reduced to 10% of its latest available Net Asset Value. For the avoidance of doubt, securities lending transactions and sale and repurchase transactions in compliance with the requirements under the revised Code are not subject to the limitations in this paragraph.
- (g) under the revised Code, financial derivative instruments may be acquired for hedging and non-hedging purposes but, the Sub-Fund currently may acquire financial derivative instruments for hedging purposes only. The Sub-Fund's net derivative exposure may be up to 50% of its latest available Net Asset Value. Net derivative exposure shall be calculated in accordance with the Code and the requirements and guidance issued by the SFC which may be updated from time to

time. For the avoidance of doubt, financial derivative instruments acquired for hedging purposes will not be counted towards the 50% limit so long as there is no residual derivative exposure arising from such hedging arrangement.

- (h) to limit the exposure to each counterparty, the Sub-Fund may receive collateral from such counterparty, provided that the collateral complies with the requirements in the revised Code.