

# Prospectus

## BMO Investment Funds (UK) ICVC VII

(An open-ended investment company with variable capital incorporated with limited liability and registered in England and Wales under registered number IC572 and PRN 470391)

This document constitutes the Prospectus for the BMO Investment Funds (UK) ICVC VII which has been prepared in accordance with the Collective Investment Schemes sourcebook. Copies of this Prospectus have been sent to the FCA and the Depositary.

Valid as at: 7 August 2019

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# Important Information about this Prospectus

**If you are in any doubt about the contents of this Prospectus you should consult your professional adviser.**

BMO Fund Management Limited, the authorised corporate director of the Company, is the person responsible for the information contained in this Prospectus. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus does not contain any untrue or misleading statement or omit any matters required by the Collective Investment Schemes sourcebook to be included in it. BMO Fund Management Limited accepts responsibility accordingly.

No person has been authorised by the Company or the ACD to give any information or to make any representations in connection with the offering of Shares other than those contained in the Prospectus and, if given or made, such information or representations must not be relied on as having been made by the Company or the ACD. The delivery of this Prospectus (whether or not accompanied by any reports) or the issue of Shares shall not, under any circumstances, create any implication that the affairs of the Company have not changed since the date of this Prospectus.

This Prospectus has been prepared solely for, and is being made available to investors for the purposes of evaluating an investment in Shares in the Funds. Investors should only consider investing in the Funds if they understand the risks involved including the risk of losing all capital invested.

The distribution of this Prospectus and the offering of Shares in certain jurisdictions may be restricted. Persons into whose possession this Prospectus comes are required by the Company to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The Shares have not been and will not be registered in the United States of America under any applicable legislation. They may not be offered or sold directly or indirectly in the United States of America, any state of the United States of America, the District of Columbia, or in its territories and possessions or offered or sold to or for the benefit of US Persons (as defined in the Glossary). The Company and the ACD have not been and will not be registered in the United States of America under any applicable legislation.

In order to ensure compliance with the restrictions referred to above, the Company does not accept applications for the purchase or subscription of Shares from any US Person and does not accept requests for transfer of Shares to any person that is a US Person.

Each prospective investor will be required to represent that they are not a US Person and the Shares are not being acquired for the benefit or account of, directly or indirectly, any US Person.

Investors must notify the Administrator if they have moved to the United States or have otherwise become US Persons. Upon such notification, or if the Administrator or ACD determines that there is a reasonable basis for believing that the investor has become a US Person, the investor's account may be frozen and/or compulsorily redeemed and further investments or transfers between Funds will not be accepted. Other rights attaching to the Shares previously purchased will not be affected.

In order to comply with legislation implementing UK obligations under intergovernmental agreements relating to the automatic exchange of information to improve international tax compliance (including United States FATCA) the Company will collect and report information about Shareholders to include information to verify identity and tax status.

When requested to do so by the Company or its agent, Shareholders must provide information to be passed on to HM Revenue & Customs and to any relevant overseas tax authorities.

The extent to which the ACD is able to report to HM Revenue & Customs will depend on each affected Shareholder providing the ACD or its delegate with any information that the ACD determines is necessary to satisfy such obligations.

By signing the application form to subscribe for Shares, each affected Shareholder is agreeing to provide such information upon request from the ACD or its delegate. The ACD may exercise its right to completely redeem the holding of an affected Shareholder (at any time upon any or no notice) if he fails to provide the ACD with the information the ACD requests to satisfy its obligations relating to the automatic exchange of information to improve international tax compliance (including United States FATCA) and will be required to report the Shareholder to HM Revenue and Customs.

Potential investors should not treat the contents of this Prospectus as advice relating to legal, taxation, investment or any other matters and are recommended to consult their own professional advisers concerning the acquisition, holding or disposal of Shares.

The provisions of the Instrument of Incorporation are binding on each of the Shareholders, who are taken to have notice of the provisions. A copy of the Instrument of Incorporation is available on request from BMO Fund Management Limited.

The distribution of this Prospectus in certain jurisdictions may require that this Prospectus is translated into the official language of those countries. Should any inconsistency arise between the translated version and the English version, the English version shall prevail. All communications in relation to this Prospectus shall be in English.

The ACD will process the personal information of Shareholders and of prospective investors who contact the ACD. As such, and in accordance with the ACD's obligations under data protection law, the ACD's privacy notice provides details about the collection, use and sharing of personal information in connection with Shareholders' or prospective investors' interest or investment in the Fund(s). Shareholders and prospective investors may obtain further information about how the ACD processes personal information relevant to the Fund(s) by reading the most up to date version of the ACD's privacy notice at [www.bmogam.com/privacy-policy](http://www.bmogam.com/privacy-policy).

It is the responsibility of Shareholders or prospective investors to advise any other person whose personal information is provided by such Shareholders or prospective investors to the ACD (such as joint investors) about how the ACD processes personal information and to provide them with the link to the ACD's privacy notice.

This Prospectus is based on information, law and practice as at the date set out on the front cover of this Prospectus. The Company and the ACD cannot be bound by an out of date prospectus when a new version has been issued and investors should check with BMO Fund Management Limited that this is the most recently published prospectus.

This Prospectus has been issued for the purpose of section 21 of the Financial Services and Markets Act 2000 by BMO Fund Management Limited.

This Prospectus is intended for distribution principally in the UK.

### **Automatic exchange of information for international tax compliance**

The UK government has enacted legislation enabling it to comply with its obligations in relation to international tax compliance. The Company is required to collect certain information about Shareholders and their investments to pass to HM Revenue & Customs who may, in turn, pass it on to relevant overseas tax authorities. Please see the Taxation section of this prospectus for further information.

# Glossary

ACD	BMO Fund Management Limited, the authorised corporate director of the Company
ACD Agreement	an agreement between the Company and the ACD, as amended from time to time
Administrator	DST Financial Services Europe Ltd, or such other entity as is appointed to act as administrator of the Company from time to time
AIFM	BMO Fund Management Limited, the alternative investment fund manager and authorised corporate director of the Company
AIFM Regulations	the Alternative Investment Fund Managers Regulations 2013, as amended or re-enacted from time to time
Approved Bank	as defined from time to time in the glossary to the FCA Handbook
Auditor	PricewaterhouseCoopers LLP, or such other entity as is appointed to act as auditor to the Company from time to time
Business Day	a day on which the London Stock Exchange is open for trading. . If for any reason which, in the sole determination of the ACD, impedes the fair and accurate valuation of the Fund’s portfolio of securities, or a significant portion thereof, in accordance with the COLL Sourcebook, this Prospectus and the Instrument of Incorporation of the Company, the ACD may decide that any Business Day shall not be construed as such
Class or Classes	in relation to Shares, and according to the context, means a particular class of Share related to a Fund or all of the Shares related to a Fund, where there is only one class in that Fund
COLL or COLL Sourcebook	the Collective Investment Schemes Sourcebook (or, as appropriate, a chapter or rule thereof) as amended, restated or replaced from time to time which is issued by the FCA and forms part of the FCA Handbook
Company	BMO Investment Funds (UK) ICVC VII
Conversion	the exchange where permissible of Shares of one Class of a Fund for Shares of another Class in the same Fund and “Convert” shall be construed accordingly
Custodian	State Street Bank and Trust Company, or such other entity as is appointed to act as the custodian of the Company from time to time
Cut Off Point	the point prior to which order to deal in Shares must be received by the Administrator in order for them to be actioned at the next Valuation Point. The Cut Off Point for each Fund, if relevant, is included in Appendix I
Dealing Day	Monday to Friday where these days are Business Days
Depository	State Street Trustees Limited or such other entity as is appointed to act as depository of the Company from time to time

Director or Directors	the directors of the Company from time to time (including the ACD)
EEA State	a member state of the European Union and any other state which is within the European Economic Area
Efficient Portfolio Management or EPM	as defined in paragraph 17 of Appendix III
Eligible Institution	one of certain eligible institutions as defined in the glossary of definitions to the FCA Handbook
EU Regulation	the Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision
FATCA	the provisions, enacted in the US, commonly known as Foreign Account Tax Compliance Act (as amended, consolidated or supplemented from time to time) including any regulations issued pursuant to it
FCA	the Financial Conduct Authority or any other regulatory body which may assume its regulatory responsibilities from time to time
FCA Handbook	the handbook of rules and guidance made under FSMA and published by the FCA as amended from time to time
FSMA	the Financial Services and Markets Act 2000, as amended or replaced from time to time
Fund or Funds	a sub-fund of the Company (being part of the Scheme Property of the Company which is pooled separately) to which specific assets and liabilities of the Company may be allocated and which is invested in accordance with the investment objective applicable to such sub-fund
FUND	refers to the appropriate chapter or rule in the FUND Sourcebook
FUND Sourcebook	the Investment Funds Sourcebook made by the FCA pursuant to the Act, as amended or replaced from time to time
Fund Accountant	State Street Bank and Trust Company, or such other entity as is appointed to act as fund accountant to the Company from time to time
Home State	as defined from time to time in the FCA Handbook
ICVC	investment company with variable capital
Instrument of Incorporation	the instrument of incorporation of the Company as amended from time to time
Investment Manager	BMO AM Multi-Manager LLP, the investment manager to the ACD in respect of the Company
IOSCO	the International Organisation of Securities Commissions
Leverage	a method of achieving an increased exposure to an underlying asset through the use of Financial Derivative Instruments. Leverage means any method by which the ACD increases the exposure of the Company whether through borrowing cash or securities, or leverage embedded in derivative positions or by any other means



Net Asset Value or NAV	the value of the Scheme Property of the Company or of any Fund (as the context may require) less the liabilities of the Company (or of the Fund concerned) as calculated in accordance with the Instrument of Incorporation
NURS Scheme	a non-UCITS retail scheme, a collective investment scheme complying with the requirements of the COLL Sourcebook
OEIC Regulations	the Open-Ended Investment Companies Regulations 2001 as amended or re-enacted from time to time
OTC	over-the-counter derivative: a derivative transaction which is not traded on an investment exchange
PRN	the FCA's Product Reference Number for the Company or a Fund, as the context requires
Register	the register of Shareholders
Registrar	DST Financial Services Europe Ltd, or such other entity as is appointed to act as registrar to the Company from time to time
Regulated Activities Order	the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544)
Regulations	the OEIC Regulations and the FCA Handbook
Scheme Property	the scheme property of the Company or a Fund (as appropriate) required under the COLL Sourcebook to be given for safekeeping to the Depository
Share or Shares	a share or shares in the Company (including larger denomination shares, and smaller denomination shares equivalent to one hundredth of a larger denomination share)
Shareholder	a holder of registered Shares
Stock Lending	the permitted lending of Scheme Property as described in Appendix III
Switch	the exchange where permissible of Shares of one Fund for Shares of another Fund and "Switching" shall be construed accordingly
UCITS scheme	a scheme constituted in accordance with the UCITS Directive (a European Directive relating to undertakings for collective investment in transferable securities which has been adopted in the UK)
US Person	a person who is in any of the following categories: (a) a person included in the definition of "US person" under Rule 902 of Regulation S under the United States Securities Act 1933, as amended ("1933 Act"), (b) a person excluded from the definition of "Non-United States person" as used in the Commodity Futures Trading Commission (CFTC) Rule 4.7 or (c) a person included in the definition of "Specified US person" for the purposes of FATCA. For the avoidance of doubt, a person is excluded from this definition of US Person only if he/she or it does not satisfy any of the definitions of "US person" in Rule 902 and "Specified US person" under FATCA and qualifies as a "Non-United States person" under CFTC Rule 4.7
Valuation Point	the point, whether on a periodic basis or for a particular valuation, at which the ACD carries out a valuation of the Scheme Property for the Company or a Fund (as the case may be) for the purpose of

	determining the price at which shares may be issued, redeemed or cancelled. The Valuation Point for each Fund is set out in Appendix I.
VAT	value added tax

# 1. Details of the Company

## 1.1 General information

### 1.1.1 Authorisation

The Company is an investment company with variable capital incorporated in England and Wales under registered number IC572 and authorised and regulated by the Financial Conduct Authority with effect from 29 August 2007. The Company has an unlimited duration.

### 1.1.2 Registered and Head Office

The registered and head office of the Company is at Exchange House, Primrose Street, London EC2A 2NY.

### 1.1.3 Address for Service

Notices or other documents required or authorised to be served on the Company should be sent to the head office.

### 1.1.4 Base Currency

The base currency of the Company and each Fund is Pounds Sterling.

### 1.1.5 Share Capital

Maximum: £500,000,000,000

Minimum: £100

Shares have no par value. The share capital of the Company at all times equals the sum of the Net Asset Values of each of the Funds.

### 1.1.6 Marketing outside of the United Kingdom

If the ACD so decides, Shares in the Company may be marketed in other Member States and in countries outside the European Union and European Economic Area, subject to the Regulations, and any regulatory constraints in those countries.

### 1.1.7 Shareholder liability

Shareholders are not liable for the debts of the Company. A Shareholder is not liable to make any further payment to the Company after he has paid the price on purchase of the Shares.

### 1.1.8 Longer term investment

Each of the Funds is designed and managed to support longer-term investment and active trading is discouraged. Information on the typical investor profile for each Fund is set out in Appendix I. Short-term or excessive trading into and out of a Fund may harm performance by disrupting portfolio management strategies and by increasing expenses. The ACD may at

its discretion refuse to accept applications to deal in Shares, especially where transactions are deemed disruptive, particularly from possible market timers or investors who, in its opinion, have a pattern of short-term or excessive trading or whose trading has been or may be disruptive to a Fund(s). For these purposes, the ACD may consider an investor's trading history in the Fund(s) or other BMO Fund Management Limited funds and accounts under common ownership or control.

## 1.2 **The structure of the Company**

### 1.2.1 **The Funds**

The Company is structured as an umbrella company, in that different Funds may be established from time to time by the ACD with the approval of the FCA. On the introduction of any new Fund, a revised prospectus will be prepared setting out the relevant details of each Fund. Approval by the FCA in this context refers only to approval under the OEIC Regulations 2001 (as amended) and does not in any way indicate or suggest endorsement or approval of the Funds as an investment.

The Company is a NURS scheme.

The assets of each Fund will be treated as separate from those of every other Fund and will be invested in accordance with the investment objective and investment policy applicable to that Fund. Investment of the assets of each of the Funds must comply with the COLL Sourcebook and the investment objective and policy of the relevant Fund. Details of the Funds, including their investment objectives and policies, are set out in Appendix I.

The eligible securities markets and eligible derivatives markets on which the Funds may invest are set out in Appendix II. A detailed statement of the general investment and borrowing restrictions in respect of each type of Fund is set out in Appendix III.

The Funds are segregated portfolios of assets and, accordingly, the assets of a Fund belong exclusively to that Fund and shall not be used or made available to discharge (directly or indirectly) the liabilities of, or claims against, any other person or body, including the Company and any other Fund and shall not be available for any such purpose.

Subject to the above, each Fund will be charged with the liabilities, expenses, costs and charges of the Company attributable to that Fund, and within each Fund charges will be allocated between Classes in accordance with the terms of issue of Shares of those Classes. Any assets, liabilities, expenses, costs or charges not attributable to a particular Fund may be allocated by the ACD in a manner which it believes is fair to the Shareholders generally. This will normally be pro rata to the Net Asset Value of the relevant Funds.

Please also see paragraph 4.1.5 below.

### 1.2.2 **Classes of Share within the Funds**

The Share Classes currently available in each Fund are set out in Appendix I with full details of the current investment and holding limits.

Further Classes of Share may be established from time to time by the ACD with the agreement of the Depositary and in accordance with the Instrument of Incorporation and the Regulations.

Shares will be issued in larger and smaller denominations. There are one hundred smaller denomination Shares to each larger denomination Share. Smaller denomination Shares represent what, in other terms, might be called fractions of a larger Share and have proportionate rights.

Shares have no par value and, within each Class in each Fund subject to their denomination, are entitled to participate equally in the profits arising in respect of, and in the proceeds of, the liquidation of the Company or termination of a relevant Fund. Shares do not carry preferential or pre-emptive rights to acquire further Shares.

The currency in which each new Class of Shares will be denominated will be determined at the date of creation and set out in the Prospectus issued in respect of the new Class of Shares.

The net proceeds from subscriptions to a Fund will be invested in the specific pool of assets constituting that Fund. The Company will maintain for each current Fund a separate pool of assets, each invested for the exclusive benefit of the relevant Fund.

Each Fund may issue income and accumulation Shares in a number of Classes.

Holders of income Shares are entitled to be paid the distributable income attributed to such Shares on any relevant interim and annual allocation dates.

Holders of accumulation Shares are not entitled to be paid the income attributed to such Shares, but that income is automatically transferred to (and retained as part of) the capital assets of the relevant Fund on the relevant interim and/or annual accounting dates. This is reflected in the price of an accumulation Share.

Where a Fund has different Classes, each Class may attract different charges and so monies may be deducted from the Scheme Property attributable to such Classes in unequal proportions. In these circumstances, the proportionate interests of the Classes within a Fund will be adjusted accordingly.

Shareholders are entitled (subject to certain restrictions) to exchange all or part of their Shares in a Class or a Fund for Shares of another Class within the same Fund or for Shares of the same or another Class within a different Fund of the Company. Details of this Switching and Conversion facility and the restrictions are set out in paragraph 2.5.

## 2. Dealing in Shares

### 2.1 **General**

The dealing office of the ACD is normally open from 9.00 a.m. to 5.00 p.m. (London time) on each Business Day to receive requests by post or telephone for the purchase, sale, Conversion or Switching of Shares. The ACD also supports the use of EMX and Calastone messaging systems for purchase and sale transactions. The ACD may vary these times at its discretion.

In addition, the ACD may at its discretion make arrangements to allow Shares to be bought on-line or through other communication media in the future. At present, transfer of title by electronic communication is not accepted with the exception of stock transfers placed via Crest and re-registrations through the TEX system.

Telephone calls may be recorded by the ACD, its delegates, their duly appointed agents and any of their respective related, associated or affiliated companies for records keeping, security and/or training purposes, please see paragraph 10.8 for further information.

In its dealings in Shares of the Funds the ACD is dealing as principal. The ACD does not actively seek to make a profit from dealing in Shares as principal but does so in order to facilitate the efficient management of the Company. The ACD is not accountable to Shareholders for any profit it makes from dealing in Shares as principal.

For details of dealing charges see paragraph 2.6 below.

### 2.2 **Money laundering**

As a result of legislation in force in the UK to prevent money laundering and the financing of terrorism, the ACD is responsible for compliance with anti-money laundering regulations. In order to implement these regulations, investors will be asked to provide proof of identity when buying or redeeming Shares.

Until satisfactory proof of identity is provided, the ACD reserves the right to refuse to issue Shares, pay the proceeds of a redemption of Shares, or pay income on Shares to the investor.

In the case of a purchase of Shares where the applicant is not willing or is unable to provide the information requested within a reasonable period, the ACD also reserves the right to sell the Shares purchased and return the proceeds to the account from which the subscription was made. These proceeds may be less than the original investment.

### 2.3 **Buying Shares**

#### 2.3.1 **Procedure**

Shares may be bought directly from the ACD or through a professional adviser or other intermediary. Some intermediaries who recommend an investment in the Company may be entitled to receive commission from the ACD. An on-going commission, based on the value of Shares held may also be made to qualifying intermediaries.

Shares can be bought either by:

- 2.3.1.1 sending a completed application form to the ACD at BMO Fund Management Limited, PO BOX 9040, Chelmsford, Essex CM99 2XH; or
- 2.3.1.2 telephoning the dealing line on 0330 123 3798.

Application forms may be obtained from the ACD. Telephone calls may be recorded by the ACD, its delegates, their duly appointed agents and any of their respective related, associated or affiliated companies for records keeping, security and/or training purposes, please see paragraph 10.8 for further information.

Valid applications to purchase Shares will be processed at the Share price calculated, based on the Net Asset Value per Share, at the next Valuation Point following receipt of the application, except in the case where dealing in a Fund has been suspended as set out in paragraph 2.13.

Any subscription monies remaining after a whole number of Shares have been issued will not be returned to the applicant. Instead, smaller denomination Shares will be issued.

For any Funds with a Cut Off Point, valid applications must be received by that Cut Off Point to be dealt with at the next Valuation Point. The Cut Off Point for each Fund (where applicable) is set out in Appendix I.

### 2.3.2 **Settlement and Cancellation**

Settlement for the purchase of Shares may be made by either cheque or electronic transfer. Settlement is due within four Business Days of the Valuation Point. An order for the purchase of Shares will only be deemed to have been accepted by the ACD once it is in receipt of cleared funds for the application.

The ACD, at its discretion, has the right to cancel a purchase deal if settlement is materially overdue (being more than four Business Days of receipt of an application form or other instruction) and any loss arising on such cancellation shall be the liability of the applicant. The ACD is not obliged to issue Shares unless it has received cleared funds from an investor.

The ACD reserves the right to charge interest at 4% above the prevailing Bank of England base rate, on the value of any settlement received later than the fourth Business Day following the Valuation Point. No interest will be paid on funds held prior to investment. Shares that have not been paid for cannot be redeemed.

A purchase of Shares in writing or by telephone or any other communication media made available is a legally binding contract. Applications to purchase are, except in the case where cancellation rights are applied, irrevocable.

However, subject to its obligations under the Regulations, the ACD has the right to reject, on reasonable grounds relating to the circumstances of the applicant, any application for Shares in whole or part, and in this event the ACD will return any money sent, or the balance of such monies, at the risk of the applicant.

Applicants who have received advice may have the right to cancel their application to buy Shares at any time during the 14 days after the date on which they receive a cancellation notice from the ACD. If an applicant (except for those investors who subscribe through the Regular Savings Plan) decides to cancel the contract, and the value of the investment has fallen at the time the ACD receives the completed cancellation notice, they will not receive a full refund as an amount equal to any fall in value will be deducted from the sum originally invested.

The ACD may extend cancellation rights to other investors but is under no obligation to do so.

The ACD makes use of the "Delivery versus Payment Exemption" as set out in the FCA Handbook, which provides for a one day window during which money, held for the purposes of settling a transaction in relation to shares in a collective investment scheme, is not treated as client money if the ACD receives the money from a person for the subscription of Shares and the money is passed to the Depositary for the purpose of creating Shares in the relevant Fund within the timeframes set out in the FCA Handbook. The ACD will be entitled to assume that when a new investor, or an existing Shareholder, buys Shares in a Fund they consent to the ACD's use of the Delivery versus Payment Exemption.

### **2.3.3 Documents the buyer will receive**

A confirmation giving details of the number and price of Shares bought will be issued no later than the end of the Business Day following the Valuation Point by reference to which the price is determined, together with, where appropriate, a notice of the applicant's right to cancel.

Share certificates will not be issued in respect of Shares. Ownership of Shares will be evidenced by an entry on the Register. Tax vouchers in respect of periodic distributions on Shares will show the number of Shares held by the recipient.

### **2.3.4 Regular Savings Plan**

The ACD may make available certain Classes of Shares through the Regular Savings Plan (details of current Classes of Shares and Funds which are available are shown in Appendix I). Further information on how to invest through the Regular Savings Plan is available from the Administrator.

Investors who invest through the Regular Savings Plan will be entitled to cancel their first subscription only; if a Regular Saver decides to cancel their contract within 14 days after the date on which they receive the cancellation notice then they will receive back the full amount of their initial subscription.

### **2.3.5 Minimum subscriptions and holdings**

The minimum initial subscriptions, subsequent subscriptions and holdings levels for each Class are set out in Appendix I.

The ACD may at its sole discretion accept subscriptions and/or holdings lower than the minimum amount(s).



If following a redemption, Switch, Conversion or other transfer, a holding in any Class should fall below the minimum holding for that Class, the ACD has the discretion to effect a redemption of that Shareholder's entire holding in that Class. The ACD may use this discretion at any time. Failure not to do so immediately after such redemption, Switch, Conversion or other transfer does not remove this right.

## 2.4 **Redeeming Shares**

### 2.4.1 **Procedure**

Every Shareholder is entitled on any Dealing Day to redeem their Shares, which shall be purchased by the ACD dealing as principal.

Shares can be redeemed either by:

2.4.1.1 writing to the ACD at BMO Fund Management Limited, PO BOX 9040, Chelmsford, Essex CM99 2XH; or

2.4.1.2 telephoning the dealing line on 0330 123 3798.

Telephone calls may be recorded by the ACD, its delegates, their duly appointed agents and any of their respective related, associated or affiliated companies for records keeping, security and/or training purposes, please see paragraph 10.8 for further information.

Valid instructions to the ACD to redeem Shares will be processed at the Share price calculated, based on the Net Asset Value per Share, at the next Valuation Point following receipt of the instruction, except in the case where dealing in the relevant Fund has been suspended as set out in paragraph 2.13.

A redemption instruction in respect of Shares in writing or by telephone or any other communication media made available is a legally binding contract. However, an instruction to the ACD to redeem Shares, although irrevocable, may not be settled by either the Company or the ACD if the redemption represents Shares where the money due on the earlier purchase of those Shares has not yet been received or if insufficient documentation or anti-money laundering information has been received by the ACD.

The ACD makes use of the "Delivery versus Payment Exemption" as set out in the FCA Handbook, which provides for a one day window during which money, held for the purposes of settling a transaction in relation to shares in a collective investment scheme, is not treated as client money if the ACD holds the money in the course of redeeming Shares provided that the proceeds of that redemption are paid to a Shareholder within the timeframes set out in the FCA Handbook. The ACD will be entitled to assume that when a Shareholder redeems Shares they consent to the ACD's use of the Delivery versus Payment Exemption.

### 2.4.2 **Documents a redeeming Shareholder will receive**

A confirmation giving details of the number and price of Shares redeemed will be sent to the redeeming Shareholder (or the first named Shareholder, in the case of joint Shareholders) together with (if sufficient written instructions have not already been given) a form of renunciation for completion and execution by the Shareholder (or, in the case of a joint holding, by all the joint Shareholders) no later than the end of the Business Day following

the later of the request to redeem Shares or the Valuation Point by reference to which the price is determined.

#### **2.4.3 Payment of redemption proceeds**

Payment of redemption proceeds will normally be made by cheque to the first named Shareholder (at their risk), or, at the ACD's discretion, via electronic transfer in accordance with any instruction received (the ACD may recover any bank charge levied on such transfers). Instructions to make payments to third parties (other than intermediaries associated with the redemption) will not normally be accepted.

Such payment will be made within four Business Days of the later of (a) receipt by the ACD of the form of renunciation (or other sufficient written instructions) duly signed and completed by all the relevant Shareholders together with any other documentation and appropriate evidence of title, any required anti-money laundering related documentation, and (b) the Valuation Point following receipt by the ACD of the request to redeem.

No interest will be paid on funds held whilst the ACD awaits receipt of all relevant documentation necessary to complete a redemption. Shares that have not been paid for cannot be redeemed.

#### **2.4.4 Minimum redemption**

Part of a Shareholder's holding may be redeemed but the ACD reserves the right to refuse a redemption request if the value of the Shares to be redeemed is less than the minimum stated in respect of the appropriate Class in question (see Appendix I for details) and/or to redeem the full holding if the redemption request takes the remaining balance below the stated minimum.

### **2.5 Switching and Conversion**

Subject to any restrictions on the eligibility of investors for a particular Share Class, a Shareholder may at any time:

- (i) Switch all or some of his Shares of Fund (the "Original Shares") for Shares of another Fund (the "New Shares") in the Company; or
- (ii) Convert all or part of their Shares in one Class of a Fund for another Class in the same Fund.

#### **2.5.1 Switching**

A Switch is the exchange of Shares of one Fund for Shares in another Fund.

Subject to the qualifications below, a Shareholder may at any time Switch all or some of their Original Shares for New Shares.

The number of New Shares issued will be determined by reference to the respective prices of New Shares and Original Shares at the Valuation Point applicable at the time the Original Shares are redeemed and the New Shares are issued.

Telephone switching instructions may be given but Shareholders are required to provide written instructions to the ACD (which, in the case of joint Shareholders, must be signed by all the joint Shareholders) before switching is effected.

The ACD may at its discretion make a charge on the switching of Shares. Any such charge on switching does not constitute a separate charge payable by a Shareholder, but is rather the application of any redemption charge on the Original Shares and any initial charge on the New Shares, subject to certain waivers. For details of the charges on switching currently payable, please see paragraph 2.6.3.

If a partial switch would result in the Shareholder holding a number of Original Shares or New Shares of a value which is less than the minimum holding in the Class concerned, the ACD may, if it thinks fit, convert the whole of the applicant's holding of Original Shares to New Shares (and make a charge on switching on such conversion) or refuse to effect any switch of the Original Shares. Save as otherwise specifically set out, the general provisions on procedures relating to redemption will apply equally to a Switch.

Written instructions must be received by the ACD before the Valuation Point on a Dealing Day in the Fund or Funds concerned to be dealt with at the prices at the Valuation Point on that Dealing Day or at such other Valuation Point as the ACD at the request of the Shareholder giving the relevant instruction may agree. Switching requests received after a Valuation Point will be held over until the next day which is a Dealing Day in each of the relevant Fund or Funds.

The ACD may adjust the number of New Shares to be issued to reflect the application of any charge on switching together with any other charges or levies in respect of the application for the New Shares or redemption of the Original Shares as may be permitted pursuant to the COLL Sourcebook.

**Please note that under UK tax law a switch of Shares in one Fund for Shares in any other Fund is treated as a redemption of the Original Shares and a purchase of New Shares and will, for persons subject to taxation, be a realisation of the Original Shares for the purposes of capital gains taxation, which may give rise to a liability to tax, depending upon the Shareholder's circumstances.**

**A Shareholder who Switches Shares in one Fund for Shares in any other Fund (or who Switches between Classes of Shares) will not be given a right by law to withdraw from or cancel the transaction.**

#### 2.5.2 Conversion

A Conversion is the exchange of Shares in one Class in a Fund for Shares of another Class in the same Fund.

Conversions will be effected by the ACD recording the change of Class on the Register of the Company. If a Shareholder wishes to convert Shares they should apply to the ACD in the same manner as for a sale as set out at paragraph 2.3 above. Conversions will usually be effected at the next Valuation Point following receipt of instructions to convert from a Shareholder.

**Conversions will not generally be treated as a disposal for capital gains tax purposes.**

## 2.6 **Dealing Charges**

The price per Share at which Shares are bought, redeemed, Switched or Converted is the Net Asset Value per Share. Any initial charge or redemption charge (subject to any dilution adjustment referred to below at paragraph 2.6.4) is payable in addition to the relevant price and is taken from the gross subscription or redemption monies.

### 2.6.1 **Initial charge**

The ACD may impose a charge on the purchase of Shares in each Class. The current initial charge is calculated as a percentage of the amount invested by a potential Shareholder. The initial charge payable in respect of each Fund is set out in Appendix I. The ACD may waive or discount the initial charge at its discretion.

The initial charge (which is deducted from subscription monies) is payable by the Shareholder to the ACD. The current initial charge of a Class may only be increased in accordance with the Regulations. From the initial charge received, or out of its other resources, the ACD may pay a commission to relevant intermediaries.

### 2.6.2 **Redemption Charge**

The ACD may make a charge on the redemption of Shares in each Class. There is currently no charge on redemption. However, the ACD reserves the right to charge up to 2% on the redemption proceeds arising from the sale of Shares that have been held by the selling Shareholder for less than 1 year.

The ACD may only change the current redemption charge in accordance with the Regulations.

If such a charge was introduced on a Class, it would not apply to Shares issued before the date of the introduction (i.e., those not previously subject to a redemption charge).

### 2.6.3 **Charges on Switching and Conversion**

The Instrument of Incorporation authorises the Company to impose a charge on the Switching of Shares between Funds or on the Conversion of Shares between Classes. No charge is currently payable on Conversions.

In respect of a Switch, if a redemption charge is payable in respect of the Original Shares, this may become payable instead of, or as well as, the then prevailing initial charge for the New Shares. The charge on Switching is payable by the Shareholder to the ACD.

The ACD's current policy is to only levy a charge on Switching between Funds that is no more than the excess of the initial charge applicable to New Shares over the initial charge applicable to the Original Shares.

### 2.6.4 **Dilution Adjustment**

The basis on which each Fund's investments are valued for the purpose of calculating the price of Shares as stipulated in the Regulations and the Instrument of Incorporation is summarised in paragraph 3.2. Shares in the Company are single priced.

However, the actual cost of purchasing or selling investments for a Fund may deviate from the mid-market value used in calculating the price of Shares in the Fund due to dealing costs such as broking charges, taxes, and any spread between the buying and selling prices of the underlying investments. These dealing costs can have an adverse effect on the value of each Fund, known as "dilution".

It is not, however, possible to predict accurately whether dilution will occur at any point in time. The Regulations allow the cost of dilution to be met directly from a Fund's assets or to be recovered from investors on the purchase or redemption of Shares by means of a dilution adjustment to the dealing price (also known as swinging single pricing), and this is the policy which has been adopted by the ACD. The ACD shall comply with COLL 6.3.8 in its application of any such dilution adjustment. The ACD's policy is designed to minimise the impact of dilution on any Fund.

The dilution adjustment for each Fund will be calculated by reference to the estimated costs of dealing in the underlying investments of that Fund, including any dealing spreads, commissions and transfer taxes. The ACD may, at its absolute discretion, apply a dilution adjustment on the issue and redemption of such Shares if, in its opinion, the existing Shareholders (for sales) or remaining Shareholders (for redemptions) might be adversely affected, and if in applying a dilution adjustment, so far as practicable, it is fair to all Shareholders and potential Shareholders.

The ACD reserves the right to make a dilution adjustment on every Dealing Day where the ACD is of the opinion that it is in the best interest of Shareholders to do so. In particular, where the difference between the value of Shares being acquired and Shares being redeemed is more than 2% of a Fund's total NAV, determined by reference to that Fund's Share price on the previous Dealing Day, then the ACD may at its absolute discretion make a dilution adjustment. The ACD may also exercise its discretion to apply a dilution adjustment where the difference is an amount equal to or less than 2%.

Unless the ACD considers it would be detrimental to Shareholders, in specie transfers will not be taken into account when determining any dilution adjustment and any incoming portfolio will be valued on the same basis as each Fund is priced (i.e. offer plus notional dealing charges, mid, or bid less notional dealing charges). When a dilution adjustment is not applied there may be a dilution of the assets of a Fund which may constrain the future growth of that Fund.

The ACD may alter its current dilution adjustment policy in accordance with the Regulations.

The ACD reserves the right to adjust the price by a lesser amount (subject to the rate of dilution being greater than 0%) but will always make such an adjustment in a fair manner solely to reduce dilution and not for the purpose of creating a profit or avoiding a loss for the account of the ACD or an associate of the ACD.

As the Company has recently adopted a single pricing policy, no historical dilution figures are available. It should be noted that, as dilution is related to inflows and outflows of monies and

the purchase and sale of investments, it is not possible to accurately predict if and when dilution will occur and to what extent. Nonetheless, a projection of the number of times dilution adjustment will be applied over the first 12 months is provided below:

<b>Fund</b>	<b>Projection of the number of times a dilution adjustment will be applied</b>
BMO MM Navigator Boutiques Fund	0
BMO MM Navigator Cautious Fund	0
BMO MM Navigator Balanced Fund	0
BMO MM Navigator Growth Fund	0
BMO MM Navigator Distribution Fund	0

Further information on the dilution adjustment in relation to the Fund is available from the ACD on request.

## 2.7 **Liquidity Risk Management**

The ACD monitors the liquidity risk of the Funds, which includes, among other tools and methods of measurement, the use of stress tests under both normal and exceptional liquidity conditions to ensure that each Fund is able to manage dealing requests.

In normal circumstances, redemption requests will be processed as set out in "Redeeming Shares". In exceptional circumstances, it may be necessary to suspend dealings in the Company or a Fund (see "Suspension of dealings in the Company" below).

If our policy for managing liquidity should change, this will be set out in the annual report of the Company.

## 2.8 **Transfers of Shares**

Shareholders are entitled to transfer their Shares to another person or body. All transfers must be in writing in the form of an instrument of transfer approved by the ACD for this purpose. Completed instruments of transfer must be returned to the ACD in order for the transfer to be registered by the ACD.

## 2.9 **Restrictions and Compulsory Transfer and Redemption**

The ACD may from time to time impose such restrictions as it may think necessary for the purpose of ensuring that no Shares are acquired or held by any person in breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory or which would result in the Company incurring any liability to taxation which the Company is not able to recoup itself or suffering any other adverse consequence. In this connection, the ACD may, *inter alia*, reject in its discretion any application for the purchase, redemption, transfer, Switching or Conversion of Shares.

If it comes to the notice of the ACD that any Shares ("affected Shares"):

- (a) are owned directly or beneficially in breach of any law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory; or
- (b) would result in the Company incurring any liability to taxation which the Company would not be able to recoup itself or suffering any other adverse consequence (including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory) or to provide information about the ACD's tax affairs or that of the Company or any of its Shareholders; or
- (c) are held in any manner by virtue of which the Shareholder or Shareholders in question is/are not qualified to hold such Shares or if it reasonably believes this to be the case; or
- (d) are owned by a Shareholder who is resident or domiciled in a jurisdiction where the Fund is not registered or recognised by the relevant competent authority, whereby communication with that Shareholder by the ACD, on behalf of the Fund, might constitute a breach of the regulations in that jurisdiction (unless specific action is taken by the ACD to prevent such a communication constituting a breach),

the ACD may give notice to the Shareholder(s) of the affected Shares requiring the transfer of such Shares to a person who is qualified or entitled to own them or that a request in writing be given for the redemption of such Shares in accordance with the COLL Sourcebook. If any Shareholder upon whom such a notice is served does not within 30 days after the date of such notice transfer his affected Shares to a person qualified to own them or submit a written request for their redemption to the ACD or establish to the satisfaction of the ACD (whose judgement is final and binding) that he or the beneficial owner is qualified and entitled to own the affected Shares, he shall be deemed upon the expiry of that 30 day period to have given a request in writing for the redemption or cancellation (at the discretion of the ACD) of all the affected Shares.

A Shareholder who becomes aware that he is holding or owns affected Shares shall immediately, unless he has already received a notice as set out above, either transfer all his affected Shares to a person qualified to own them or submit a request in writing to the ACD for the redemption of all his affected Shares.

Where a request in writing is given or deemed to be given for the redemption of affected Shares, such redemption will (if effected) be effected in the same manner as provided for in the COLL Sourcebook.

#### 2.10 **Issue of Shares in exchange for in specie assets**

The ACD may at its absolute discretion arrange for the Company to issue Shares in exchange for assets other than cash, but will only do so where the Depositary has taken reasonable care to determine that the Company's acquisition of those assets in exchange for the Shares concerned is not likely to result in any material prejudice to the interests of Shareholders.

The ACD will ensure that the beneficial interest in the assets is transferred to the Company with effect from the issue of the Shares.

The ACD will not issue Shares in any Fund in exchange for assets, the holding of which would be inconsistent with the investment objective or policy of that Fund.

#### 2.11 **In specie redemptions**

If an investor requests the redemption of Shares the ACD may, where it considers that deal to be substantial in relation to the total size of a Fund or in some way detrimental to a Fund, arrange for scheme property having the appropriate value to be transferred to the investor (an "in specie transfer"), in place of payment for the Shares in cash. Before the redemption is effected, the ACD must give written notice to the investor of the intention to make an in specie transfer.

The ACD will select the property to be transferred in consultation with the Depositary. The ACD and Depositary must ensure that the selection is made with a view to achieving no more advantage or disadvantage to the investor requesting the redemption than to the continuing Shareholders.

#### 2.12 **Deferred Redemption**

In times of high redemption, to protect the interests of continuing Shareholders, the ACD may defer all redemptions at any Valuation Point to the next Valuation Point where requested redemptions exceed 10% of the Fund's value. This will allow the ACD to match the sale of the Scheme Property to the level of redemptions. At the next such Valuation Point all deals relating to the earlier Valuation Point will be completed before those relating to a later Valuation Point are considered.

#### 2.13 **Suspension of dealings in the Company**

The ACD may, with the prior agreement of the Depositary, and must without delay if the Depositary so requires temporarily suspend the issue, cancellation, sale and redemption of Shares in any or all of the Funds where, due to exceptional circumstances, it is in the interests of all the Shareholders in the relevant Fund or Funds.

The ACD and the Depositary must ensure that the suspension is only allowed to continue for as long as is justified having regard to the interests of Shareholders.

The ACD or the Depositary (as appropriate) will immediately inform the FCA of the suspension and the reasons for it and will follow this up as soon as practicable with written confirmation of the suspension and the reasons for it to the FCA and the regulator in each EEA state where the Company is offered for sale.

The ACD will notify Shareholders as soon as is practicable after the commencement of the suspension, including details of the exceptional circumstances which have led to the suspension, in a clear, fair and not misleading way and giving Shareholders details of how to find further information about the suspension.

Where such suspension takes place, the ACD will publish details on its website or other general means, sufficient details to keep Shareholders appropriately informed about the suspension, including, if known, its possible duration.



During the suspension none of the obligations in COLL 6.2 (Dealing) will apply but the ACD will comply with as much of COLL 6.3 (Valuation and Pricing) during the period of suspension as is practicable in light of the suspension.

Suspension will cease as soon as practicable after the exceptional circumstances leading to the suspension have ceased but the ACD and the Depositary will formally review the suspension at least every 28 days and will inform the FCA of the review and any change to the information given to Shareholders.

The ACD may agree during the suspension to deal in Shares in which case all deals accepted during and outstanding prior to the suspension will be undertaken at a price calculated at the first Valuation Point after the restart of dealings in Shares.

#### 2.14 **Governing law**

The agreement between Shareholders and the Company is governed by English Law and, by purchasing shares, Shareholders agree that the Courts of England have exclusive jurisdiction to settle any disputes. All communications in connection with this investment will be in English.

#### 2.15 **US Investors**

Due to legal and compliance burdens associated with permitting investments from US residents and US domiciled entities, the Company does not accept applications for the purchase or subscription of shares from any US Person and does not accept requests for transfer to any person that is a US Person.

Each investor will be required to represent that the investor is not a US Person and the shares are not being acquired for the benefit or account of, directly or indirectly, any US Person. For this purpose a US Person is a person who is in any of the following categories: (a) a person included in the definition of "US person" under Rule 902 of Regulation S under the 1933 Act, (b) a person excluded from the definition of "Non-United States person" as used in the CFTC Rule 4.7 or (c) a person included in the definition of "Specified US person" for the purposes of FATCA. For the avoidance of doubt, a person is excluded from this definition of US Person only if he/she or it does not satisfy any of the definitions of "US person" under Rule 902 and "Specified US person" under FATCA and qualifies as a "Non-United States person" under CFTC Rule 4.7.

Investors must notify the Administrator if they have moved to the United States or have otherwise become US Persons. Upon such notification, or if the Administrator or ACD determines that there is a reasonable basis for believing that the investor has become a US Person, the investor's account may be frozen and/or compulsorily redeemed and further investments or transfers between funds will not be accepted. Other rights attaching to the shares previously purchased will not be affected.

#### 2.16 **Automatic exchange of information for international tax compliance**

Under UK legislation, the Company is required to collect certain information about Shareholders and their investments to pass to HM Revenue & Customs who may, in turn,

pass it on to relevant overseas tax authorities. Please see the Taxation section of this prospectus for further information.

## 3. Valuation of the Company

### 3.1 General

There is only a single price for Shares. The price of a Share is calculated by reference to the Net Asset Value of the Fund to which it relates. The Net Asset Value per Share of a Fund is currently calculated at 12.00 noon (London time) on each Dealing Day. This is the Valuation Point.

The ACD may at any time during a Business Day carry out an additional valuation if it considers it desirable to do so. The ACD shall inform the Depositary of any decision to carry out any such additional valuation. Valuations may be carried out for effecting a scheme of amalgamation or reconstruction which do not create a Valuation Point for the purposes of dealings. Where permitted and subject to the Regulations, the ACD may, in certain circumstances (for example where a significant event has occurred since the closure of a market) substitute a price with a more appropriate price which in its opinion reflects a fair and reasonable price for that investment.

The ACD will, upon completion of each valuation, notify the Depositary of the price of Shares, of each Class of each Fund and the amount of any dilution adjustment applicable in respect of any purchase or redemption of Shares.

“Late Trading” is defined as the acceptance of a subscription, redemption, Switching, Conversion or other transfer order received after the applicable Valuation Point. Late Trading is not permitted. A request for dealing in Shares must be received by the Valuation Point on a particular Dealing Day in order to be processed on that Dealing Day. A dealing request received after this time will be held over and processed on the next Dealing Day, using the Net Asset Value per Share calculated as at the Valuation Point on that next Dealing Day.

In unusual circumstances, and in accordance with the FCA Rules, the ACD may make adjustments to the value of any investments which may be materially impacted by out of date prices through a technique known as fair value pricing as described below.

### 3.2 Calculation of the Net Asset Value

The value of the Scheme Property shall be the value of its assets less the value of its liabilities determined in accordance with the following provisions:

- 3.2.1 all the Scheme Property (including receivables) is to be included, subject to the following provisions;
- 3.2.2 Scheme Property which is not cash (or other assets dealt with in paragraph 3.2.3 below) or a contingent liability transaction shall be valued as follows and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain:
  - 3.2.2.1 Units or shares in a collective investment scheme:
    - (a) if a single price for buying and selling units or shares is quoted, at the most recent such price; or

- (b) if separate buying or selling prices are quoted, at the average of the two prices provided the buying price has been reduced by any initial charge included therein and the selling price excludes any exit or redemption charge attributable thereto; or
  - (c) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or no recent price exists or if the most recent price available does not reflect the ACD's best estimate of the value of the units or shares, at a value which, in the opinion of the ACD, is fair and reasonable;
- 3.2.2.2 any other transferable security:
- (a) if a single price for buying and redeeming the security is quoted, at that price; or
  - (b) if separate buying and redemption prices are quoted, at the average of the two prices; or
  - (c) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists or if the most recent price available does not reflect the ACD's best estimate of the value of the security, at a value which, in the opinion of the ACD, is fair and reasonable;
- 3.2.2.3 Scheme Property other than that described above at a value which, in the opinion of the ACD, is fair and reasonable.
- 3.2.3 Cash and amounts held in current and deposit accounts and in other time related deposits shall be valued at their nominal values.
- 3.2.4 Property which is a contingent liability transaction shall be treated as follows:
- (a) if it is a written option (and the premium for writing the option has become part of the Scheme Property), deduct the amount of the net valuation of premium receivable. If the Scheme Property is an off exchange option the method of valuation shall be agreed between the ACD and the Depositary;
  - (b) if it is an off exchange future, include it at the net value of closing out in accordance with a valuation method agreed between the ACD and the Depositary; and
  - (c) if it is any other form of contingent liability transaction, include it at the net value of margin on closing out (whether as a positive or negative value). If the Scheme Property is an off exchange derivative, include it at a valuation method agreed between the ACD and the Depositary.
- 3.2.5 In determining the value of the Scheme Property, all instructions given to issue or cancel Shares shall be assumed to have been carried out (and any cash paid or received) whether or not this is the case.
- 3.2.6 Subject to paragraphs 3.2.7 and 3.2.8 below, agreements for the unconditional sale or purchase of Scheme Property which are in existence but uncompleted shall be assumed to have been completed and all consequential action required to have been taken. Such unconditional agreements need not be taken into account if made shortly before the valuation takes place and if, in the opinion of the ACD, their omission will not materially affect the final net asset amount.

- 3.2.7 Futures or contracts for differences which are not yet due to be performed and unexpired and unexercised written or purchased options shall not be included under paragraph 3.2.9.
- 3.2.8 All agreements are to be included under paragraph 3.2.9 which are, or ought reasonably to have been, known to the person valuing the Scheme Property.
- 3.2.9 Deduct an estimated amount for anticipated tax liabilities (on unrealised capital gains where the liabilities have accrued and are payable out of the property of the Fund; on realised capital gains in respect of previously completed and current accounting periods; and on income where liabilities have accrued) including (as applicable and without limitation) capital gains tax, income tax, corporation tax, VAT, stamp duty and any foreign taxes or duties.
- 3.2.10 Deduct an estimated amount for any liabilities payable out of the Scheme Property and any tax or duty thereon treating periodic items as accruing from day to day.
- 3.2.11 Deduct the principal amount of any outstanding borrowings whenever repayable and any accrued but unpaid interest on borrowings.
- 3.2.12 Add an estimated amount for accrued claims for tax of whatever nature which may be recoverable.
- 3.2.13 Add any other credits or amounts due to be paid into the Scheme Property.
- 3.2.14 Add a sum representing any interest or any income accrued due or deemed to have accrued but not received and any SDRT provisions anticipated to be received.
- 3.2.15 Currencies or values in currencies other than Sterling shall be converted at the relevant Valuation Point at a rate of exchange that is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders.

### 3.3 **Price per Share in each Fund and each Class**

The price per Share at which Shares are bought or are redeemed is the Net Asset Value per Share, adjusted, if applicable, by reference to the volume of purchases or sales at the Valuation Point in accordance with the ACD's current policy for swinging single pricing. Any initial charge or redemption charge is payable in addition to the relevant price and is taken from the gross subscription or redemption monies.

Each allocation of income made in respect of any Fund at a time when more than one Class is in issue in respect of that Fund shall be done by reference to the relevant Shareholder's proportionate interest in the income property of the Fund in question calculated in accordance with the Instrument of Incorporation.

### 3.4 **Fair value pricing**

Where the ACD has reasonable grounds to believe that:

- 3.4.1 no reliable price for the property in question exists; or
- 3.4.2 such price, if it does exist, does not reflect the ACD's best estimate of the value of such property,

it may value the Scheme Property or any part of Scheme Property at a price which, in its opinion, reflects a fair and reasonable price for that property ("fair value pricing").

The ACD is permitted to use fair value pricing in specific circumstances and pursuant to processes and methodologies that it must have notified to the Depositary. Examples of the circumstances in which the ACD might consider using fair value pricing where a Fund's Valuation Point is set during the time when markets in which its portfolio is invested are closed for trading include:

- (a) unusual market conditions;
- (b) war, natural disaster, terrorism;
- (c) government actions or political instability;
- (d) currency realignment or devaluation;
- (e) changes in interest rates;
- (f) corporate activity;
- (g) credit default or distress; or
- (h) litigation.

Even if the Company's Valuation Point is set during the time other markets are open for trading, other scenarios might include:

- (a) failure of a pricing provider;
- (b) closure or failure of a market;
- (c) volatile or "fast" markets;
- (d) markets closed over national holidays;
- (e) stale or unreliable prices; and
- (f) listings suspensions or de-listings.

Further information on the pricing basis of the Company and the fair value pricing policy in relation to the Company is available from the ACD on request.

### 3.5 **Pricing basis**

The ACD deals on a forward pricing basis. A forward price is the price calculated at the next Valuation Point after the purchase or redemption is deemed to be accepted by the ACD.

### 3.6 **Publication of Prices**

All of the most recent Share prices are available on our website [www.bmogam.com](http://www.bmogam.com) or by telephoning 0330 123 3798. As the ACD deals on a forward pricing basis, the price that appears in these sources will not necessarily be the same as the one at which investors can currently deal. The ACD does not accept responsibility for the accuracy of the prices published

in or for the non-publication of prices by the newspapers for reasons beyond the control of the ACD.

The ACD may also, at its sole discretion, decide to publish certain Share prices in other third party websites or publications but the ACD does not accept responsibility for the accuracy of the prices published in, or for the non-publication of prices by, these sources for reasons beyond the control of the ACD.

## 4. Risk Factors

Potential investors should consider the following risk factors before investing in the Company and (in the case of specific risks applying to specific Funds) in any of the Funds.

### 4.1 **General: Risk factors applicable to the Company and all Funds**

#### 4.1.1 **Market fluctuations**

The investments of the Company are subject to normal market fluctuations and other risks inherent in investing in securities. There can be no assurance that any appreciation in the value of investments will occur. The value of investments and the income derived from them may fall as well as rise and investors may not recoup the original amount they invest in the Company. The entire market of a particular asset class or geographical sector may fall, having a more pronounced effect on funds heavily invested in that asset class or region. There will be a variation in performance between funds with similar objectives due to the different assets selected.

#### 4.1.2 **Investment objective**

There is no certainty that the investment objective of any of the Funds will actually be achieved and no warranty or representation is given to this effect. The level of any yield for a Fund may be subject to fluctuations and any stated level of yield is not guaranteed.

#### 4.1.3 **Effect of Initial Charge or Redemption Charge**

Where an initial charge or redemption charge is imposed, an investor who realises his Shares after a short period of time may not (even in the absence of a fall in the value of the relevant investments) realise the amount originally invested.

In particular, where a redemption charge is payable investors should note that the percentage rate at which the redemption charge is calculated is based on the market value rather than the initial value of the Shares. If the market value of the Shares has increased the redemption charge will show a corresponding increase. Details of initial and redemption charges are set out in Appendix I.

The Shares should therefore be viewed as medium to long term investments.

#### 4.1.4 **Dilution**

In certain circumstances a dilution adjustment may be made on the purchase or redemption of Shares. In the case of purchases this will reduce the number of Shares acquired, in the case of redemptions this will reduce the proceeds. Where a dilution adjustment is not made, existing investors in the Fund in question may suffer dilution which will constrain capital growth.



#### 4.1.5 **Cancellation rights**

When cancellation rights are applicable and are exercised, the full amount invested may not be returned if the price falls before the ACD is aware that the contract has been cancelled.

#### 4.1.6 **Charges to Capital**

Where the investment objective of a Fund is to treat the generation of income as a higher priority than capital growth, or the generation of income and capital growth have equal priority, all or part of the fees and expenses of the Fund, including the ACD's fee, may be charged against capital instead of against income. The treatment of the fees and expenses may increase the amount of income (which may be taxable) available for distribution to Shareholders in the Fund concerned but may constrain capital growth.

#### 4.1.7 **Suspension of Dealings in Shares**

Investors should be aware that in exceptional circumstances their right to redeem Shares (including a redemption by way of Switching) may be suspended but only with the prior agreement of the Depositary. The ACD and the Depositary must ensure that the suspension is only allowed to continue for as long as is justified having regard to the interests of Shareholders.

#### 4.1.8 **Liabilities of the Company and Funds**

As explained in paragraph 1.2.1, under the OEIC Regulations, each Fund is a segregated portfolio of assets and those assets can only be used to meet the liabilities of, or claims against, that Fund. Whilst the provisions of the OEIC Regulations provide for segregated liability between Funds, the concept of segregated liability is relatively new. Accordingly, where claims are brought by local creditors in foreign courts or under foreign law contracts, it is not yet known whether a foreign court would give effect to the segregated liability and cross-investment provisions contained in the OEIC Regulations. Therefore, it is not possible to be certain that the assets of a Fund will always be completely insulated from the liabilities of another Fund of the Company in every circumstance.

#### 4.1.9 **Currency Exchange Rates**

Currency fluctuations may adversely affect the value of a Sub fund's investments and the income thereon and, depending on an investor's currency of reference, currency fluctuations may adversely affect the value of his investment in Shares.

Unless a Share Class is specifically described as a "hedged" Share Class, no steps are usually taken to mitigate the effects of exchange rate fluctuations between the currency of denomination of the Shares or the assets of a Fund (as relevant) and the base currency.

#### 4.1.10 **Tax**

Tax laws currently in place may change in the future which could affect the value of your investments.

#### 4.1.11 **Inflation and Interest Rates**

The real value of any returns that an investor may receive from a Fund could be affected by interest rates and inflation over time.

#### 4.1.12 **Custody**

There may be a risk of loss where the assets of the Funds are held in custody that could result from the insolvency, negligence or fraudulent action of a custodian or sub-custodian.

#### 4.1.13 **Liquidity**

Depending on the types of assets the Company invests in there may be occasions where there is an increased risk that a position cannot be liquidated in a timely manner at a reasonable price.

#### 4.1.14 **Dodd-Frank Wall Street Reform and Consumer Protection Act**

With the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") in the United States, there has been and will continue to be extensive rulemaking and regulatory changes that will affect private fund managers, the funds that they manage and the financial industry as a whole.

Under Dodd-Frank, the SEC has mandated new reporting requirements and is expected to mandate new recordkeeping requirements for investment advisers, which are expected to add costs to the legal, operations and compliance obligations of the ACD and the Company and increase the amount of time that the ACD (or its delegates) spends on non-investment related activities. Until the SEC implements all of the new requirements of Dodd-Frank, it is unknown how burdensome such requirements will be. Dodd-Frank will affect a broad range of market participants with whom the Company interacts or may interact, including commercial banks, investment banks, other non-bank financial institutions, rating agencies, mortgage brokers, credit unions, insurance companies and broker-dealers.

Regulatory changes that will affect other market participants are likely to change the way in which the ACD conducts business with its counterparties. It may take several years to understand the impact of Dodd-Frank on the financial industry as a whole, and therefore, such continued uncertainty may make markets more volatile, and it may be more difficult for the ACD (or its delegates) to execute the investment strategy of the Company.

#### 4.1.15 **Risks associated with leaving the European Union**

On 29 March 2017, the UK began the formal process of leaving the European Union (informally known as "Brexit") by invoking Article 50 of the Lisbon Treaty. The political, economic and legal consequences of Brexit are not yet known.

In the short term, it is likely there will be volatility in the financial markets, particularly those in the UK and Europe but possibly also in the US and Asia. The UK may be less stable than it has been in recent years and investments in the UK may be difficult to value, to assess for suitability or risk, harder to buy or sell or subject

to greater or more frequent rises and falls in value. Changes in currency exchange rates may make it more expensive for the Funds to buy investments that are not denominated in Sterling. Funds may see higher levels of redemption. In the event that the ACD is unable to accurately value the assets of the Funds, or in the event of high levels of redemption, the ACD may use certain liquidity management tools permitted by the FCA Rules, including deferred redemptions, the implementation of fair value pricing or suspension of the Funds.

In the longer term, there is likely to be a period of significant political, regulatory and commercial uncertainty as the UK seeks to negotiate its exit from the European Union. The UK's laws and regulations concerning funds may in future diverge from those of the European Union. This may lead to changes in the operation of the Funds or the rights of investors. Depending on the terms of the agreement reached with the European Union, UK funds may or may not be treated as a UCITS and it may or may not be possible for the Funds to be sold to investors in certain European Union countries and possibly other parts of the world in future. To the extent that it is within the control of the ACD, the ACD will endeavour to mitigate the impact on the Funds of the ongoing uncertainty and of any changes to the applicable law and regulation.

#### 4.2 **Specific: Risk factors applicable to one or more Funds**

##### 4.2.1 **Investment in Smaller Companies**

Smaller companies' securities may be less liquid than the securities of larger companies as a result of inadequate trading volume or restrictions on trading. Smaller companies may possess greater potential for growth, but can also involve greater risks, such as limited product lines and markets, and financial or managerial resources. Trading in such securities may be subject to more abrupt price movements and greater fluctuations in available liquidity than trading in the securities of larger companies.

##### 4.2.2 **Sub-Investment Grade Bonds**

Such bonds have a lower credit rating than investment grade bonds and so a higher risk of default and carry a higher degree of risk both to the income and capital value of the Fund.

##### 4.2.3 **Derivatives**

**The ACD may employ more sophisticated derivatives and equities selected by using sophisticated mathematical techniques in the pursuit of the investment objectives of a Fund, as stated in this Prospectus, and in accordance with its risk management policy. This means that the Net Asset Value of the Fund may at times be highly volatile (in the absence of compensating investment techniques). However, it is the ACD's intention that a Fund owing to its portfolio composition, or the portfolio management techniques used, will not have volatility over and above the general market volatility of the markets of its underlying investments. The risk profile of a Fund may be higher than it would otherwise have been as a consequence of the use of derivatives as described above.**

The ACD may also employ derivatives with the aim of reducing the risk profile of a Fund, reducing costs or generating additional capital or income, in accordance with EPM.

To the extent that derivative instruments are utilised for hedging purposes (reduction of the risk profile of a Fund), the risk of loss to a Fund may be increased where the value of the derivative instrument and the value of the security or position which it is hedging prove to be insufficiently correlated.

For more information in relation to investment in derivatives, please see Appendix III.

#### 4.2.4 **Efficient Portfolio Management**

**Each Fund is permitted to use derivatives for the purposes of EPM. Further detail on the use of derivatives and forward transactions is set out in Appendix III.**

**The use of derivatives and forward transactions for the purposes of EPM will not increase the risk profile of a Fund any more than investing in the corresponding underlying physical asset. It does however allow the Fund to manage various risks including the following: default risk, market risk, interest rate or duration risk, currency risk and curve risk.**

Default risk is the risk that the issuer fails to pay. Market risk is the risk that general market conditions impact the price of the bond owned by the Fund. Interest rate or duration risk is the risk that the price of a bond is sensitive to a change in its yield. Currency risk is the risk that can arise when bonds are denominated in a currency that is not the base currency of the Fund. Curve risk recognises that the shape of both the credit yield curve and maturity yield curve can change significantly over time.

Efficient portfolio management is used by the Funds to reduce risk and/or costs in the Funds and to produce additional capital or income in the Funds. The Funds may use other techniques, such as stock lending, for efficient portfolio management.

A Fund's ability to use EPM strategies may be limited by market conditions, regulatory limits and tax considerations. Any income or capital generated by efficient portfolio management techniques will be paid to the Funds.

In addition, the ACD may use certain techniques when investing in derivatives in order to manage a Fund's exposure to particular counterparties and in relation to the use of collateral, to reduce overall exposure to OTC derivatives; for example the Fund's may take collateral from counterparties with whom they have an OTC derivative position and use that collateral to net off against the exposure they have to the counterparty under that OTC derivative position, for the purposes of complying with counterparty spread limits.

The Investment Manager maintains a 'Risk Management Process' in respect of the measurement and monitoring of risks attached to financial derivative instrument positions entered into by the Company. This policy document has been sent to the

Depository and to the FCA and is available upon request. The use of the Risk Management Process does not guarantee that the derivative strategies will work in every instance.

#### 4.2.5 **Stock lending**

The Funds may also use stock lending as an efficient portfolio management technique to reduce risk and/or costs in the Funds and to produce additional capital.

Stock lending may involve additional risks for the Funds. Under such arrangements, the Funds will have a credit risk exposure to the counterparties used. The extent of this credit risk can be reduced, or eliminated, by receipt of adequate collateral. The stock lending agent shall ensure that sufficient value and quality of collateral is received before or simultaneously with the movement of loaned securities. This will then be held throughout the duration of the loan transaction and only returned once the loaned securities have been received or returned back to the relevant Fund.

The Funds don't currently carry out stocklending.

#### 4.2.6 **Collateral Management**

In the event of a counterparty default or operational difficulty, securities that are loaned out may not be returned or returned in a timely manner. Should the borrower of securities fail to return the securities lent by a Fund, there is a risk that the collateral received on such transactions may have a market value lower than that of the securities lent, whether due to inaccurate pricing of the collateral, adverse market movements in the value of the collateral, a deterioration in the credit rating of the issuer of the collateral, or the illiquidity of the market in which the collateral is traded. Delays in the return of securities on loan might restrict the Funds ability to complete the sale of securities or to meet redemption requests. A default by the counterparty combined with a fall in the market value of the collateral below that of the value of the securities lent, may result in a reduction in the value of a Fund.

Collateral received will be held within a safekeeping account at the Depository. The Funds will be exposed to the risk of the Depository not being able to fully meet its obligation to return the collateral when required in the case of bankruptcy of the Depository.

#### 4.2.7 **Leveraging**

Leverage is where a Fund borrows money in order to meet redemption requests or, through the use of derivatives, for the purpose of buying or selling assets. Where assets are bought or sold using borrowed money this increases the risk that in the case of losses that these are compounded and as a result have a material negative impact on the value of the Fund. Investors should also note that certain derivatives such as forward foreign exchange and complex swaps may be entered into on an Over the Counter (OTC) basis with one or more Eligible Counterparties. Trading in such derivatives results in credit risk exposure to such Eligible Counterparties (i.e. the risk that the Eligible Counterparty to a derivative trade will fail to discharge its obligations under the terms of the trade in respect of a Fund). Where the ACD or an Investment Manager, on behalf of a Fund, enters into OTC derivatives it may seek

to mitigate much of its credit risk to an Eligible Counterparty by receiving collateral from that Eligible Counterparty. To the extent that any OTC derivatives are not fully collateralised, a default by the Eligible Counterparty may result in a reduction in the value of the Fund and thereby a reduction in the value of an investment in the Fund.

#### 4.2.8 **Credit and Fixed Interest Securities**

Fixed interest securities or instruments that track the returns of fixed interest indices, are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. Inflation will also decrease the real value of capital.

The value of a fixed interest security will fall in the event of the default or reduced credit rating of the issuer. Generally, the higher the yield, the higher the perceived credit risk of the issuer. High yield bonds with lower credit ratings (also known as sub-investment grade bonds) are potentially more risky (higher credit risk) than investment grade bonds. A sub-investment grade bond has a Standard & Poor's credit rating of below BBB or equivalent. BBB is described as having adequate capacity to meet financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the bond issuer to meet its financial commitments.

#### 4.2.9 **Warrants**

Up to 5% of a Fund may be invested in warrants. Whilst warrants may be utilised for the management of investment risk they can also be volatile. A warrant allows within a subscribed period the right to apply for shares, debentures, loan stock or government securities from the issuer of the underlying security. A small movement in the price of the underlying security results in a disproportionately large movement, favourable or unfavourable in the price of the warrant.

#### 4.2.10 **Investing in assets traded on non-Eligible Markets**

The Funds are permitted to invest up to 10% of assets traded on markets which are not included in the eligible markets list contained in this prospectus. Investors should be aware that these markets may not meet the criteria in the FCA Handbook to be considered eligible and therefore may not be regulated and there may be problems with liquidity, repatriation of assets or custody of assets. Where appropriate, the Manager may also hold assets which are not traded on any market and the same risks apply, with additional risks linked to concentrated ownership and greater fluctuations in the value of the Fund.

#### 4.2.11 **Market Suspension**

A Fund may invest in securities dealt on a market or exchange. Trading on a market or exchange may be halted or suspended due to market conditions, technical problems or other events and during such circumstances, the Fund will not be able to sell the securities traded on that market until trading resumes.

Further, trading of the securities of a specific issuer may be suspended by a market due to circumstances relating to the issuer. If trading of a particular security is halted

or suspended, the relevant Fund will not be able to sell that security until trading resumes.

#### 4.2.12 **Investment in other Collective Investment Schemes**

A Fund may invest in other regulated collective investment schemes. As an investor in another collective investment scheme, a Fund will bear, along with the other investors, its portion of the expenses of the other collective investment scheme, including management, performance and/or other fees. These fees will be in addition to the management fees and other expenses which a Fund bears directly with its own operations.

#### 4.2.13 **Emerging Markets**

Investments in emerging markets may be more volatile than investments in more developed markets. Some of these markets may have relatively unstable governments, economies based on only a few industries and securities markets that trade only a limited number of securities. Many emerging markets do not have well developed regulatory systems and disclosure standards may be less stringent than those of developed markets.

The risks of expropriation, nationalisation and social, political and economic instability are greater in emerging markets than in more developed markets.

The following is a brief summary of some of the more common risks associated with emerging markets investment:

**Fraudulent Securities** – Given the lack of a regulatory structure it is possible that securities in which investments are made may be found to be fraudulent. As a result, it is possible that loss may be suffered.

**Currency Fluctuations** – Significant changes in the currencies of the countries in which investments are made in respect of the currency of denomination of the relevant Fund may occur following the investment of the Company in these currencies. These changes may impact the total return of a Fund to a significant degree. In respect of currencies of certain emerging countries, it is not possible to undertake currency hedging techniques.

**Settlement and Custody Risks** – Settlement and custody systems in emerging markets are not as well developed as those in developed markets. Standards may not be as high and supervisory and regulatory authorities not as sophisticated. As a result there may be risks that settlement may be delayed and that cash or securities could be disadvantaged.

**Investment and Remittance Restrictions** – In some cases, emerging markets may restrict the access of foreign investors to securities. As a result, certain equity securities may not always be available to a Fund because the maximum permitted number of an investment by foreign shareholders has been reached. In addition, the outward remittance by foreign investors of their share of net profits, capital and dividends may be restricted or require governmental approval. The Company will

only invest in markets in which it believes these restrictions to be acceptable. However, there can be no guarantee that additional restrictions will not be imposed.

**Accounting** – Accounting, auditing and financial reporting standards, practices and disclosure requirements applicable to companies in emerging markets differ from those applicable in more developed markets in respect of the nature, quality and timeliness of the information disclosed to investors and, accordingly, investment possibilities may be difficult to properly assess.

#### 4.2.14 **Counterparty Risk in Over-the-Counter (“OTC”) Markets**

A Fund may enter into transactions in over-the-counter markets, which will expose a Fund to the credit of its counterparties and their ability to satisfy the terms of such contracts. For example, a Fund may enter into agreements or use other derivative techniques, each of which expose a Fund to the risk that the counterparty may default on its obligations to perform under the relevant contract. In the event of a bankruptcy or insolvency of a counterparty, a Fund could experience delays in liquidating the position and significant losses, including declines in the value of its investment during the period in which the Company seeks to enforce its rights, inability to realise any gains on its investment during such period and fees and expenses incurred in enforcing its rights. There is also a possibility that the above agreements and derivative techniques are terminated due, for instance, to bankruptcy, supervening illegality or change in the tax or accounting laws relative to those at the time the agreement was originated. In such circumstances, investors may be unable to cover any losses incurred.



## 5. Management and Administration

### 5.1 Regulatory Status

The ACD, the Administrator, the Investment Manager and the Depositary are authorised and regulated by the Financial Conduct Authority of 12 Endeavour Square, London, E20 1JN. The Depositary is also regulated by the Prudential Regulatory Authority.

### 5.2 Authorised Corporate Director

#### 5.2.1 General

The ACD is BMO Fund Management Limited which is a company limited by shares incorporated in England and Wales on 29 July 1987. The ACD is the AIFM for the purposes of the AIFM Directive and the AIFM Regulations.

The directors of the ACD are:

David Logan, Joan Mohammed, David Sloper, Robert Thorpe, William Marrack Tonkin, Richard Watts, Tina Watts and BMO Asset Management (Holdings) plc. All the individual directors are employed by BMO Global Asset Management EMEA.

<b>Registered Office</b>	Exchange House, Primrose Street, London EC2A 2NY
<b>Principal Place of Business</b>	Exchange House, Primrose Street, London EC2A 2NY
<b>Share Capital</b>	£13,200,000 (issued and paid up)
<b>Ultimate Holding Company</b>	The ACD is ultimately owned by the Bank of Montreal.

The ACD is also the manager of certain open-ended investment companies and authorised unit trusts, details of which are set out in Appendix IV.

The ACD is responsible for managing and administering the Company's affairs in compliance with the COLL Sourcebook. The ACD is responsible for the investment management and administration of the Fund. The ACD may delegate its management and administration functions, but not responsibility, to third parties, including associates subject to the rules in the COLL Sourcebook.

It has delegated certain of its functions as set out in paragraphs 5.4 to 5.7.

#### 5.2.2 Terms of Appointment:

The appointment of the ACD has been made under an agreement between the Company and the ACD, as amended from time to time (the "ACD Agreement").

Pursuant to the ACD Agreement, the ACD manages and administers the affairs of the Company in accordance with the Regulations, the Instrument of Incorporation and this Prospectus.

The ACD Agreement may be terminated by either party after not less than six months written notice or earlier upon the happening of certain specified events. The ACD Agreement contains detailed provisions relating to the responsibilities of the ACD and excludes it from any liability to the Company or any Shareholder for any act or omission except in the case of negligence, wilful default, breach of duty or breach of trust in relation to the Company on its part. The ACD Agreement provides indemnities to the ACD to the extent allowed by the Regulations and other than for matters arising by reason of its negligence, wilful default, breach of duty or breach of trust in the performance of its duties and obligations. Subject to certain limited exceptions set out in the Regulations, the ACD may retain the services of any person to assist it in the performance of its functions.

Details of the fees payable to the ACD are set out in paragraph 6.3 below.

The ACD is also under no obligation to account to the Depositary, the Company or the Shareholders for any profit it makes on the issue or re-issue or cancellation of Shares which it has redeemed.

The Company has no directors other than the ACD.

## 5.3 The Depositary

### 5.3.1 General

The Depositary of the Company is State Street Trustees Limited. The Depositary is a private company limited by shares and incorporated in England and Wales on 24 October 1994. The Depositary is responsible for the safe-keeping of all the property of the Company and has a duty to take reasonable care to ensure that the Company is managed in accordance with the provisions of the Regulations relating to the pricing of, and dealing in, Shares and relating to the income of the Funds.

<b>Registered Office</b>	20 Churchill Place London E14 5HJ
<b>Head Office and Principal Place of Business</b>	Quartermile 3, 10 Nightingale Way, Edinburgh EH3 9EG
<b>Ultimate Holding Company</b>	State Street Corporation (incorporated in Massachusetts, United States of America)
<b>Principal Business Activity</b>	Trustee and depositary of regulated collective investment schemes

### 5.3.2 Terms of Appointment

The appointment of the Depositary has been made under an agreement dated 22 July 2014 between the Company and the Depositary. This Agreement permits the Depositary to delegate custody of the Scheme Property to State Street Bank and

Trust Company as global custodian, with power to sub-delegate some or all of its duties to such persons as it may from time to time specify.

The Depositary Agreement may be terminated by either party on not less than three months' notice in writing.

The Depositary Agreement provides indemnities to the Depositary in the discharge of its functions to the extent permitted by the Regulations (except in relation to any cost, expense, charge, loss or liability arising out of the negligence, fraud or wilful default of the Depositary or breach by the Depositary of the OEIC Regulations, the COLL Sourcebook or the Conduct of Business Sourcebook). Under the Depositary Agreement the Depositary has agreed that it, and any person to whom it delegates safekeeping of the property of the Company, may not re use any of the Company's assets with which it has been entrusted.

The Depositary is entitled to receive remuneration out of the Scheme Property for its services, as explained in paragraph 6.4 below. The Depositary is under no obligation to account to the ACD, the Company or the Shareholders for any profits or benefits it makes or receives that are made or derived from or in connection with its role as depositary.

#### 5.4 **The Custodian**

The Depositary has appointed State Street Bank and Trustee Company as the Custodian of the property of the Company. Under the terms of the Depositary Agreement the Depositary has the power to delegate its safekeeping functions. The Depositary has delegated to the Custodian the custody of Scheme Property entrusted to the Depositary for safekeeping. As the Custodian is part of the same group of companies as the Depositary, it is possible that a conflict of interest could arise. The Custodian and any other delegates are required to manage any such conflicts having regard to the FCA Handbook and their duties to the Depositary and the Manager.

#### 5.5 **The Investment Manager**

##### 5.5.1 **General**

The ACD has appointed BMO AM Multi-Manager LLP as Investment Manager to provide investment management and advisory services to the ACD.

The Investment Manager's registered office is at Exchange House, Primrose Street, London EC2A 2NY. As with the ACD, the Investment Manager is a member of BMO Global Asset Management EMEA, the holding company of which, BMO Asset Management (Holdings) plc, was acquired on 7 May 2014 by Bank of Montreal through its wholly owned subsidiary, BMO Global Asset Management (Europe) Limited.

The principal activity of the Investment Manager is acting as an investment manager.

##### 5.5.2 **Terms of Appointment**

The Investment Manager was appointed under the terms of an agreement between the ACD and the Investment Manager, as amended (the "Investment Management Agreement").

Subject to appropriate controls imposed by the ACD, all relevant law and regulation, this Prospectus and the Instrument of Incorporation, the Investment Manager has discretion to take day to day investment decisions and to deal in investments in relation to the investment management of the Company, without prior reference to the ACD.

Under the Investment Management Agreement, the ACD provides indemnities to the Investment Manager. The ACD may be entitled under the indemnities in the ACD Agreement to recover from the Company amounts paid by the ACD under the indemnities in the Investment Management Agreement.

The Investment Manager's appointment may be terminated on three months' written notice being given to the other by the Investment Manager or the ACD or immediately in certain circumstances.

## 5.6 **The Registrar and Administrator**

### 5.6.1 **General**

The ACD has appointed DST Financial Services Europe Ltd to act as registrar and administrator to the Company in respect of maintenance of the Register, the purchase and sale of shares, the issue of contract notes and other associated activities.

The registered office and principal place of business of the Registrar and Administrator is DST House, Basildon, Essex SS15 5FS.

### 5.6.2 **Register of Shareholders**

The Register of Shareholders is kept and maintained at the Registrar's registered office as set out above. It may be inspected during normal business hours by any Shareholder or any Shareholder's duly authorised agent.

The plan register, where applicable, (being a record of persons who subscribe for Shares through Individual Savings Accounts (ISAs)) can be inspected at the office of the Registrar.

## 5.7 **Fund Accountant**

The ACD has appointed State Street Bank and Trust Company, London Branch to provide certain fund accounting, including unit pricing, services to the Funds. The agreement between the ACD, BMO Asset Management Limited and State Street Bank and Trust Company, London Branch is dated 12 June 2018.

## 5.8 **The Auditors**

The auditors of the Company are PricewaterhouseCoopers LLP, whose address is PWC Level 4, Atria One, 144 Morrison Street, Edinburgh EH3 8EX.

## 5.9 **Legal Advisers**

The Company is advised by CMS Cameron McKenna Nabarro Olswang LLP. Cannon Place, 78 Cannon Street, London EC4N 6AF.

## 5.10 **Conflicts of Interest**

The ACD and the Investment Manager and other companies within the ACD's group may, from time to time, act as investment managers or advisers to other funds which follow similar investment objectives to those of the Funds. It is therefore possible that the ACD and/or the Investment Manager may in the course of their business have potential conflicts of interest with the Company or a particular Fund or that a conflict exists between the Company and other funds managed by the ACD. Each of the ACD and the Investment Manager will, however, have regard in such event to its obligations under the ACD Agreement and Investment Management Agreement respectively and, in particular, to its obligation to act in the best interests of the Company so far as practicable, having regard to their obligations to other clients, when undertaking any investment business where potential conflicts of interest may arise. Where a conflict of interest cannot be avoided, the ACD will ensure that the Company and other collective investment schemes it manages are fairly treated.

Subject to the Regulations, and subject to compliance by the ACD and the Investment Manager with their obligations under the ACD Agreement and the Investment Management Agreement, the ACD and the Investment Manager shall not be under any obligation to account to the Company (nor to any person having an interest in the Company) for any profits or benefits made by the ACD and the Investment Manager, or by any associate of the ACD and the Investment Manager, from or in connection with any transactions entered into by the ACD and the Investment Manager or any associate of the ACD and the Investment Manager with the Company or the provision of any services to the Company or dealing in property of any description for the account of the ACD and the Investment Manager and or of any such associate, notwithstanding the fact that property of that description is included in the Scheme Property.

The ACD maintains a written conflict of interest policy. The ACD acknowledges that there may be some situations where the organisational or administrative arrangements in place for the management of conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the Company or its shareholders will be prevented. Should any such situations arise the ACD will, as a last resort if the conflict cannot be avoided, disclose these to shareholders in the report and accounts or otherwise in an appropriate format.

Details of the ACD's conflicts of interest policy are available on its website at: [www.bmogam.com](http://www.bmogam.com).

The Depositary may act as the depositary of other open-ended investment companies and as trustee or custodian of other collective investment schemes. None of the services of the Depositary is to be provided on an exclusive basis to the Company. The Depositary and any of its associates shall be free to provide similar services to (or engage in other activities with) others on such terms as the Depositary (or its associates) may arrange and to retain for its own use and benefit fees or other monies payable for its doing so. The Depositary shall not be deemed to be affected with notice of, or to be under any duty to disclose to the Company, any fact or thing which may come to its notice or the notice of any servant or agent of it in the course of the Depositary rendering similar services to others or in the course of its business in any other capacity or any manner whatsoever otherwise than in the course of carrying out its duties.

Subject to the Regulations and subject to compliance by the Depositary with its obligations under the Depositary Agreement, the Depositary shall not be under any obligation to account

to the Company (nor to any person having an interest in the Company) for any profits or benefits made by the Depositary, or by any associate of the Depositary, from or in connection with any transactions entered into by the Depositary or any associate of the Depositary with the Company or the provision of any services to the Company (including accepting deposits from or making loans to or otherwise providing any banking services to the Company) or dealing in property of any description for the account of the Depositary or of any such associate, notwithstanding the fact that property of that description is included in the Scheme Property.

#### 5.11 **Professional Liability Risk**

The ACD will cover at all times the risks of loss or damage caused by the negligence of any relevant person for which the ACD has legal responsibility by maintaining insurance cover, and will comply with the qualitative requirements addressing such risks, in each case, in accordance with the EU Regulation.

## 6. Fees and Expenses

### 6.1 Authorisation expenses

The fees, costs and expenses relating to the authorisation and incorporation and establishment of the Company were borne by the ACD.

Each Fund formed after the date of this Prospectus may bear its own direct establishment costs.

### 6.2 General and ongoing expenses

All costs, charges, fees or expenses, other than the charges made in connection with the subscription and redemption of Shares (see paragraph 2.6) payable by a Shareholder or out of Scheme Property are set out in this section.

The Company or each Fund (as the case may be) may, so far as the COLL Sourcebook allows, also pay out of the Scheme Property all relevant costs, charges, fees and expenses including the following:

- 6.2.1 the fees and expenses payable to the ACD (which will include the fees and expenses payable to the Investment Manager and the Administrator) and to the Depositary (which will include the fees and expenses payable to the Custodian);
- 6.2.2 broker's commission, fiscal charges (including stamp duty), transaction charges and other disbursements which are necessary to be incurred in effecting transactions for the Funds and normally shown in contract notes, confirmation notes and difference accounts as appropriate;
- 6.2.3 fees and expenses in respect of establishing and maintaining the Register of Shareholders (and any plan sub-register) and related functions;
- 6.2.4 any costs incurred in or about the listing of Shares on any Stock Exchange, and the creation, conversion and cancellation of Shares;
- 6.2.5 fees in respect of the publication and circulation of details of the Net Asset Value and prices;
- 6.2.6 any liabilities arising on the unitisation, amalgamation or reconstruction of the Company or of any Fund;
- 6.2.7 any costs incurred in producing, distributing and dispatching any payments made by the Company;
- 6.2.8 any fees, expenses or disbursements of the auditors and tax, legal and other professional advisers of the Company;
- 6.2.9 any costs incurred which are associated with independent risk monitoring or daily "value at risk" or "VaR" calculations (part of the risk monitoring process);

- 6.2.10 any costs incurred in taking out and maintaining an insurance policy in relation to the Company and/or its Directors;
- 6.2.11 any costs incurred in respect of convening and holding any meetings of Shareholders and any associated documentation;
- 6.2.12 interest on borrowings and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;
- 6.2.13 taxation and duties payable by the Company;
- 6.2.14 the fees of the FCA, in accordance with the FCA's Fee Manual, together with any corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which Shares are or may be marketed;
- 6.2.15 any expense incurred in relation to company secretarial duties including the cost of maintenance of minute books and other documentation required to be maintained by the Company;
- 6.2.16 the fees and expenses payable in connection with the administration of the Company and each Fund including, without limitation, in respect of:
  - 6.2.16.1 preparation of financial statements for the Funds;
  - 6.2.16.2 calculation of the prices of Shares;
  - 6.2.16.3 preparation of tax returns;
  - 6.2.16.4 financial reporting and control services;
  - 6.2.16.5 all costs arising from the provision of facilities for dealing in the Company's Shares; and
  - 6.2.16.6 any expenses incurred by the Company in connection with the maintenance of its accounting and other books and records;
- 6.2.17 any payments otherwise due by virtue of changes to the COLL Sourcebook;
- 6.2.18 any amount payable by the Company under any indemnity provisions contained in the Instrument of Incorporation or any agreement with any functionary of the Company;
- 6.2.19 any costs incurred in preparing, translating, producing (including printing), distributing and modifying the instrument of incorporation, the prospectus, the Key Investor Information Document (apart from the costs of distributing the Key Investor Information Document) or reports, accounts, statements, contract notes and other like documentation or any other relevant document required under the Regulations; and
- 6.2.20 any value added or similar tax relating to any charge or expense set out herein

Any third party research received in connection with investment advisory services that an Investment Manager or the ACD provides to the Funds will be paid for by the Investment



Manager or the ACD, as relevant in relation to each Fund, out of its fees and will not be charged to the Funds.

The ACD is also entitled to be paid by the Company out of the Scheme Property any expenses, incurred by the ACD or its delegates of the kinds described above.

Expenses are allocated between capital and income in accordance with the Regulations. Where expenses are deducted in the first instance from income if and only if this is insufficient, deductions will be made from capital. If deductions were made from capital, this would result in capital erosion and constrain growth.

### 6.3 **Charges payable to the ACD**

#### 6.3.1 **Annual Management Charge**

In payment for carrying out its duties and responsibilities the ACD is entitled to take an annual fee out of each Fund. The annual fee payable to the ACD may differ between Share Classes in a Fund.

The annual management charge is payable monthly in arrears calculated on a daily basis and payable on the first business day of the following month. The current annual management fee for each Share Class (expressed as a percentage per annum of the Net Asset Value) is shown in Appendix I, Part B.

The current annual fee payable to the ACD may only be increased in accordance with the Regulations and after the ACD has made available a revised Prospectus showing the new rate of charge and its commencement date. However, the ACD may, at its discretion, opt to take a lower fee in respect of a Class and the Prospectus will be revised to reflect any such lower fee at the next available opportunity.

#### 6.3.2 **Expenses**

The ACD is also entitled to all reasonable, properly documented, out of pocket expenses incurred in the performance of its duties as set out above.

VAT is payable on the charges or expenses mentioned above, where appropriate.

If a Class's expenses in any period exceed its income the ACD may take that excess from the capital property attributable to that Class.

### 6.4 **Investment Manager's fee**

The Investment Manager's fees and expenses (plus any VAT) for providing investment management and investment advisory services will be paid by the ACD out of its remuneration under the ACD Agreement.

## 6.5 **Depositary's fee and expenses**

### 6.5.1 **Periodic charge**

The Depositary is entitled to receive out of Scheme Property by way of remuneration a periodic charge, which will be calculated and accrue daily and be paid monthly as soon as practicable after the end of each month, and certain additional charges and expenses.

The rate of the Depositary's periodic charge in respect of each Fund will be such rate or rates as agreed from time to time between the ACD and the Depositary in accordance with the COLL Sourcebook. Currently, the ACD and the Depositary have agreed that the Depositary's remuneration in respect of each Fund shall be calculated at a maximum of 0.025% per annum of the Fund's Net Asset Value.

In the event of the termination of a Fund, the Depositary shall continue to be entitled to a periodic charge in respect of that Fund for the period up to and including the day on which the final distribution in the termination of the Fund shall be made or, in the case of a termination following the passing of an extraordinary resolution approving a scheme of arrangement, up to and including the final day on which the Depositary is responsible for the safekeeping of the Scheme Property. Such periodic charge will be calculated, be subject to the same terms and accrue and be paid as described above, except that for the purpose of calculating the periodic charge in respect of any day falling after the day on which the termination of the Fund commences, the value of the Scheme Property shall be its Net Asset Value determined at the beginning of each such day.

The Depositary is also entitled to receive out of the property of the Company remuneration for such services in performing or arranging for the performance of the functions conferred on the Depositary by the Instrument of Incorporation or the COLL Sourcebook. Currently the Depositary does not receive any remuneration or service charges under this paragraph. The introduction of or increase in any such charges is subject to obtaining the requisite consent from Shareholders. Any such charges shall be on terms no less favourable than would be applicable to a comparable customer of the Depositary. Service charges shall accrue when the relevant transaction or other dealing is effected and shall be paid in arrears on the next following date on which payment of the Depositary's periodic charge is to be made or as soon as practicable thereafter.

### 6.5.2 **Custody fees**

The Depositary Agreement between the Company and the Depositary provides that in addition to a periodic charge the Depositary may also be paid by way of remuneration custody fees where it acts as Custodian and other transaction and bank charges. At present the Depositary delegates the function of custody of the Scheme Property to State Street Bank and Trust Company.

The remuneration for acting as custodian is calculated at such rate and/or amount as the ACD, the Depositary and the Custodian may agree from time to time.

The current remuneration ranges from between 0.00035% per annum to 0.5% per annum of the value of the Scheme Property, plus VAT (if any) calculated at an ad valorem rate determined by the territory or country in which the assets of the Funds are held. The current range of transaction charges is between £6.00 and £105.00 per transaction plus VAT (if any) and manual

transactions may incur an additional fee of £15.00 per transaction. Charges for principal investment markets are:

	Transaction charge per trade	Custody charge % per annum of the value of the Scheme Property
UK	£7.00	0.00035
United States	£7.00	0.0005
Germany	£10.00	0.015
Japan	£7.00	0.015

Custody and transaction charges will be payable monthly in arrears.

### 6.5.3 Expenses

In addition to the remuneration referred to above, the Depositary is entitled to receive reimbursement for expenses properly incurred by it in discharge of its duties or exercising any powers conferred upon it in relation to the Company and each Fund. Such expenses include, but are not restricted to:

- (i) delivery of stock to the Depositary or custodian;
- (ii) custody of assets;
- (iii) collection and distribution of income and capital;
- (iv) submission of tax returns;
- (v) handling tax claims;
- (vi) preparation of the Depositary's annual report;
- (vii) arranging insurance;
- (viii) calling Shareholder meetings and otherwise communicating with Shareholders;
- (ix) dealing with distribution warrants;
- (x) taking professional advice;
- (xi) conducting legal proceedings;
- (xii) such other duties as the Depositary is permitted or required by law to perform.

VAT (if any) in connection with any of the above is payable in addition.

Expenses not directly attributable to a particular Fund will be allocated between Funds. In each case such expenses and disbursements will also be payable if incurred by any person (including the ACD or an associate or nominee of the Depositary or of the ACD) who has had the relevant duty delegated to it pursuant to the COLL Sourcebook by the Depositary.

## 6.6 **Administration and Registration Fees**

The Registrar shall be entitled to a registrar's fee of £28.44 per annum as at 1 January 2019 for each holding on the Register and any plan sub-register. This fee is payable from Scheme Property and is adjusted upwards on 1 January each year by an amount corresponding to the increase in the Retail Price Index ("RPI") since the previous 1 January.

The fees and expenses payable to the Administrator in respect of administration services will be paid by the ACD out of its remuneration under the ACD agreement.

## 6.7 **Fund Accounting Fees**

The fees payable to the Fund Accountant are based on a tiered ad valorem fee based on total net average monthly assets of UK authorised funds managed by the ACD and certain transaction charges. The annual ad valorem fee rate is:

First £1,500 million	2.75 basis points
Next £1,500 million	2.60 basis points
Next £2,000 million	1.85 basis points
Excess above £5,000 million	0.51 basis points

These charges are payable monthly out of Scheme Property.

## 6.8 **Allocation of fees and expenses between Funds**

All the above fees, duties and charges (other than those borne by the ACD) will be charged to the Fund in respect of which they were incurred (and, within the Funds, charges and expenses will be allocated between Classes in accordance with the terms of issue of Shares of those Classes).

Where an expense is not considered to be attributable to any one Fund, the expense will normally be allocated to all Funds pro rata to the value of the Net Asset Value of the Funds, although the ACD has discretion to allocate these fees and expenses in a manner which it considers fair to Shareholders generally.

Where income is insufficient to pay charges the residual amount is taken from capital.

# 7. Shareholder Meetings and Voting Rights

## 7.1 **Class, Company and Fund Meetings**

The provisions below, unless the context otherwise requires, apply to Class meetings and meetings of Funds as they apply to general meetings of the Company. References to Shares or Shareholders shall be to the Shares or Shareholders of the Class or Fund concerned.

## 7.2 **Requisitions of Meetings**

The Company does not hold annual general meetings. The ACD may requisition a general meeting at any time.

Shareholders may also requisition a general meeting of the Company. A requisition by Shareholders must state the objects of the meeting, be dated, be signed by Shareholders who, at the date of the requisition, are registered as holding not less than one tenth in value of all Shares then in issue and the requisition must be deposited at the head office of the Company. The ACD must convene a general meeting no later than eight weeks after receipt of such requisition.

## 7.3 **Notice and Quorum**

Shareholders will receive at least 14 days' notice of a general meeting and are entitled to be counted in the quorum and vote at such meeting either in person or by proxy. The quorum for a meeting is two Shareholders, present in person or by proxy. The quorum for an adjourned meeting is one person entitled to be counted in a quorum. Notices of meetings and adjourned meetings will be sent to Shareholders at their registered address.

## 7.4 **Voting Rights**

At a general meeting, on a show of hands every Shareholder who (being an individual) is present in person or (being a corporation) is present by its representative properly authorised in that regard, has one vote.

On a poll vote, a Shareholder may vote either in person or by proxy. The voting rights attaching to each Share are such proportion of the voting rights attached to all the Shares in issue that the price of the Share bears to the aggregate price of all the Shares in issue at a reasonable date before the notice of meeting is sent out, such date to be decided by the ACD.

A Shareholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

In the case of joint Shareholders, the vote of the most senior Shareholder who votes, whether in person or by proxy, must be accepted to the exclusion of the votes of the other joint Shareholders. For this purpose seniority must be determined by the order in which the names stand in the Register.

Except where the COLL Sourcebook or the Instrument of Incorporation require an extraordinary resolution (which needs at least 75% of the votes cast at the meeting to be in favour if the resolution is to be passed) any resolution required by the COLL Sourcebook will be passed by a simple majority of the votes validly cast for and against the resolution.

The ACD may not be counted in the quorum for a meeting and neither the ACD nor any associate of the ACD is entitled to vote at any meeting of the Company except in respect of Shares which the ACD or associate holds on behalf of or jointly with a person who, if the registered Shareholder, would be entitled to vote and from whom the ACD or associate has received voting instructions.

Where all the Shares in a Fund are registered to, or held by, the ACD or its associates and they are therefore prohibited from voting and a resolution (including an extraordinary resolution) is required to conduct business at a meeting, it shall not be necessary to convene such a meeting and a resolution may, with the prior written agreement of the Depositary, instead be passed with the written consent of Shareholders representing 50% or more, or for an extraordinary resolution 75% or more, of the Shares in issue.

“Shareholders” in this context means Shareholders entered on the register at a time to be determined by the ACD and stated in the notice of the meeting which must not be more than 48 hours before the time fixed for the meeting.

#### 7.5 **Variation of Class or Fund rights**

The rights attached to a Class or Fund may only be varied in accordance with the COLL Sourcebook.

# 8. Taxation

## 8.1 General

**The information below is a general guide based on current UK law and HM Revenue & Customs practice, both of which are subject to change. It summarises the tax position of the Funds and of investors who are UK-resident (except where indicated) and hold Shares as investments. The tax treatment of investors depends on their individual circumstances and may be subject to change in the future. Shareholders or prospective investors who are in any doubt about their tax position, or who may be subject to tax in a jurisdiction other than the UK, are recommended to take professional advice if they are in any doubt about their tax position.**

## 8.2 The Funds

Each Fund is treated, for tax purposes, as a separate open-ended investment company.

The Funds are exempt from tax on capital gains on the disposal of investments (including interest-bearing securities and derivatives, but excluding offshore income gains).

The Funds are generally exempt from tax on UK and overseas dividends received. Any other income, after deduction of the Fund's management costs and expenses as well as interest distributions where these are paid, is liable to corporation tax at 20%.

The Funds pay dividend distributions, except where more than 60% of their investments are interest-bearing and economically equivalent investments throughout a distribution period, in which case they will pay interest distributions.

Distributions will be paid to Shareholders or accumulated, depending on the class, and Shareholders will be liable to tax on the amount of the distribution in either case.

## 8.3 Taxation of individual Shareholders

### 8.3.1 Dividend distributions

Dividend distributions paid by the Funds will be treated as if they were dividends paid to their Shareholders. No tax will be deducted from them and they will not have tax credits attached to them.

For individual Shareholders resident in the UK, the first £5,000 of dividends and dividend distributions received in each tax year will be free of income tax (the dividend allowance). Where an individual's dividends and dividend distributions from all sources exceed the dividend allowance, the excess will be liable to income tax at dividend tax rates reflecting the Shareholder's highest rate of tax. These are 7.5% for basic rate taxpayers, 32.5% for higher rate taxpayers and 38.1% for additional rate taxpayers. Dividends received within a Shareholder's allowance count towards total taxable income and affect the rate of tax due on any dividends received exceeding it.

### 8.3.2 **Interest distributions**

Individual UK-resident taxpayers are entitled to a personal savings allowance in each tax year. For basic rate taxpayers, the first £1,000 of interest and interest distributions are free of tax. For higher rate taxpayers, the allowance is £500, and for additional rate taxpayers the amount is nil. To the extent that any interest distribution falls within this allowance or an individual's unused personal tax allowance, then the individual will be able to reclaim the tax deducted from those distributions. Where an individual receives more interest and interest distributions than the savings allowance the income tax deducted will satisfy the investor's basic rate liability to tax. Higher rate taxpayers will have an additional liability of 25% of the amount received. Additional rate taxpayers will have an additional liability of 31.25% of the amount received. UK non-taxpayers and starting rate taxpayers should be able to reclaim the tax deducted from HM Revenue & Customs.

As of April 2017, no tax is deducted from any interest distributions. As a result, where individuals' interest and interest distributions exceed their personal savings allowances, they will be liable to pay income tax at their highest rates (20% for basic rate, 40% for higher rate and 45% for additional rate taxpayers) on the taxable amount.

### 8.3.3 **Capital Gains**

Individual Shareholders may be liable to capital gains tax when they realise a gain from the redemption, sale or other disposal of Shares, depending on their personal circumstances.

UK-resident individuals are entitled to an annual exempt amount. If an individual's capital gains for a tax year (after deducting any allowable capital losses) are greater than the annual exempt amount the excess will be taxed at 10% for basic rate taxpayers and 20% for higher and additional rate taxpayers.

Income distributions (excluding equalisation) accumulated on accumulation Shares should be deducted when calculating the capital gain. Further information is available in HM Revenue & Customs' Help Sheets for the capital gains tax pages of their tax returns.

## 8.4 **Taxation of corporate Shareholders**

### 8.4.1 **Dividend distributions**

Corporate Shareholders who receive dividend distributions may have to divide them into two (the division will be indicated on the tax voucher). Any part representing income which has been liable to corporation tax in the Fund must be treated by the corporate Shareholder as an annual payment made after deduction of income tax at the basic rate, and corporate Shareholders may be subject to tax on the grossed up amount, with the benefit of a 20% deemed income tax deduction, or be able to reclaim part or all of the deemed tax deducted (excluding any representing foreign tax) as shown on the tax voucher. The remainder (including any part representing dividends received by the Fund from a company) will be treated as dividend income and, consequently, will be exempt from corporation tax.



#### 8.4.2 **Interest distributions**

A corporate Shareholder in a Fund that pays interest distributions must account for its holding in that Fund in accordance with the loan relationships tax regime. This requires the Shareholder's interest in the Fund (including the gross amount of any distributions received) to be taken into account for corporation tax on a fair value basis.

Corporate Shareholders can set any income tax deducted from interest distributions against their tax liability or else reclaim it.

#### 8.4.3 **Chargeable Gains**

UK-resident corporate Shareholders may be liable for corporation tax in respect of any chargeable gains arising from the redemption, sale or other disposal of Shares in a Fund (except where the loan relationships provisions apply).

In the case of accumulation Shares all income distributions which have been accumulated to Share capital (except equalisation amounts) should be deducted from the gain.

For any period that the holding of a corporate Shareholder comes within the corporate loan relationships rules (see interest distributions above), then the fair value return on their holding (including distributions) will be charged or relieved as income and not as a chargeable gain.

### 8.5 **Taxation of Shareholders – general**

#### 8.5.1 **Equalisation**

The first income distribution to a Shareholder accumulated after buying Shares may include an amount of income equalisation, which will be shown on the tax vouchers. This is effectively a repayment of the income equalisation paid by the Shareholder as part of the purchase price. It is a return of capital and is not taxable. It should, be deducted from the cost of income Shares (but not accumulation Shares) when computing any capital gains.

#### 8.5.2 **Shareholders who are not tax-resident in the UK**

No UK taxes are deducted from dividend or interest distributions and there is no associated tax credit. Shareholders may be liable to tax on them in their country of tax residence.

#### 8.5.3 **Automatic exchange of information for international tax compliance**

The Company (or its agent) will collect and report information about Shareholders and their investments, including information to verify their identity and tax residence.

When requested to do so by the Company or its agent, Shareholders must provide information to be passed on to HM Revenue & Customs, and, by them, to any relevant overseas tax authorities. If a Shareholder does not provide the necessary

information, the Company will be required to report it to HM Revenue & Customs who will in turn report it to the United States, and certain other tax authorities.

This is required by UK legislation implementing its obligations under various intergovernmental agreements relating to the automatic exchange of information to improve international tax compliance (including the international common reporting standard, the United States provisions commonly known as FATCA, and other intergovernmental agreements for the automatic exchange of information).

## 9. Winding up of the Company or termination of a Fund

### 9.1 General

The Company will not be wound up or a Fund terminated except as an unregistered company under Part V of the Insolvency Act 1986 or under the COLL Sourcebook. A Fund may otherwise only be wound up under the COLL Sourcebook.

Where the Company is to be wound up or a Fund is to be terminated under the COLL Sourcebook, such winding up may only be commenced following approval by the FCA. The FCA may only give such approval if the ACD provides a statement (following an investigation into the affairs of the Company or the Funds as the case may be) either that the Company or the Fund will be able to meet its liabilities within 12 months of the date of the statement or that the Company or the Fund will be unable to do so. The Company may not be wound up or a Fund terminated under the COLL Sourcebook if there is a vacancy in the position of ACD at the relevant time.

### 9.2 Triggers for winding up the Company or terminating a Fund

The Company shall be wound up or a Fund must be terminated under the COLL Sourcebook:

- a) if an extraordinary resolution to that effect is passed by Shareholders; or
- b) when the period (if any) fixed for the duration of the Company or a particular Fund by the Instrument of Incorporation expires, or any event occurs on the occurrence of which the Instrument of Incorporation provides that the Company or a particular Fund is to be wound up; or
- c) on the date stated in any agreement by the FCA to a request by the ACD for the revocation of the authorisation order in respect of the Company or for the termination of the relevant Fund.

### 9.3 Practicalities of winding up and termination

On the occurrence of any of the above:

- a) COLL 6.2 (Dealing), COLL 6.3 (Valuation and Pricing) and COLL 5 (Investment and borrowing powers) will cease to apply to the Company or the relevant Fund;
- b) the Company will cease to issue and cancel Shares in the Company or the relevant Fund and the ACD shall cease to sell or redeem Shares or arrange for the Company to issue or cancel them for the Company or the relevant Fund;
- c) no transfer of a Share shall be registered and no other change to the Register of Shareholders shall be made without the sanction of the ACD;
- d) where the Company is being wound up or a Fund terminated, the Company or the Fund shall cease to carry on its business except in so far as it is beneficial for the winding up of the Company or the termination of the Fund;

- e) the corporate status and powers of the Company and subject to (a) to (d) above, the powers of the Depositary shall continue until the Company is dissolved.

The ACD shall, as soon as practicable after the Company or the Fund falls to be wound up, realise the assets and meet the liabilities of the Company or the Fund and, after paying out or retaining adequate provision for all liabilities properly payable and retaining provision for the costs of winding up or the termination, arrange for the Depositary to make one or more interim distributions out of the proceeds to Shareholders proportionately to their rights to participate in the Scheme Property.

If the ACD has not previously notified Shareholders of the proposal to wind up the Company or terminate the Fund, the ACD shall, as soon as practicable after the commencement of winding up of the Company or the termination of the Fund, give written notice of the commencement to Shareholders. When the ACD has caused all of the Scheme Property to be realised and all of the liabilities of the Company or the particular Fund to be realised, the ACD shall arrange for the Depositary to make a final distribution to Shareholders on or prior to the date on which the final account is sent to Shareholders of any balance remaining in proportion to their holdings in the Company or the particular Fund.

#### 9.4 **Completion of winding up or termination**

As soon as reasonably practicable after completion of the winding up of the Company or the particular Fund, the Depositary shall notify the FCA that the winding up or termination has been completed.

On completion of a winding up of the Company or the termination of a Fund, the Company will be dissolved or the Fund will be terminated and any money (including unclaimed distributions) still standing to the account of the Company or the Fund, will be paid into court by the ACD within one month of the dissolution or the termination.

Following the completion of a winding up of either the Company or a Fund, the ACD must prepare a final account showing how the winding up took place and how the Scheme Property was distributed. The auditors of the Company shall make a report in respect of the final account stating their opinion as to whether the final account has been properly prepared. This final account and the auditors' report must be sent to the FCA and to each Shareholder (or the first named of joint Shareholders) on it within four months of the completion of the winding up or termination.

# 10. General Information

## 10.1 **Accounting Periods**

The annual accounting period of the Company (the accounting reference date) and the half-yearly accounting period for each Fund is set out in Appendix I.

## 10.2 **Income Allocations**

All Funds have a final income allocation. Some Funds may also have a monthly, half-yearly or quarterly income allocation. For each of the Funds income is allocated in respect of the income available at each accounting date. The details for each Fund are set out in Appendix I.

For Funds in which accumulation Shares are issued, income will become part of the capital property of the Fund and will be reflected in the price of each such accumulation Share as at the end of the relevant accounting period.

In relation to income Shares, distributions of income for each Fund in which income Shares are issued are paid by cheque or electronic transfer directly into a Shareholder's bank account on or before the relevant income allocation date in each year as set out in Appendix I.

If a distribution made in relation to any income Shares remains unclaimed for a period of six years after it has become due, it will be forfeited and will revert to the relevant Fund (or, if that no longer exists, to the Company).

The amount available for distribution in any accounting period is calculated by taking the aggregate of the income received or receivable for the account of the relevant Fund in respect of that period, and deducting the charges and expenses of the relevant Fund paid or payable out of income in respect of that accounting period. The ACD then makes such other adjustments as it considers appropriate (and after consulting the Company's auditors as appropriate) in relation to taxation, income equalisation, income unlikely to be received within 12 months following the relevant income allocation date, income which should not be accounted for on an accrual basis because of lack of information as to how it accrues, transfers between the income and capital account and other matters.

Where a Fund aims to make monthly distributions, the ACD will as far as possible attempt to smooth the monthly distributions payable by each relevant Share Class during the year. This will be achieved by carrying over income received in months with above average expectations in order to supplement the income in months with lower levels of income receipt. This is however no guarantee that an equal level of income will be maintained in all months.

## 10.3 **Annual Reports**

The annual report of the Company will be published within four months from the end of each annual accounting period and the half yearly report will be published within two months of each interim accounting period.

A long report containing the full accounts is available to any person free of charge on request.

#### 10.4 **Notice to Shareholders**

All notices or other documents sent by the ACD to a Shareholder will be sent by normal post to the last address notified in writing to the Company by the Shareholder.

#### 10.5 **Documents of the Company**

The following documents may be inspected free of charge during normal business hours on any Business Day at the offices of the ACD at Exchange House, Primrose Street, London EC2A 2NY:

10.5.1 the Prospectus;

10.5.2 the most recent annual and half yearly reports of the Company;

10.5.3 the Instrument of Incorporation; and

10.5.4 the material contracts referred to below.

Shareholders may obtain copies of the above documents from the ACD. The ACD may make a charge at its discretion for copies of documents (apart from the most recent versions of the Prospectus and annual and half yearly long reports of the Company which are available free of charge to anyone who requests).

#### 10.6 **Material Contracts**

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and are, or may be, material:

10.6.1 the ACD Agreement between the Company and the ACD; and

10.6.2 the Depositary Agreement between the Company and the Depositary.

Details of the above contracts are given under section 5 above.

#### 10.7 **Provision of Investment Advice**

All information concerning the Company and about investing in Shares is available from the ACD at Exchange House, Primrose Street, London EC2A 2NY. The ACD is not authorised to give investment advice and persons requiring such advice should consult a professional adviser. All applications for Shares are made solely on the basis of the current Prospectus of the Company, and investors should ensure that they have the most up to date version.

#### 10.8 **Telephone Recordings**

The ACD may record telephone calls for training and monitoring purposes and to confirm investors' instructions. Recordings will be provided on request for a period of at least five years from the date of such recording, or, where requested by a competent regulatory authority, for a period of seven years, where the ACD can identify the call as coming from the relevant investor. If the ACD is asked to provide a recording of a particular call, the ACD may ask for further information to help it identify the exact call to which the request relates.

## 10.9 **Complaints**

The ACD has appointed a Complaints Officer to investigate and resolve any complaints which should be addressed to it at PO Box 9040, Chelmsford, Essex CM99 2XH (Telephone 0330 123 3798).

In the event that an unsatisfactory response is provided, you can refer your complaint to the Financial Ombudsman Service at Financial Ombudsman Service, Exchange Tower, Harbour Exchange Square, London, E14 9SR. Making a complaint will not prejudice your rights to commence legal proceedings.

Further information regarding any compensation scheme or any other investor-compensation scheme of which the ACD or any Fund is a member (including, if relevant, membership through a branch) or any alternative arrangement provided, are also available on request. A copy of the ACD's guide to making a complaint is also available upon request.

## 10.10 **Information available to Shareholders**

The following information will be made available to Shareholders in the annual report:

10.10.1 the percentage of each Fund's assets which will be subject to special arrangements arising from their illiquid nature, including an overview of any special arrangements in place, the valuation methodology applied to assets which are subject to such arrangements and how management and performance fees will apply to these assets;

10.10.1.1 the current risk profile of each Fund, including:

10.10.1.2 the measures used to assess the sensitivity of a Fund's portfolio to the most relevant risks to which that Fund is or could be exposed;

10.10.2 if risk limits set by the ACD have been or are likely to be exceeded and, where these risk limits have been exceeded, a description of the circumstances and the remedial measures taken; and

10.10.3 the total amount of leverage employed by each Fund calculated in accordance with the gross and commitment methods; and

10.10.4 any material changes to the information above.

It is intended that Shareholders will be notified immediately of any material changes to the liquidity management systems and procedures such as the suspension of redemptions or similar special liquidity arrangements. It is intended that any changes to the maximum level of leverage which a Fund may employ will be provided to Shareholders without undue delay.

## 10.11 **Shareholders' Rights against Service Providers**

It should be noted that Shareholders will only be able to exercise their rights directly against the Fund and will not have any direct contractual rights against the service providers of the Fund appointed from time to time.

## 10.12 **Fair Treatment of Investors**

Procedures, arrangements and policies have been put in place by the ACD to ensure compliance with the principles of fair treatment of investors. The principles of treating investors fairly include, but are not limited to:

- 10.12.1 acting in the best interests of the Funds and of the investors;
- 10.12.2 executing the investment decisions taken for the account of the Funds in accordance with the objectives, the investment policy and the risk profile of the Funds;
- 10.12.3 ensuring that the interests of any group of investors are not placed above the interests of any other group of investors;
- 10.12.4 ensuring that fair, correct and transparent pricing models and valuation systems are used for the Funds managed;
- 10.12.5 preventing undue costs being charged to the Funds and investors;
- 10.12.6 taking all reasonable steps to avoid conflicts of interests and, when they cannot be avoided, identifying, managing, monitoring and, where applicable, disclosing those conflicts of interest to prevent them from adversely affecting the interests of Shareholders; and
- 10.12.7 recognising and dealing with complaints fairly.

### 10.13 **Preferential treatment of investors**

From time to time the ACD may afford preferential terms of investment to certain groups of investors. In assessing whether such terms are afforded to an investor, the ACD will ensure that any such concession is not inconsistent with its obligation to act in the overall best interests of the relevant Fund and its investors.

In particular, the ACD may typically exercise its discretion to waive the initial charge or investment minima for investment in a Class for investors that are investing sufficiently large amounts, either initially or are anticipated to do so over time, such as platform service providers, institutional investors including fund of fund investors and fund-link investors. The ACD may also have agreements in place with such groups of investors which result in them paying a reduced annual management charge

### 10.14 **Risk Management**

The ACD will provide upon the request of a Shareholder further information relating to:

- 10.14.1 the quantitative limits applying in the risk management of any Fund;
- 10.14.2 the methods used in relation to 10.14.1; and
- 10.14.3 any recent development of the risk and yields of the main categories of investment.

### 10.15 **Unclaimed money or assets**

In accordance with the client money rules in the FCA Handbook, if client money is unclaimed for a period of six years (or client assets are unclaimed for a period of 12 years) the ACD will transfer unclaimed distributions back to the capital property of the Fund and otherwise may give unclaimed client money or assets to a registered charity of its choice. The ACD will be able to do this only in accordance with general law, the FCA Handbook, and where it has taken all necessary steps to trace the Shareholder and return the money or the assets.

If the client money or client asset is equal to or below the 'de minimis level' set by the client money rules in the FCA Handbook (that is, £25 or less for retail clients and £100 or less for professional clients) then there are fewer requirements for the ACD to fulfil before it may pay the money or asset to charity but it will still attempt to contact Shareholders at least once



before doing so. The time periods set out above during which the money or assets may not be 'paid away' to charity continue to apply.

Payment of any unclaimed balance to charity will not prevent Shareholders from claiming the money or assets in the future.

#### 10.16 **Indemnity**

The Instrument of Incorporation contains provisions indemnifying the Directors, other officers and the Company's auditors or the Depositary against liability in certain circumstances otherwise than in respect of their negligence, default, breach of duty or breach of trust, and indemnifying the Depositary against liability in certain circumstances otherwise than in respect of its failure to exercise due care and diligence in the discharge of its functions in respect of the Company.

#### 10.17 **Notifications of Changes to the Company and/or a Fund**

The ACD will notify all Shareholders of the Company and/or the relevant Fund, as applicable, of any changes to the Company and/or a Fund. The ACD will assess, in consultation with the Depositary and in accordance with COLL 4.3, whether changes which are proposed to be made to the Company or a Fund (including, for example, any change to the investment policy or investment strategy of a Fund) are to be treated for the purposes of Shareholder notification as being fundamental, significant or notifiable. The nature of the notice given to Shareholders by the ACD will depend on the nature of the changes proposed.

Where the ACD deems changes to the Company and/or the relevant Fund to be fundamental, Shareholders of the Company and/or the relevant Fund, as applicable, will be required to approve the change by way of an extraordinary resolution prior to implementation.

Where the ACD deems changes to the Company and/or the relevant Fund to be significant, Shareholders of the Company and/or the relevant Fund, as applicable, will be provided with at least 60 days' prior written notice before implementation of the change.

Where the ACD changes to the Company and/or the relevant Fund to be notifiable, Shareholders of the Company and/or the relevant Fund, as applicable, will be informed at or after the date the implementation of the change.

#### 10.18 **Strategy for the exercise of voting rights**

The ACD has a strategy for determining when and how voting rights attached to ownership of the Scheme Property are to be exercised for the benefit of each Fund. A summary of this strategy is available from the ACD on request or on the ACD's website at [www.bmogam.com](http://www.bmogam.com). Voting records and further details of the actions taken on the basis of this strategy in relation to each Fund are available free of charge from the ACD on request.

#### 10.19 **Best Execution**

The ACD must act in the best interests of each Fund when executing decisions to deal on behalf of the relevant Fund. The ACD's order execution policy sets out (i) the systems and controls that have been put in place and (ii) the factors which the ACD expects to consider when effecting transactions and placing orders in relation to the Funds. This policy has been developed in accordance with the ACD's obligations under the Regulations to obtain the best possible result for the Funds.

Details of the order execution policy are available on the ACD's website at [www.bmogam.com](http://www.bmogam.com). If you have any questions regarding the policy please contact the ACD or your professional adviser.

#### 10.20 **Inducements**

When executing orders, or placing orders with other entities for execution, that relate to financial instruments for, or on behalf of, the Funds, the Investment Manager or ACD (as relevant) will not accept and retain any fees, commissions or monetary benefits; or accept any non-monetary benefits, where these are paid or provided by any third party or a person acting on behalf of a third party.

The Investment Manager or ACD will return to each relevant Fund as soon as reasonably possible after receipt any fees, commissions or any monetary benefits paid or provided by any third party or a person acting on behalf of a third party in relation to the services provided to that fund, and disclose in the annual report the fees, commissions or any monetary benefits transferred to them.

However, the Investment Manager or ACD may accept without disclosure minor non-monetary benefits that are capable of enhancing the quality of service provided to the fund; and of a scale and nature such that they could not be judged to impair their compliance with its duty to act honestly, fairly and professionally in the best interests of each Fund.

#### 10.21 **Benchmark Regulation**

Unless otherwise disclosed in this Prospectus, the indices used as benchmarks by the Funds (as "use" is defined in Regulation (EU) 2016/1011 (the "Benchmark Regulation")) are, as at the date of this Prospectus, provided by benchmark administrators who are making use of the transitional arrangements afforded under Benchmark Regulation and accordingly do not appear on the register of administrators and benchmarks maintained by ESMA pursuant to Article 36 of the Benchmark Regulation. Updated information on this register will be available no later than 1 January 2020. The ACD maintains a written plan setting out the actions that will be taken in the event of the benchmark materially changing or ceasing to be provided.

# Appendix I

This Appendix I sets out in Part A the details of each Fund. Part B sets out the details of the Share Classes available in each Fund.

## **Details on typical investor profiles**

Each Fund is designed to be suitable for any investor, including a retail investor, who is prepared to risk loss of their capital to potentially get higher returns and who plans to stay invested in the relevant Fund for at least 5 years. The target market of the Fund is any investor, including a retail investor, who has read the Key Investor Information Document, wishes to have the investment exposure as set out in the Fund's investment objective and policy, and is comfortable taking on the general and specific risks as set out in section 4.

Each Fund is appropriate for an investor with basic knowledge, or an informed investor, or an experienced investor. Each Fund may be purchased with or without professional financial advice. Each Fund has been classified as a non-complex investment product so there is no requirement to have prior knowledge or experience of this type of investment before investing.

Each Fund is designed to be used as a standalone solution or form part of a portfolio of investments. The product is not guaranteed and the value of the product can go up or down.

## Part A : Fund Details

<b>FUND:</b>	<b>BMO MM NAVIGATOR BOUTIQUES FUND</b>
PRN:	638833
Investment objective	The Fund aims to achieve capital growth.
Investment policy	<p>The Fund invests primarily in a range of collective investment schemes and closed ended funds in order to gain exposure to a diversified portfolio of primarily equities.</p> <p>The investment manager selects investments which are, in its view, themselves managed by boutique investment managers. This may include schemes or funds managed by the ACD or an associate of the ACD.</p> <p>In considering whether particular investments may be considered boutique, the investment manager will take into account a number of factors, including:</p> <ul style="list-style-type: none"> <li>• the manager(s) ability to pursue an investment style or approach unhindered by an institutional-style centralised asset allocation and investment process,</li> <li>• the size, funds under management, culture or specialisation of the relevant investment management firm or group of managers within a firm or organisation,</li> <li>• whether fund management has been outsourced to a specialist manager/adviser,</li> <li>• enhanced alignment of the manager's interests with the scheme through personal investment or concentration of the manager's time on one or a small number of schemes,</li> <li>• smaller specialist funds which may not be actively marketed to retail investors.</li> </ul> <p>The underlying equity component of the Fund may include shares of companies anywhere in the world and in any sector. There may be an element of currency exposure.</p> <p>Any underlying fixed interest component may include government and corporate bonds and other debt instruments from issuers anywhere in the world (which may include emerging market and high yield bonds). There may be an element of currency exposure.</p> <p>To the extent that the Fund is not fully invested in collective investment schemes, the Fund may also invest in other transferable securities (which may include equities and fixed interest securities), money market instruments, warrants, deposits, cash and near cash.</p> <p>The Fund may use derivatives for investment purposes as well as for efficient portfolio management</p>
Comparator Benchmark	<p>The ACD believes that an appropriate comparison for this Fund is the IA Global Sector Median, given the investment policy of the Fund and the approach taken by the manager when investing the Fund's portfolio.</p> <p>The performance of each share class may differ depending on the level of share class expenses. Investors should consider the OCF of their share class when considering how the Fund has performed. Past performance tables are provided at Appendix V.</p>

Dealing information					
Valuation Point	12 noon				
Dealing frequency	Daily				
Accounting dates	<table border="1"> <thead> <tr> <th>Final</th> <th>Interim</th> </tr> </thead> <tbody> <tr> <td>31 August</td> <td>Last day of February</td> </tr> </tbody> </table>	Final	Interim	31 August	Last day of February
Final	Interim				
31 August	Last day of February				
Income allocation dates	<table border="1"> <thead> <tr> <th>Final</th> <th>Interim</th> </tr> </thead> <tbody> <tr> <td>30 November</td> <td>31 May</td> </tr> </tbody> </table>	Final	Interim	30 November	31 May
Final	Interim				
30 November	31 May				
Available Share Classes	Please refer to Part B of Appendix I				
Other investor information					
Investor profile	The Fund is intended to provide investment opportunity for investors wishing to obtain exposure to the assets in which the Fund invests. Please refer to the information on typical investor profiles set out above. <b>If you are not sure if the Fund is suitable for you, please seek investment advice.</b>				
Leverage	<p><b>The maximum level of leverage for this Fund is:</b></p> <p>(a) under the Gross Method is 130% of the Fund's Net Asset Value; and</p> <p>(b) under the Commitment Method is 130% of the Fund's Net Asset Value.</p>				
ISA status	Qualifying investment for stocks and shares ISA				

FUND:	BMO NAVIGATOR CAUTIOUS FUND	
PRN:	638834	
Investment objective	The Fund aims to achieve a combination of capital growth and income.	
Investment policy	<p>The Fund invests primarily in a range of collective investment schemes and closed ended funds in order to gain exposure to a diversified portfolio of primarily equities and fixed interest securities.</p> <p>The schemes and funds in which the Fund invests may include schemes or funds managed by the ACD or an associate of the ACD.</p> <p>The underlying equity component may include shares of companies anywhere in the world and in any industry sector. There may be an element of currency exposure.</p> <p>The underlying fixed interest component may include government and corporate bonds and other debt instruments from issuers anywhere in the world (which may include emerging market and high yield bonds). There may be an element of currency exposure.</p> <p>To the extent that the Fund is not fully invested in collective investment schemes, the Fund may also invest in other transferable securities, money market instruments, warrants, deposits, cash and near cash.</p> <p>The Fund may use derivatives for investment purposes as well as for efficient portfolio management.</p>	
Comparator Benchmark	<p>The ACD believes that an appropriate comparison for this Fund is the IA Mixed Investment 20-60% Shares Sector Median, given the investment policy of the Fund and the approach taken by the manager when investing the Fund's portfolio.</p> <p>The performance of each share class may differ depending on the level of share class expenses. Investors should consider the OCF of their share class when considering how the Fund has performed. Past performance tables are provided at Appendix V.</p>	
Dealing information		
Valuation Point	12 noon	
Dealing frequency	Daily	
Accounting dates	Final	Interim
	31 August	Last day of February
Income allocation dates	Final	Interim
	30 November	31 May
Available Share Classes	Please refer to Part B of Appendix I	
Other investor information		
Investor profile	<p>The Fund is intended to provide investment opportunity for investors wishing to obtain exposure to the assets in which the Fund invests. Please refer to the information on typical investor profiles set out above.</p> <p><b>If you are not sure if the Fund is suitable for you, please seek investment advice.</b></p>	
Leverage	<b>The maximum level of leverage for this Fund is:</b>	

(a) under the Gross Method is 130% of the Fund's Net Asset Value; and  
(b) under the Commitment Method is 130% of the Fund's Net Asset Value.

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ISA status	Qualifying investment for stocks and shares ISA
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<b>FUND:</b>	<b>BMO MM NAVIGATOR BALANCED FUND</b>	
PRN:	638835	
Investment objective	The Fund aims to achieve capital growth with some income.	
Investment policy	<p>The Fund invests primarily in a range of collective investment schemes and closed ended funds in order to gain exposure to a diversified portfolio of primarily equities and fixed interest securities.</p> <p>The schemes and funds in which the Fund invests may include schemes or funds managed by the ACD or an associate of the ACD.</p> <p>The underlying equity component may include shares of companies anywhere in the world and in any industry sector. There may be an element of currency exposure.</p> <p>The underlying fixed interest component may include government and corporate bonds and other debt instruments from issuers anywhere in the world (which may include emerging market and high yield bonds). There may be an element of currency exposure.</p> <p>To the extent that the Fund is not fully invested in collective investment schemes, the Fund may also invest in other transferable securities (which may include equities and fixed interest securities), money market instruments, warrants, deposits, cash and near cash.</p> <p>The Fund may use derivatives for investment purposes as well as for efficient portfolio management.</p>	
Comparator Benchmark	<p>The ACD believes that an appropriate comparison for this Fund is the IA Mixed Investment 40-85% Shares Sector Median, given the investment policy of the Fund and the approach taken by the manager when investing the Fund's portfolio.</p> <p>The performance of each share class may differ depending on the level of share class expenses. Investors should consider the OCF of their share class when considering how the Fund has performed. Past performance tables are provided at Appendix V.</p>	
<b>Dealing information</b>		
Valuation Point	12 noon	
Dealing frequency	Daily	
Accounting dates	Final	Interim
	31 August	Last day of February
Income allocation dates	Final	Interim
	30 November	31 May
Available Share Classes	Please refer to Part B of Appendix I	
<b>Other investor information</b>		
Investor profile	The Fund is intended to provide investment opportunity for investors wishing to obtain exposure to the assets in which the Fund invests. Please refer to the information on typical investor profiles set out above.	



**If you are not sure if the Fund is suitable for you, please seek investment advice.**

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Leverage

**The maximum level of leverage for this Fund is:**

(a) under the Gross Method is 130% of the Fund's Net Asset Value;  
and

(b) under the Commitment Method is 130% of the Fund's Net Asset Value.

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ISA status:

Qualifying investment for stocks and shares ISA

FUND	BMO NAVIGATOR GROWTH FUND	
PRN:	638837	
Investment objective	The Fund aims to achieve capital growth.	
Investment policy	<p>The Fund invests primarily in a range of collective investment schemes and closed ended funds in order to gain exposure to a diversified portfolio of primarily equities.</p> <p>The schemes and funds in which the Fund invests may include schemes or funds managed by the ACD or an associate of the ACD.</p> <p>The underlying equity component may include shares of companies anywhere in the world and in any industry sector. There may be an element of currency exposure.</p> <p>Any underlying fixed interest component may include government and corporate bonds and other debt instruments from issuers anywhere in the world (which may include emerging market and high yield bonds). There may be an element of currency exposure.</p> <p>To the extent that the Fund is not fully invested in collective investment schemes, the Fund may also invest in other transferable securities (which may include equities and fixed interest securities), money market instruments, warrants, deposits, cash and near cash.</p> <p>The Fund may use derivatives for investment purposes as well as for efficient portfolio management.</p>	
Comparator Benchmark	<p>The ACD believes that an appropriate comparison for this Fund is the IA Flexible Investment Sector Median, given the investment policy of the Fund and the approach taken by the manager when investing the Fund's portfolio.</p> <p>The performance of each share class may differ depending on the level of share class expenses. Investors should consider the OCF of their share class when considering how the Fund has performed. Past performance tables are provided at Appendix V.</p>	
Dealing information		
Valuation Point	12 noon	
Dealing frequency	Daily	
Accounting dates	Final	Interim
	31 August	Last day of February
Income allocation dates	Final	Interim
	30 November	31 May
Available Share Classes	Please refer to Part B of Appendix I	
Other investor information		
Investor profile	<p>The Fund is intended to provide investment opportunity for investors wishing to obtain exposure to the assets in which the Fund invests. Please refer to the information on typical investor profiles set out above.</p> <p><b>If you are not sure if the Fund is suitable for you, please seek investment advice.</b></p>	

Leverage	<b>The maximum level of leverage for this Fund is:</b> (a) under the Gross Method is 130% of the Fund's Net Asset Value; and (b) under the Commitment Method is 130% of the Fund's Net Asset Value.
ISA status	Qualifying investment for stocks and shares ISA

FUND	BMO MM NAVIGATOR DISTRIBUTION FUND	
PRN:	638836	
Investment objective	The Fund aims to achieve an income return, with some capital growth.	
Investment policy	<p>The Fund invests primarily in a range of collective investment schemes and closed ended funds in order to gain exposure to a diversified portfolio of primarily equities, fixed interest securities and alternative income producing investments.</p> <p>The schemes and funds in which the Fund invests may include schemes or funds managed by the ACD or an associate of the ACD.</p> <p>The underlying equity component may include shares of companies anywhere in the world and in any industry sector. There may be an element of currency exposure.</p> <p>The underlying fixed interest component may include government, corporate bonds and other debt instruments from issuers anywhere in the world (which may include emerging market and high yield bonds). There may be an element of currency exposure.</p> <p>Generally, alternative income producing investments includes investments which are not via conventional equity or fixed interest funds, but gain exposure to other asset classes which pay an element of regular income.</p> <p>To the extent that the Fund is not fully invested in collective investment schemes, the Fund may also invest in other transferable securities (which may include equities and fixed interest securities), money market instruments, warrants, deposits, cash and near cash.</p> <p>The Fund may use derivatives for investment purposes as well as for efficient portfolio management.</p>	
Comparator Benchmark	<p>The ACD believes that an appropriate comparison for this Fund is the IA Mixed Investment 20-60% Shares Sector Median, given the investment policy of the Fund and the approach taken by the manager when investing the Fund's portfolio.</p> <p>The performance of each share class may differ depending on the level of share class expenses. Investors should consider the OCF of their share class when considering how the Fund has performed. Past performance tables are provided at Appendix V.</p>	
Dealing information		
Valuation Point	12 noon	
Dealing frequency	Daily	
Accounting dates	Final	Interim
<ul style="list-style-type: none"> <li>Classes A, C, D and 4</li> </ul>	31 August	30 November, last day of February, 31 May
<ul style="list-style-type: none"> <li>Classes DM and M</li> </ul>	31 August	30 September, 31 October, 30 November, 31 December, 31 January, 28/29 February, 31 March, 30 April, 31 May, 30 June, 31 July

Income allocation dates	Final	Interim
<ul style="list-style-type: none"> <li>Classes A, C, D and 4</li> </ul>	30 November	last day of February, 31 May, 31 August
<ul style="list-style-type: none"> <li>Classes DM and M</li> </ul>	30 November	Last day of each month
Available Share Classes	Please refer to Part B of Appendix I	
Other investor information		
Investor profile	<p>The Fund is intended to provide investment opportunity for investors wishing to obtain exposure to the assets in which the Fund invests. Please refer to the information on typical investor profiles set out above.</p> <p><b>If you are not sure if the Fund is suitable for you, please seek investment advice.</b></p>	
Leverage	<p><b>The maximum level of leverage for this Fund is:</b></p> <p>(a) under the Gross Method is 130% of the Fund's Net Asset Value; and</p> <p>(b) under the Commitment Method is 130% of the Fund's Net Asset Value.</p>	
ISA status	Qualifying investment for stocks and shares ISA	

## Part B : Share Class details

FUND	SHARE CLASSES			INVESTMENT MINIMA					CHARGES	
	Class	Type	Currency	Minimum initial investment	Minimum subsequent investment	Minimum redemption	Minimum holding	Monthly savings	Initial fee	ACD fee
<b>BMO MM Navigator Boutiques Fund</b>	Class A	Accumulation	GBP	£1,000	£1,000	£100	£1,000	£100 per month	5%	1.50%
	Class C	Accumulation	GBP	£1,000,000	£1,000,000	£1,000,000	£1,000,000	N/A	0%	0.75%
	Class D	Accumulation	GBP	£1,000,000	£1,000,000	£1,000,000	£1,000,000	N/A	0%	1.0%

FUND	SHARE CLASSES			INVESTMENT MINIMA					CHARGES	
	Class	Type	Currency	Minimum initial investment	Minimum subsequent investment	Minimum redemption	Minimum holding	Monthly savings	Initial fee	ACD fee
<b>BMO MM Navigator Cautious Fund</b>	Class A	Income	GBP	£1,000	£1,000	£100	£1,000	£100 per month	5%	1.50%
	Class A	Accumulation	GBP	£1,000	£1,000	£100	£1,000	£100 per month	5%	1.50%
	Class C	Income	GBP	£1,000,000	£1,000,000	£1,000,000	£1,000,000	N/A	0%	0.75%
	Class C	Accumulation	GBP	£1,000,000	£1,000,000	£1,000,000	£1,000,000	N/A	0%	0.75%
	Class D	Income	GBP	£1,000,000	£1,000,000	£1,000,000	£1,000,000	N/A	0%	1.0%
	Class D	Accumulation	GBP	£1,000,000	£1,000,000	£1,000,000	£1,000,000	N/A	0%	1.0%
	Class S	Income	GBP	£25,000,000	£1,000,000	£1,000,000	£25,000,000	N/A	0%	0.4%
	Class S	Accumulation	GBP	£25,000,000	£1,000,000	£1,000,000	£25,000,000	N/A	0%	0.4%
	Class 4*	Accumulation	GBP	£10,000	£10,000	£10,000	£10,000	N/A	0%	0.00%

\* Class 4 is only available in respect of (i) internal investments by BMO entities or by funds of BMO entities. The term "BMO entities" includes BMO Asset Management (Holdings) plc, its holding companies, fellow subsidiaries and subsidiaries, and their associates and the term "funds of BMO entities" includes BMO Asset Management (Holdings) plc's own funds and funds managed, operated or otherwise held by BMO entities; and (ii) investors who have entered into a separate fee charging arrangement with the ACD.

FUND	SHARE CLASSES			INVESTMENT MINIMA					CHARGES	
	Class	Type	Currency	Minimum initial investment	Minimum subsequent investment	Minimum redemption	Minimum holding	Monthly savings	Initial fee	ACD fee
<b>BMO MM Navigator Balanced Fund</b>	Class A	Income	GBP	£1,000	£1,000	£100	£1,000	£100 per month	5%	1.50%
	Class A	Accumulation	GBP	£1,000	£1,000	£100	£1,000	£100 per month	5%	1.50%
	Class C	Income	GBP	£1,000,000	£1,000,000	£1,000,000	£1,000,000	N/A	0%	0.75%
	Class C	Accumulation	GBP	£1,000,000	£1,000,000	£1,000,000	£1,000,000	N/A	0%	0.75%
	Class D	Income	GBP	£1,000,000	£1,000,000	£1,000,000	£1,000,000	N/A	0%	1.0%
	Class D	Accumulation	GBP	£1,000,000	£1,000,000	£1,000,000	£1,000,000	N/A	0%	1.0%
	Class 4*	Accumulation	GBP	£10,000	£10,000	£10,000	£10,000	N/A	0%	0.00%

\* Class 4 is only available in respect of (i) internal investments by BMO entities or by funds of BMO entities. The term "BMO entities" includes BMO Asset Management (Holdings) plc, its holding companies, fellow subsidiaries and subsidiaries, and their associates and the term "funds of BMO entities" includes BMO Asset Management (Holdings) plc's own funds and funds managed, operated or otherwise held by BMO entities; and (ii) investors who have entered into a separate fee charging arrangement with the ACD.



FUND	SHARE CLASSES			INVESTMENT MINIMA					CHARGES	
	Class	Type	Currency	Minimum initial investment	Minimum subsequent investment	Minimum redemption	Minimum holding	Monthly savings	Initial fee	ACD fee
<b>BMO MM Navigator Growth Fund</b>	Class A	Accumulation	GBP	£1,000	£1,000	£100	£1,000	£100 per month	5%	1.50%
	Class C	Accumulation	GBP	£1,000,000	£1,000,000	£1,000,000	£1,000,000	N/A	0%	0.75%
	Class D	Accumulation	GBP	£1,000,000	£1,000,000	£1,000,000	£1,000,000	N/A	0%	1.0%
	Class S	Income	GBP	£25,000,000	£1,000,000	£1,000,000	£25,000,000	N/A	0%	0.4%
	Class S	Accumulation	GBP	£25,000,000	£1,000,000	£1,000,000	£25,000,000	N/A	0%	0.4%
	Class 4*	Accumulation	GBP	£10,000	£10,000	£10,000	£10,000	N/A	0%	0.00%

\* Class 4 is only available in respect of (i) internal investments by BMO entities or by funds of BMO entities. The term "BMO entities" includes BMO Asset Management (Holdings) plc, its holding companies, fellow subsidiaries and subsidiaries, and their associates and the term "funds of BMO entities" includes BMO Asset Management (Holdings) plc's own funds and funds managed, operated or otherwise held by BMO entities; and (ii) investors who have entered into a separate fee charging arrangement with the ACD.

FUND	SHARE CLASSES			INVESTMENT MINIMA					CHARGES	
	Class	Type	Currency	Minimum initial investment	Minimum subsequent investment	Minimum redemption	Minimum holding	Monthly savings	Initial fee	ACD fee
<b>BMO MM Navigator Distribution Fund</b>	Class A	Income	GBP	£1,000	£1,000	£100	£1,000	£100 per month	5%	1.50%
	Class A	Accumulation	GBP	£1,000	£1,000	£100	£1,000	£100 per month	5%	1.50%
	Class C	Income	GBP	£1,000,000	£1,000,000	£1,000,000	£1,000,000	N/A	0%	0.75%
	Class C	Accumulation	GBP	£1,000,000	£1,000,000	£1,000,000	£1,000,000	N/A	0%	0.75%
	Class D	Income	GBP	£1,000,000	£1,000,000	£1,000,000	£1,000,000	N/A	0%	1.0%
	Class D	Accumulation	GBP	£1,000,000	£1,000,000	£1,000,000	£1,000,000	N/A	0%	1.0%
	Class DM	Income	GBP	£1,000,000	£1,000,000	£1,000,000	£1,000,000	N/A	0%	1.0%
	Class M	Income	GBP	£1,000,000	£1,000,000	£1,000,000	£1,000,000	N/A	0%	0.75%
	Class 4*	Income	GBP	£10,000	£10,000	£10,000	£10,000	N/A	0%	0.00%

\* Class 4 is only available in respect of (i) internal investments by BMO entities or by funds of BMO entities. The term "BMO entities" includes BMO Asset Management (Holdings) plc, its holding companies, fellow subsidiaries and subsidiaries, and their associates and the term "funds of BMO entities" includes BMO Asset Management (Holdings) plc's own funds and funds managed, operated or otherwise held by BMO entities; and (ii) investors who have entered into a separate fee charging arrangement with the ACD.

# Appendix II

## Eligible Markets and Derivatives Usage

The Funds may deal through securities and derivatives markets which are regulated markets (as defined in the glossary to the FCA Handbook) or markets established in an EEA State which are regulated, operate regularly and are open to the public.

Each Fund may also deal through the securities markets and derivatives markets indicated below:

- *Virt-X*
- *American Stock Exchange*
- *Chicago Stock Exchange*
- *NASDAQ*
- *NYSE*
- *Australian Stock Exchange*
- *Hong Kong Exchanges and Clearing Ltd*
- *Tokyo Stock Exchange, Inc*

Eligible Derivative Markets in which each Fund may invest include, without limitation, all markets referred to above and the additional markets for the purposes included in the following list:

- *Australian Sydney Exchange*
- *Chicago Board of Trade*
- *Chicago Board Options Exchange*
- *Chicago Mercantile Exchange*
- *Euronext Amsterdam*
- *Euronext Brussels*
- *Euronext Lisbon*
- *Euronext Paris*
- *Euronext LIFFE*
- *Hong Kong Futures exchange*
- *London International Financial Futures and Options*
- *London Metal Exchange*
- *London Securities and Derivatives Exchange*
- *Nasdaq*
- *New York Board of Trade*
- *New York Mercantile Exchange*
- *Osaka Exchange, Inc.*
- *Singapore International Monetary exchange*
- *Sydney Futures Exchange*
- *Tokyo Stock Exchange*

## Derivatives Usage:

In order to assist counterparties assess the credit risk associated with BMO open-ended portfolios BMO Fund Management Limited has compiled a list of the types of derivative contracts available for use by its funds. The list is published in the prospectuses of its open-ended funds however it is subject to amendment and the most recent copy is available on request from BMO Fund Management Limited. The list applies to all funds according to the classification noted and the use, if any, of such contracts will be subject to the investment objective and policy of the fund concerned and the regulations. Investors should note that no funds included in this prospectus are classified as Alternative Investment Fund(s). The list may be amended without notice and the inclusion of a contract as available to a type of fund does not mean that any particular fund will or should use that instrument.

	Types of Derivatives	Equity Funds	Fixed Income Funds	Alternative Investment Funds
1.	Bond Futures (ETD)	x	x	x
2.	Equity Futures (ETD) Commodity Futures	x		x
3.	Interest Rate Options (ETD)		x	x
4.	Index Options (ETD)	x		x
5.	Equity Options (ETD) Commodity Futures	x		x
6.	Options (OTC)	x	x	x
7.	Warrants (deltal)	x		x
8.	Warrants		x	x
9.	Interest Rate Swaps		x	x
10.	Inflation Linked Swaps		x	x
11.	Credit Default Swaps		x	x
12.	Equity Swaps Collateral Debt	x		x
13.	Obligations		x	x
14.	Credit Linked Notes		x	x
15.	Contract for Difference	x		x
16.	Swaptions		x	x
17.	Interest Rate Collars		x	x
18.	Interest Rate Caps		x	x
19.	Interest Rate Floors		x	x
20.	Floortions		x	x
21.	Captions		x	x
22.	Total Return Swaps	x	x	x
23.	REPOS		x	x
24.	Reverse REPOS		x	X
25.	Exchange Traded Funds	x	x	X
26.	FRAs		x	X
27.	Currency Options			X
28.	Currency Futures		x	X
29.	Currency Swaps		x	X
30.	Forward FX	x	x	X
31.	Dividend Swaps Options on Dividend			X
32.	Swaps Options on Correlation			X
33.	Swaps			X
34.	Correlation Swaps Options on Variance			x

# Appendix III

## Investment and Borrowing Powers

### 1. **General**

- 1.1.1 The Scheme Property of a Fund will be invested with the aim of achieving the investment objective of that Fund but subject to the limits set out in a Fund's investment policy and the limits set out in Chapter 5 of the COLL Sourcebook ("COLL 5") that are applicable to non-UCITS retail schemes and this Prospectus. These limits apply to each Fund as summarised below.
- 1.1.2 From time to time and in particular during periods of uncertain or volatile markets, the ACD may choose to hold a substantial proportion of the property of the Funds in money-market instruments and/or cash deposits.
- 1.1.3 Subject as provided in COLL 5, the Scheme Property of each Fund may consist of one or more of:-
  - 1.1.3.1 transferable securities;
  - 1.1.3.2 approved money-market instruments;
  - 1.1.3.3 units in collective investment schemes permitted under COLL 5;
  - 1.1.3.4 deposits permitted under COLL 5;
  - 1.1.3.5 gold up to the limit of 10% of Scheme Property;
  - 1.1.3.6 immoveables.
- 1.1.4 As a non-UCITS retail scheme investment may also be made by Funds of the Company in land or buildings which qualify as permitted immoveables under COLL 5.
- 1.1.5 Although there is no restriction on the ability of the Funds to invest in transferable securities or units in collective investment schemes which themselves invest in gold, land or buildings, it is not currently proposed that any of the current Funds of the Company will invest in permitted immoveables or gold under COLL 5.
- 1.1.6 The investment borrowing and powers and limits applicable under COLL 5 are summarised below.
- 1.1.7 The ACD currently does not use securities financing transactions for the Company.

### 1.2 **Prudent spread of risk**

The ACD must ensure that, taking account of the investment objectives and policy of each Fund, the Scheme Property of each Fund aims to provide a prudent spread of risk.

### 1.3 **Cover**

- 1.3.1 Where the COLL Sourcebook allows a transaction to be entered into or an investment to be retained only (for example, investment in nil and partly paid securities and the general power to accept or underwrite) if possible obligations arising out of the investment transactions or out of the retention would not cause any breach of any limits in COLL 5, it must be assumed that the maximum possible liability of a Fund under any other of those rules has also to be provided for.

1.3.2 Where the COLL Sourcebook permits an investment transaction to be entered into or an investment to be retained only if that investment transaction, or the retention, or other similar transactions, are covered:

1.3.2.1 it must be assumed that in applying any of those rules, a Fund must also simultaneously satisfy any other obligation relating to cover; and

1.3.2.2 no element of cover must be used more than once.

## 2. **Transferable Securities**

2.1 A transferable security is an investment falling within article 76 (Shares etc), article 77 (Instruments creating or acknowledging indebtedness), article 78 (Government and public securities), article 79 (Instruments giving entitlement to investments) and article 80 (Certificates representing certain securities) of the Regulated Activities Order.

2.2 An investment is not a transferable security if the title to it cannot be transferred, or can be transferred only with the consent of a third party.

2.3 In applying paragraph 2.2 of this Appendix to an investment which is issued by a body corporate, and which is an investment falling within articles 76 (Shares, etc) or 77 (Instruments creating or acknowledging indebtedness) of the Regulated Activities Order, the need for any consent on the part of the body corporate or any members or debenture holders of it may be ignored.

2.4 An investment is not a transferable security unless the liability of the holder of it to contribute to the debts of the issuer is limited to any amount for the time being unpaid by the holder of it in respect of the investment.

2.5 A Fund may invest in a transferable security only to the extent that the transferable security fulfils the following criteria:

2.5.1 the potential loss which a Fund may incur with respect to holding the transferable security is limited to the amount paid for it;

2.5.2 its liquidity does not compromise the ability of the ACD to comply with its obligation to redeem Shares at the request of any qualifying Shareholder under the FCA Handbook;

2.5.3 reliable valuation is available for it as follows:

2.5.3.1 in the case of a transferable security admitted to or dealt in on an eligible market, where there are accurate, reliable and regular prices which are either market prices or prices made available by valuation systems independent from issuers;

2.5.3.2 in the case of a transferable security not admitted to or dealt in on an eligible market, where there is a valuation on a periodic basis which is derived from information from the issuer of the transferable security or from competent investment research;

2.5.4 appropriate information is available for it as follows:

2.5.4.1 in the case of a transferable security admitted to or dealt in on an eligible market, where there is regular, accurate and comprehensive information available to the market on the transferable security or, where relevant, on the portfolio of the transferable security;

2.5.4.2 in the case of a transferable security not admitted to or dealt in on an eligible market, where there is regular and accurate information available to the ACD on the transferable security or, where relevant, on the portfolio of the transferable security;

- 2.5.5 it is negotiable; and
- 2.5.6 its risks are adequately captured by the risk management process of the ACD.
- 2.6 Unless there is information available to the ACD that would lead to a different determination, a transferable security which is admitted to or dealt in on an eligible market shall be presumed:
  - 2.6.1 not to compromise the ability of the ACD to comply with its obligation to redeem Shares at the request of any qualifying Shareholder; and
  - 2.6.2 to be negotiable.
- 2.7 No more than 5% of the Scheme Property of a Fund may be invested in warrants.

### 3. **Closed end funds constituting transferable securities**

- 3.1 A unit or a share in a closed end fund shall be taken to be a transferable security for the purposes of investment by a Fund, provided it fulfils the criteria for transferable securities set out in paragraph 2.5 and either:
  - 3.1.1 where the closed end fund is constituted as an investment company or a unit trust:
    - 3.1.1.1 it is subject to corporate governance mechanisms applied to companies; and
    - 3.1.1.2 where another person carries out asset management activity on its behalf, that person is subject to national regulation for the purpose of investor protection; or
  - 3.1.2 Where the closed end fund is constituted under the law of contract:
    - 3.1.2.1 it is subject to corporate governance mechanisms equivalent to those applied to companies; and
    - 3.1.2.2 it is managed by a person who is subject to national regulation for the purpose of investor protection.

### 4. **Transferable securities linked to other assets**

- 4.1 A Fund may invest in any other investment which shall be taken to be a transferable security for the purposes of investment by a Fund provided the investment:
  - 4.1.1 fulfils the criteria for transferable securities set out in 2.5 above; and
  - 4.1.2 is backed by or linked to the performance of other assets, which may differ from those in which a Fund can invest.
- 4.2 Where an investment in 4.1 contains an embedded derivative component, the requirements of this section with respect to derivatives and forwards will apply to that component.

### 5. **Approved Money-Market Instruments**

- 5.1 An approved money-market instrument is a money-market instrument which is normally dealt in on the money-market, is liquid and has a value which can be accurately determined at any time.
- 5.2 A money-market instrument shall be regarded as normally dealt in on the money-market if it:
  - 5.2.1 has a maturity at issuance of up to and including 397 days;
  - 5.2.2 has a residual maturity of up to and including 397 days;

- 5.2.3 undergoes regular yield adjustments in line with money-market conditions at least every 397 days; or
  - 5.2.4 has a risk profile, including credit and interest rate risks, corresponding to that of an instrument which has a maturity as set out in 5.2.1 or 5.2.2 or is subject to yield adjustments as set out in 5.2.3.
- 5.3 A money-market instrument shall be regarded as liquid if it can be sold at limited cost in an adequately short time frame, taking into account the obligation of the ACD to redeem Shares at the request of any qualifying Shareholder.
- 5.4 A money-market instrument shall be regarded as having a value which can be accurately determined at any time if accurate and reliable valuations systems, which fulfil the following criteria, are available:
- 5.4.1 enabling the ACD to calculate a net asset value in accordance with the value at which the instrument held in the Scheme Property of a Fund could be exchanged between knowledgeable willing parties in an arm's length transaction; and
  - 5.4.2 based either on market data or on valuation models including systems based on amortised costs.
- 5.5 A money-market instrument that is normally dealt in on the money-market and is admitted to or dealt in on an eligible market shall be presumed to be liquid and have a value which can be accurately determined at any time unless there is information available to the ACD that would lead to a different determination.

**6. Transferable securities and money-market instruments generally to be admitted or dealt in on an Eligible Market**

- 6.1 Transferable securities and approved money-market instruments held within a Fund must be:
- 6.1.1 admitted to or dealt in on an eligible market as described in 7.3.1; or
  - 6.1.2 dealt in on an eligible market as described in 7.3.2; or
  - 6.1.3 admitted to or dealt in on an eligible market as described in 7.4; or
  - 6.1.4 for an approved money-market instrument not admitted to or dealt in on an eligible market, within 8.1; or
  - 6.1.5 recently issued transferable securities provided that:
    - 6.1.5.1 the terms of issue include an undertaking that application will be made to be admitted to an eligible market; and
    - 6.1.5.2 such admission is secured within a year of issue.
- 6.2 However, a Fund may invest no more than 20% of its Scheme Property in transferable securities and approved money-market instruments other than those referred to in 6.1.

**7. Eligible markets regime: purpose and requirements**

- 7.1 To protect Shareholders the markets on which investments of the Funds are dealt in or traded on should be of an adequate quality ("eligible") at the time of acquisition of the investment and until it is sold.
- 7.2 Where a market ceases to be eligible, investments on that market cease to be approved securities. The 20% restriction in 6.2 above on investing in non approved securities applies and exceeding this limit because a market ceases to be eligible will generally be regarded as an inadvertent breach.
- 7.3 A market is eligible for the purposes of the rules if it is:



- 7.3.1 a regulated market as defined in the FCA Handbook; or
  - 7.3.2 a market in an EEA State which is regulated, operates regularly and is open to the public; or
  - 7.3.3 a market falling in paragraph 8.4 of this Appendix.
- 7.4 A market falling within paragraph 8.3.3 of this Appendix is eligible for the purposes of COLL 5 if:
- 7.4.1 the ACD, after consultation with and notification to the Depositary, decides that market is appropriate for investment of, or dealing in, the Scheme Property;
  - 7.4.2 the market is included in a list in the prospectus; and
  - 7.4.3 the Depositary has taken reasonable care to determine that:
    - 7.4.3.1 adequate custody arrangements can be provided for the investment dealt in on that market; and
  - 7.4.4 all reasonable steps have been taken by the ACD in deciding whether that market is eligible.
- 7.5 In paragraph 7.4.1, a market must not be considered appropriate unless it is regulated, operates regularly, is recognised by an overseas regulator, is open to the public, is adequately liquid and has adequate arrangements for unimpeded transmission of income and capital to or for the order of Shareholders.
- 7.6 The Eligible Markets for the Funds are set out in Appendix II.
- 8. Money-market instruments with a regulated issuer**
- 8.1 In addition to instruments admitted to or dealt in on an eligible market, a Fund may invest in an approved money-market instrument provided it fulfils the following requirements:
- 8.1.1 the issue or the issuer is regulated for the purpose of protecting Shareholders and savings; and
  - 8.1.2 the instrument is issued or guaranteed in accordance with paragraph 9 (Issuers and guarantors of money-market instruments) below.
- 8.2 The issue or the issuer of a money-market instrument, other than one dealt in on an eligible market, shall be regarded as regulated for the purpose of protecting Shareholders and savings if:
- 8.2.1 the instrument is an approved money-market instrument;
  - 8.2.2 appropriate information is available for the instrument (including information which allows an appropriate assessment of the credit risks related to investment in it), in accordance with paragraph 10 (Appropriate information for money-market instruments) below; and
  - 8.2.3 the instrument is freely transferable.
- 9. Issuers and guarantors of money-market instruments**
- 9.1 A Fund may invest in an approved money-market instrument if it is:
- 9.1.1 issued or guaranteed by any one of the following:
    - 9.1.1.1 a central authority of an EEA State or, if the EEA State is a federal state, one of the members making up the federation;

- 9.1.1.2 a regional or local authority of an EEA State;
- 9.1.1.3 the European Central Bank or a central bank of an EEA State;
- 9.1.1.4 the European Union or the European Investment Bank;
- 9.1.1.5 a non-EEA State or, in the case of a federal state, one of the members making up the federation;
- 9.1.1.6 a public international body to which one or more EEA States belong; or
- 9.1.2 issued by a body, any securities of which are dealt in on an eligible market; or
- 9.1.3 issued or guaranteed by an establishment which is:
  - 9.1.3.1 subject to prudential supervision in accordance with criteria defined by European Community law; or
  - 9.1.3.2 subject to and complies with prudential rules considered by the FCA to be at least as stringent as those laid down by European Community law.
- 9.2 An establishment shall be considered to satisfy the requirement in 9.1.3.2 if it is subject to and complies with prudential rules, and fulfils one or more of the following criteria:
  - 9.2.1 it is located in the European Economic Area;
  - 9.2.2 it is located in an OECD country belonging to the Group of Ten;
  - 9.2.3 it has at least investment grade rating;
  - 9.2.4 on the basis of an in-depth analysis of the issuer, it can be demonstrated that the prudential rules applicable to that issuer are at least as stringent as those laid down by European Community law.
- 10. **Appropriate information for money-market instruments**
- 10.1 In the case of an approved money-market instrument within 9.1.2 or issued by a body of the type referred to in COLL 5.2.10EG, or which is issued by an authority within 9.1.1.2 or a public international body within 9.1.1.6 but is not guaranteed by a central authority within 9.1.1.1, the following information must be available:
  - 10.1.1 information on both the issue or the issuance programme, and the legal and financial situation of the issuer prior to the issue of the instrument, verified by appropriately qualified third parties not subject to instructions from the issuer;
  - 10.1.2 updates of that information on a regular basis and whenever a significant event occurs; and
  - 10.1.3 available and reliable statistics on the issue or the issuance programme.
- 10.2 In the case of an approved money-market instrument issued or guaranteed by an establishment within 9.1.3, the following information must be available:
  - 10.2.1 information on the issue or the issuance programme or on the legal and financial situation of the issuer prior to the issue of the instrument;
  - 10.2.2 updates of that information on a regular basis and whenever a significant event occurs; and

10.2.3 available and reliable statistics on the issue or the issuance programme, or other data enabling an appropriate assessment of the credit risks related to investment in those instruments.

10.3 In the case of an approved money-market instrument:

10.3.1 within 9.1.1.1, 9.1.1.4 or 9.1.1.5; or

10.3.2 which is issued by an authority within 9.1.1.2 or a public international body within 9.1.1.6 and is guaranteed by a central authority within 9.1.1.1;

information must be available on the issue or the issuance programme, or on the legal and financial situation of the issuer prior to the issue of the instrument.

## 11. **Spread: general**

11.1 This rule on spread does not apply in respect of a transferable security or an approved money-market instrument to which paragraph 13 applies.

11.2 For the purposes of this requirement companies included in the same group for the purposes of consolidated accounts as defined in accordance with Directive 83/349/EEC or in the same group in accordance with international accounting standards are regarded as a single body.

11.3 Not more than 20% in the value of the Scheme Property of a Fund is to consist of deposits with a single body.

11.4 Not more than 10% in value of the Scheme Property of a Fund is to consist of transferable securities or approved money-market instruments issued by any single body, except that the limit of 10% is raised to 20% in respect of up to 35% in value of the Scheme Property (covered bonds need not be taken into account for the purposes of applying the limit of 35%). For these purposes certificates representing certain securities are treated as equivalent to the underlying security.

11.5 The limit of 10% is raised to 25% in value of the Scheme Property in respect of covered bonds provided that when a Fund invests more than 10% in covered bonds issued by a single body, the total value of covered bonds held must not exceed 80% in value of the Scheme Property.

11.6 The exposure to any one counterparty in an OTC derivative transaction must not exceed 10% in value of the Scheme Property of a Fund.

11.7 Not more than 20% in value of the Scheme Property of a Fund is to consist of transferable securities and approved money-market instruments issued by the same group.

11.8 Not more than 20% in value of the Scheme Property of a Fund is to consist of the units of any one collective investment scheme.

11.9 The COLL Sourcebook provides that in applying the limits in 11.3, 11.4 and 11.6 and subject to 11.5, not more than 20% in value of the Scheme Property of a Fund is to consist of any combination of two or more of the following:

11.9.1 transferable securities (including covered bonds) or approved money-market instruments issued by; or

11.9.2 deposits made with; or

11.9.3 exposures from OTC derivatives transactions made with;

a single body.

## 12. **Counterparty risk and issuer concentration**

12.1 The ACD must ensure that counterparty risk arising from an OTC derivative is subject to the limits set out in paragraphs 12.6 and 12.9 above.

- 12.2 When calculating the exposure of a Fund to a counterparty in accordance with the limits in paragraph 12.6 the ACD must use the positive mark-to-market value of the OTC derivative contract with that counterparty.
- 12.3 An ACD may net the OTC derivative positions of a Fund with the same counterparty, provided they are able legally to enforce netting agreements with the counterparty on behalf of the Fund.
- 12.4 The netting agreements in paragraph 13.3 above are permissible only with respect to OTC derivatives with the same counterparty and not in relation to any other exposures the Fund may have with that same counterparty.
- 12.5 The ACD may reduce the exposure of Scheme Property to a counterparty of an OTC derivative through the receipt of collateral. Collateral received must be sufficiently liquid so that it can be sold quickly at a price that is close to its pre-sale valuation.
- 12.6 The ACD must take collateral into account in calculating exposure to counterparty risk in accordance with the limits in paragraph 13.8 when it passes collateral to an OTC counterparty on behalf of a Fund.
- 12.7 Collateral passed in accordance with paragraph 13.6 may be taken into account on a net basis only if the ACD is able legally to enforce netting arrangements with this counterparty on behalf of that Fund.
- 12.8 The ACD must calculate the issuer concentration limits referred to in paragraph 12 on the basis of the underlying exposure created through the use of OTC derivatives pursuant to the commitment approach.
- 12.9 In relation to the exposure arising from OTC derivatives as referred to in paragraph 12.9 the ACD must include any exposure to OTC derivative counterparty risk in the calculation.

### 13. **Spread: government and public securities**

- 13.1 The following section applies in respect of a transferable security or an approved money-market instrument ("such securities") that is issued by:
  - 13.1.1 an EEA State;
  - 13.1.2 a local authority of an EEA State;
  - 13.1.3 a non-EEA State; or
  - 13.1.4 a public international body to which one or more EEA States belong.
- 13.2 Where no more than 35% in value of the Scheme Property of a Fund is invested in such securities issued by any one body, there is no limit on the amount which may be invested in such securities or in any one issue.
- 13.3 The Company or a Fund may invest more than 35% in value of the Scheme Property in such securities issued by any one body provided that:
  - 13.3.1 the ACD has before any such investment is made consulted with the Depositary and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objectives of the relevant Fund;
  - 13.3.2 no more than 30% in value of the Scheme Property consists of such securities of any one issue;
  - 13.3.3 the Scheme Property includes such securities issued by that or another issuer, of at least six different issues;
  - 13.3.4 the disclosures required by the FCA have been made.

13.4 Notwithstanding 11.1 and subject to 14.2 and 14.3 above, in applying the 20% limit in paragraph 11.9 with respect to a single body, such securities issued by that body shall be taken into account.

13.5 In giving effect to the foregoing object more than 35% of the property of the Company or any Fund, as the case may be, may be invested in such securities issued or guaranteed by the Government of the United Kingdom and Northern Ireland, the Scottish Administration, the Executive Committee of the Northern Ireland Assembly or the National Assembly of Wales, the Governments of each Member State of the European Union (including without limitation Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Lichtenstein, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, and Sweden) or the Governments of Australia, Canada, Japan, New Zealand, Switzerland and the United States of America, and securities issued by the European Investment Bank.

#### 14. **Investment in collective investment schemes**

14.1 Up to 100% of the value of the Scheme Property of a Fund may be invested in units or shares in other collective investment schemes ("Second Scheme") provided the Second Scheme satisfies all of the following conditions.

14.1.1 The Second Scheme must:

14.1.1.1 satisfy the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or

14.1.1.2 be recognised under the provisions of s.270 of the Financial Services and Markets Act 2000; or

14.1.1.3 be authorised as a non-UCITS retail scheme (provided the requirements of Article 50(1)(e) of the UCITS Directive are met);

14.1.1.4 be authorised in another EEA State provided the requirements of Article 50(1)(e) of the UCITS Directive are met; or

14.1.1.5 be authorised by the competent authority of an OECD member country (other than another EEA State) which has:

(a) signed the IOSCO Multilateral Memorandum of Understanding; and

(b) approved the Second Scheme's management company, rules and depositary/custody arrangements;

(provided the requirements of article 50(1) (e) of the UCITS Directive are met).

14.1.2 The Second Scheme has terms which prohibit more than 15% in value of the scheme property consisting of units in collective investment schemes. Where the Second Scheme is an umbrella, the provisions in this paragraph 14.1.2, paragraph 1.1 and paragraph 11 (Spread: general) apply to each Fund as if it were a separate scheme.

14.2 The Scheme Property attributable to a Fund may include Shares in another Fund of the Company (the "Second Fund") subject to the requirements of paragraph 15.3 below.

14.3 A Fund may invest in or dispose of Shares of a Second Fund provided that:

14.3.1 the Second Fund does not hold Shares in any other Fund of the Company;

14.3.2 the requirements set out at paragraphs 12.8, 15.6 and 15.7 below are complied with.

14.4 The Funds may, subject to the limit set out in 14.1 above, invest in collective investment schemes managed or operated by, or whose authorised corporate director is, the ACD of a Fund or one of its associates.

14.5 Investment may only be made in a Second Fund or other collective investment schemes managed by the ACD or an associate of the ACD if the Fund's Prospectus clearly states that it may enter into such investments and the rules on double charging contained in the COLL Sourcebook are complied with.

14.6 Where a Fund of the Company invests in or disposes of Shares in a Second Fund or units or shares in another collective investment scheme which is managed or operated by the ACD or an associate of the ACD, the ACD must pay to that Fund by the close of business on the fourth Business Day the amount of any preliminary charge in respect of a purchase, and in the case of a sale, any charge made for the disposal.

#### 15. **Investment in nil and partly paid securities**

A transferable security or an approved money-market instrument on which any sum is unpaid falls within a power of investment only if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by a Fund, at the time when payment is required, without contravening the rules in COLL 5.

#### 16. **Derivatives: general**

16.1 **The Funds may use derivatives for investment purposes. As it is intended that the Fund will obtain its investment exposures primarily through fixed interest securities, the use of other techniques, including derivatives, will be limited, and will not significantly alter the risk profile or volatility of the Fund.**

**The ACD may employ more sophisticated derivatives and equities selected by using sophisticated mathematical techniques in the pursuit of the investment objectives of a Fund, as stated in this Prospectus, and in accordance with its risk management policy. This means that the Net Asset Value of the Fund may at times be highly volatile (in the absence of compensating investment techniques). However, it is the ACD's intention that a Fund owing to its portfolio composition, or the portfolio management techniques used, will not have volatility over and above the general market volatility of the markets of its underlying investments. The risk profile of a Fund may be higher than it would otherwise have been as a consequence of the use of derivatives as described above.**

**The ACD may also employ derivatives for the purposes of Efficient Portfolio Management, further information on EPM is provided in paragraph 17. To the extent that derivative instruments are utilised for hedging purposes, the risk of loss to the Fund may be increased where the value of the derivative instrument and the value of the security or position which it is hedging prove to be insufficiently correlated.**

16.2 A transaction in derivatives or a forward transaction must not be effected for a Fund unless the transaction is of a kind specified in paragraph 19 (Permitted transactions (derivatives and forwards)) below, and the transaction is covered, as required by paragraph 30 (Cover for investment in derivatives and forward transactions) of this Appendix.

16.3 Where a Fund invests in derivatives, the exposure to the underlying assets must not exceed the limits set out in the COLL Sourcebook in relation to COLL 5.6.7R (Spread: general) and COLL 5.6.8R (Spread: government and public securities) except for index based derivatives where the rules below apply.

16.4 Where a transferable security or approved money-market instrument embeds a derivative, this must be taken into account for the purposes of complying with this section.

16.5 A transferable security or an approved money-market instrument will embed a derivative if it contains a component which fulfils the following criteria:

16.5.1 by virtue of that component some or all of the cash flows that otherwise would be required by the transferable security or approved money-market instrument which functions as host contract can be modified according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, and therefore vary in a way similar to a stand-alone derivative;

- 16.5.2 its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and
- 16.5.3 it has a significant impact on the risk profile and pricing of the transferable security or approved money-market instrument.
- 16.6 A transferable security or an approved money-market instrument does not embed a derivative where it contains a component which is contractually transferable independently of the transferable security or the approved money-market instrument. That component shall be deemed to be a separate instrument.
- 16.7 Where a Fund invests in an index based derivative, provided the relevant index falls within paragraph 20 (Financial Indices underlying derivatives), the underlying constituents of the index do not have to be taken into account for the purposes of COLL 5.6.7R and COLL 5.6.8R.
- 16.8 A Fund may enter into a range of swap transactions in pursuit of its investment objective (including total return swaps) or other financial derivatives instruments with similar characteristics. The underlying assets and investment strategies of such swaps, to which exposure will be gained, will be consistent with the investment objective and policy of the relevant Fund.
- 16.9 The counterparty to such transactions does not have discretion over the composition or management of a Fund's portfolio or over the underlying of financial derivative instruments used by a Fund. Counterparty approval is not required in relation to any investment decision made by a Fund.
- 16.10 The counterparties of these transactions will be highly rated financial institutions specialising in these types of transactions and approved by the Investment Manager.

## 17. **Efficient Portfolio Management**

- 17.1 The Company may use Scheme Property to enter into transactions for the purposes of EPM. Permitted EPM transactions include transactions in derivatives dealt or traded on an eligible derivatives market or over-the-counter. Where permitted, EPM techniques may also involve the Company entering into stock lending transactions or reverse repurchase agreements. The ACD must ensure in entering into EPM transactions that the transaction is economically appropriate to (i) the reduction of the relevant risks (whether in the price of investments, interest rates or exchange rates) or (ii) the reduction of the relevant costs and/or (iii) the generation of additional capital or income for the scheme with a risk level which is consistent with the risk profile of the scheme and the risk diversification rules laid down in the FCA's COLL sourcebook.
- 17.2 There is no guarantee that the Company will achieve the objective for which any EPM transaction was undertaken. To the extent that derivative instruments are utilised for hedging purposes (reduction of the risk profile of the Company), the risk of loss to the Company may be increased where the value of the derivative instrument and the value of the security or position which it is hedging prove to be insufficiently correlated. EPM transactions (save to the extent that derivatives are traded on exchange) may involve a risk that a counterparty will wholly or partially fail to honour its contractual obligations.
- 17.3 In order to mitigate that risk of counterparty default, the counterparties to these transactions may be required to provide collateral to suitably cover their obligations to the Company. In the event of default by the counterparty, it will forfeit its collateral on the transaction. However, there is a risk that the collateral, especially where it is in the form of securities, when realised will not raise sufficient cash to settle the counterparty's liability to the Company. Securities lending transactions may, in the event of a default by the counterparty, result in the securities lent being recovered late or only in part. This may result in loss for the Company.
- 17.4 To assist in managing these types of risks, the ACD has a collateral management policy which sets criteria around the types of eligible collateral the Company may accept. A copy of this is available from the ACD on request.
- 17.5 Investors should note that EPM transactions may be effected in relation to the Company in circumstances where the ACD has, either directly or indirectly, an interest which may potentially

involve a conflict of their obligations to the Company. Where a conflict cannot be avoided, the ACD will have regard to its responsibility to act in the best interests of the Company and its investors. The ACD will ensure that the Company and its investors are treated fairly and that such transactions are effected on terms which are not less favourable to the Company than if the potential conflict had not existed. For further information in relation to conflicts of interest, please see the 'conflicts of interest' section of this prospectus.

- 17.6 All revenues arising from EPM transactions (including stock lending and repurchase and reverse repurchase arrangements, if any) will be returned to the Company, net of direct and indirect operational costs.
- 17.7 The costs consist of the securities lending agent fee. Detailed information on the fund-specific costs and the related entities can be found in the annual report of the Company.
18. **Permitted transactions (derivatives and forwards)**
- 18.1 A transaction in a derivative must be in an approved derivative; or be one which complies with paragraph 23 (OTC transactions in derivatives).
- 18.2 A transaction in a derivative must have the underlying consisting of any one or more of the following to which a Fund is dedicated:
- 18.2.1 transferable securities;
  - 18.2.2 approved money-market instruments permitted under paragraphs 6.1.1 to 6.1.4;
  - 18.2.3 deposits and permitted derivatives under this paragraph;
  - 18.2.4 collective investment scheme units permitted under paragraph 15 (Investment in collective investment schemes);
  - 18.2.5 financial indices which satisfy the criteria set out in paragraph 20 (Financial indices underlying derivatives);
  - 18.2.6 interest rates;
  - 18.2.7 foreign exchange rates; and
  - 18.2.8 currencies.
- 18.3 A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market.
- 18.4 A transaction in a derivative must not cause a Fund to diverge from its investment objectives as stated in the Instrument constituting a Fund and the most recently published version of this Prospectus.
- 18.5 A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more, transferable securities, approved money-market instruments, units in collective investment schemes, or derivatives.
- 18.6 Any forward transaction must be with an Eligible Institution or an Approved Bank.
- 18.7 A derivative includes an investment which fulfils the following criteria:
- 18.7.1 it allows transfer of the credit risk of the underlying independently from the other risks associated with that underlying;
  - 18.7.2 it does not result in the delivery or the transfer of assets other than those referred to in COLL 5.2.6AR, including cash;
  - 18.7.3 in the case of an OTC derivative, it complies with the requirements in paragraph 23; and



18.7.4 its risks are adequately captured by the risk management process of the ACD and by its internal control mechanisms in the case of risk asymmetry of information between the ACD and the counterparty to the derivative resulting from the potential access of the counterparty to non-public information on persons whose assets are used as the underlying by that derivative.

18.8 A Fund may not undertake transactions in derivatives on commodities.

**19. Transactions for the purchase of property**

A derivative or forward transaction which will or could lead to the delivery of property for the account of a Fund may be entered into only if that property can be held for the account of that Fund, and the ACD having taken reasonable care determines that delivery of the property under the transaction will not occur or will not lead to a breach of the COLL Sourcebook.

**20. Requirement to cover sales**

No agreement by or on behalf of a Fund to dispose of property or rights may be made unless the obligation to make the disposal and any other similar obligation could immediately be honoured by that Fund by delivery of property or the assignment (or, in Scotland, assignation) of rights, and the property and rights above are owned by a Fund at the time of the agreement. This requirement does not apply to a deposit.

**21. OTC transactions in derivatives**

21.1 Any transaction in an OTC derivative under paragraph 18.1 must be:

21.1.1 in a future or an option or a contract for differences;

21.1.2 with an approved counterparty; a counterparty to a transaction in derivatives is approved only if the counterparty is an Eligible Institution or an Approved Bank; or a person whose permission (including any requirements or limitations), as published in the Financial Services Register or whose Home State authorisation, permits it to enter into the transaction as principal off-exchange;

21.1.3 on approved terms; the terms of the transaction in derivatives are approved only if, the ACD carries out, at least daily, a reliable and verifiable valuation in respect of that transaction corresponding to its fair value and which does not rely only on market quotations by the counterparty and can enter into one or more further transaction to sell, liquidate or close out that transaction at any time, at a fair value; and

21.1.4 For the purposes of paragraph 21.1.3, "fair value" is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

21.1.5 capable of reliable valuation; a transaction in derivatives is capable of reliable valuation only if the ACD having taken reasonable care determines that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy:

21.1.5.1 on the basis of an up-to-date market value which the ACD and the Depositary have agreed is reliable; or

21.1.5.2 if the value referred to in 21.1.5.1 is not available, on the basis of a pricing model which the ACD and the Depositary have agreed uses an adequate recognised methodology; and

21.1.6 subject to verifiable valuation: a transaction in derivatives is subject to verifiable valuation only if, throughout the life of the derivative (if the transaction is entered into) verification of the valuation is carried out by:

- 21.1.6.1 an appropriate third party which is independent from the counterparty of the derivative at an adequate frequency and in such a way that the ACD is able to check it; or
- 21.1.6.2 a department within the ACD which is independent from the department in charge of managing a Fund and which is adequately equipped for such a purpose.

## 22. **Valuation of OTC derivatives**

22.1 For the purposes of paragraph 21.1.3 the ACD must:

- 22.1.1 establish implement and maintain arrangements and procedures which ensure appropriate, transparent and fair valuation of the exposures of a Fund to OTC derivatives; and
- 22.1.2 ensure that the fair value of OTC derivatives is subject to adequate, accurate and independent assessment.

22.2 Where the arrangements and procedures referred to in paragraph 24.1 above involve the performance of certain activities by third parties, the ACD must comply with the requirements in SYSC 8.1.13 R (Additional requirements for a management company) and COLL 6.6A.4 R (4) to (6) (Due diligence requirements of AFMs of UCITS schemes).

22.3 The arrangements and procedures referred to in 24.1 must be:

- 22.3.1 Adequate and proportionate to the nature and complexity of the OTC derivative concerned; and
- 22.3.2 Adequately documented.

## 23. **Risk Management**

23.1 The ACD uses a risk management process (including a risk management policy) in accordance with COLL 6.12, as reviewed by the Depositary and filed with the FCA, enabling it to monitor and measure at any time the risk of a Fund's positions and their contribution to the overall risk profile of a Fund. The following details of the risk management process must be regularly notified to the FCA and at least on an annual basis:

- 23.1.1 a true and fair view of the types of derivatives and forward transactions to be used within the Company together with their underlying risks and any relevant quantitative limits.
- 23.1.2 the methods for estimating risks in derivative and forward transactions.

23.2 The ACD must notify the FCA in advance of any material alteration to the details above.

## 24. **Investment in deposits**

A Fund may invest in deposits only with an Approved Bank and which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months.

## 25. **Derivative exposure**

25.1 The Funds may invest in derivatives and forward transactions as long as the exposure to which a Fund is committed by that transaction itself is suitably covered from within its Scheme Property. Exposure will include any initial outlay in respect of that transaction.

25.2 Cover ensures that a Fund is not exposed to the risk of loss of property, including money, to an extent greater than the net value of the Scheme Property. Therefore, a Fund must hold Scheme Property sufficient in value or amount to match the exposure arising from a derivative obligation to which that Fund is committed. Paragraph 31 (Cover for investment in derivatives and forward transactions) below sets out detailed requirements for cover of that Fund.

25.3 A future is to be regarded as an obligation to which a Fund is committed (in that, unless closed out, the future will require something to be delivered, or accepted and paid for); a written option as an obligation to which a Fund is committed (in that it gives the right of potential exercise to another thereby creating exposure); and a bought option as a right (in that the purchaser can, but need not, exercise the right to require the writer to deliver and accept and pay for something).

25.4 Cover used in respect of one transaction in derivatives or forward transaction must not be used for cover in respect of another transaction in derivatives or a forward transaction.

## 26. **Schemes replicating an index**

26.1 Notwithstanding paragraph 11 (Spread: general), a Fund may invest up to 20% in value of the Scheme Property in shares and debentures which are issued by the same body where the stated investment policy is to replicate the composition of a relevant index as defined below.

26.2 Replication of the composition of a relevant index shall be understood to be a reference to a replication of the composition of the underlying assets of that index, including the use of techniques and instruments permitted for the purpose of efficient portfolio management.

26.3 The 20% limit can be raised for a particular Fund up to 35% in value of the Scheme Property, but only in respect of one body and where justified by exceptional market conditions.

26.4 In the case of a Fund replicating an index the Scheme Property need not consist of the exact composition and weighting of the underlying in the relevant index in cases where a Fund's investment objective is to achieve a result consistent with the replication of an index rather than an exact replication.

26.5 The indices referred to above are those which satisfy the following criteria:

26.5.1 the composition is sufficiently diversified;

26.5.2 the index represents an adequate benchmark for the market to which it refers; and

26.5.3 the index is published in an appropriate manner.

26.6 The composition of an index is sufficiently diversified if its components adhere to the spread and concentration requirements in this section.

26.7 An index represents an adequate benchmark if its provider uses a recognised methodology which generally does not result in the exclusion of a major issuer of the market to which it refers.

26.8 An index is published in an appropriate manner if:

26.8.1 it is accessible to the public;

26.8.2 the index provider is independent from the index-replicating scheme; this does not preclude index providers and the scheme from forming part of the same group, provided that effective arrangements for the management of conflicts of interest are in place.

## 27. **Cover for transactions in derivatives and forward transactions**

27.1 A Fund may invest in derivatives and forward transactions as part of its investment policy provided:

27.1.1 its global exposure relating to derivatives and forward transactions held in the Fund does not exceed the net value of the Scheme Property; and

27.1.2 its global exposure to the underlying assets does not exceed in aggregate the investment limits laid down in paragraph 12 above.

**28. Cover and Borrowing**

28.1 Cash obtained from borrowing, and borrowing which the ACD reasonably regards an Eligible Institution or an Approved Bank to be committed to provide, is not available for cover under Paragraph 27 (Cover for transactions in derivatives and forward investment) except where 28.2 below applies.

28.2 Where, for the purposes of this paragraph a Fund borrows an amount of currency from an Eligible Institution or an Approved Bank; and keeps an amount in another currency, at least equal to such borrowing for the time being in 32.1 on deposit with the lender (or his agent or nominee), then this paragraph 32.2 applies as if the borrowed currency, and not the deposited currency, were part of the Scheme Property.

**29. Calculation of global exposure**

29.1 The ACD must calculate the global exposure of a Fund on at least a daily basis.

29.2 The ACD must calculate the global exposure of any Fund it manages either as:

29.2.1 The incremental exposure and leverage generated through the use of derivatives and forward transactions (including embedded derivatives as referred to in paragraph 17 (Derivatives: general), which may not exceed 100% of the net value of the Scheme Property; or

29.2.2 The market risk of the Scheme Property

29.3 For the purposes of this section exposure must be calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions.

29.4 The ACD must calculate the global exposure of a Fund by using:

29.4.1 commitment approach; or

29.4.2 the value at risk approach.

29.5 The ACD must ensure that the method selected above is appropriate, taking into account:

29.5.1 the investment strategy pursued by the Fund;

29.5.2 types and complexities of the derivatives and forward transactions used; and

29.5.3 the proportion of the Scheme Property comprising derivatives and forward transactions.

29.6 Where a Fund employs techniques and instruments including repo contracts or stock lending transactions in accordance with paragraph 38 (Stock lending) in order to generate additional leverage or exposure to market risk, the authorised fund manager must take those transactions into consideration when calculating global exposure.

**30. Cash and near cash**

30.1 Cash and near cash must not be retained in the Scheme Property of the Funds except to the extent that, where this may reasonably be regarded as necessary in order to enable:

30.1.1 the pursuit of a Fund's investment objectives; or

30.1.2 redemption of Shares; or

30.1.3 efficient management of a Fund in accordance with its investment objectives; or

30.1.4 other purposes which may reasonably be regarded as ancillary to the investment objectives of a Fund.

30.2 During the period of the initial offer the Scheme Property of the Funds may consist of cash and near cash without limitation.

## 31. **General**

31.1 It is envisaged that a Fund will normally be fully invested but there may be times that it is appropriate not to be fully invested when the ACD reasonably regards this as necessary in pursuit of the investment objective and policy, redemption of Shares, efficient management of a Fund or any one purpose which may reasonably be regarded as ancillary to the investment objectives of a Fund.

31.2 Where a Fund invests in or disposes of units or shares in another collective investment scheme which is managed or operated by the ACD or an associate of the ACD, the ACD must pay to a Fund by the close of business on the fourth Business Day the amount of any preliminary charge in respect of a purchase, and in the case of a sale, any charge made for the disposal.

31.3 A potential breach of any of these limits does not prevent the exercise of rights conferred by investments held by a Fund but, in the event of a consequent breach, the ACD must then take such steps as are necessary to restore compliance with the investment limits as soon as practicable having regard to the interests of Shareholders.

31.4 The COLL Sourcebook permits the ACD to use certain techniques when investing in derivatives in order to manage a Fund's exposure to particular counterparties and in relation to the use of collateral to reduce overall exposure with respect to over-the-counter ("OTC") derivatives; for example a Fund may take collateral from counterparties with whom they have an OTC derivative position and use that collateral to net off against the exposure they have to the counterparty under that OTC derivative position, for the purposes of complying with counterparty spread limits. The COLL Sourcebook also permits a Fund to use derivatives to effectively short sell (agree to deliver the relevant asset without holding it in a Fund) under certain conditions.

## 32. **Underwriting**

Underwriting and sub underwriting contracts and placings may also, subject to certain conditions set out in the COLL Sourcebook, be entered into for the account of a Fund.

## 33. **General power to borrow**

33.1 The Company may, on the instructions of the ACD and subject to the COLL Sourcebook, borrow money from an Eligible Institution or an Approved Bank for the use of a Fund on terms that the borrowing is to be repayable out of the Scheme Property.

33.2 Borrowing must be on a temporary basis, must not be persistent, and in any event must not exceed three months without the prior consent of the Depositary, which may be given only on such conditions as appear appropriate to the Depositary to ensure that the borrowing does not cease to be on a temporary basis.

33.3 The ACD must ensure that borrowing does not, on any Business Day, exceed 10% of the value of a Fund.

33.4 These borrowing restrictions do not apply to "back to back" borrowing for currency hedging purposes (i.e. borrowing permitted in order to reduce or eliminate risk arising by reason of fluctuations in exchange rates).

## 34. **Restrictions on lending of money**

34.1 None of the money in the Scheme Property of a Fund may be lent and, for the purposes of this paragraph, money is lent by a Fund if it is paid to a person ("the payee") on the basis that it should be repaid, whether or not by the payee.

34.2 Acquiring a debenture is not lending for the purposes of paragraph 34.1, nor is the placing of money on deposit or in a current account.

34.3 Nothing in paragraph 34.1 prevents the Company from providing an officer of the Company with funds to meet expenditure to be incurred by him for the purposes of the Company (or for the purposes of enabling him properly to perform his duties as an officer of the Company) or from doing anything to enable an officer to avoid incurring such expenditure.

35. **Restrictions on lending of property other than money**

35.1 Scheme Property of the Funds other than money must not be lent by way of deposit or otherwise.

35.2 Transactions permitted by paragraph 38 (Stock lending) are not to be regarded as lending for the purposes of paragraph 35.1.

35.3 The Scheme Property of the Funds must not be mortgaged.

35.4 Where transactions in derivatives or forward transactions are used for the account of the Company in accordance with COLL 5, nothing in this paragraph prevents the Company or the Depositary at the request of the Company: from lending, depositing, pledging or charging its Scheme Property for margin requirements; or transferring Scheme Property under the terms of an agreement in relation to margin requirements, provided that the ACD reasonably considers that both the agreement and the margin arrangements made under it (including in relation to the level of margin) provide appropriate protection to Shareholders.

36. **General power to accept or underwrite placings**

36.1 Any power in COLL 5 to invest in transferable securities may be used for the purpose of entering into transactions to which this section applies, subject to compliance with any restriction in the Instrument of Incorporation. This section applies, to any agreement or understanding: which is an underwriting or sub-underwriting agreement, or which contemplates that securities will or may be issued or subscribed for or acquired for the account of a Fund.

36.2 This ability does not apply to an option, or a purchase of a transferable security which confers a right to subscribe for or acquire a transferable security, or to convert one transferable security into another.

36.3 The exposure of a Fund to agreements and understandings as set out above, on any Business Day be covered and be such that, if all possible obligations arising under them had immediately to be met in full, there would be no breach of any limit in the COLL Sourcebook.

37. **Guarantees and indemnities**

37.1 The Company or the Depositary for the account of the Company must not provide any guarantee or indemnity in respect of the obligation of any person.

37.2 None of the Scheme Property may be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.

37.3 Paragraphs 37.1 and 37.2 do not apply to in respect of the Company:

37.3.1 any indemnity or guarantee given for margin requirements where the derivatives or forward transactions are being used in accordance with COLL 5; and

37.3.2 an indemnity falling within the provisions of regulation 62(3) (Exemptions from liability to be void) of the OEIC Regulations;

37.3.3 an indemnity (other than any provision in it which is void under regulation 62 of the OEIC Regulations) given to the Depositary against any liability incurred by it as a consequence of the safekeeping of any of the Scheme Property by it or by anyone retained by it to assist it to perform its function of the safekeeping of the Scheme Property; and

37.3.4 an indemnity given to a person winding up a scheme if the indemnity is given for the purposes of arrangements by which the whole or part of the property of that

scheme becomes the first property of the Company and the holders of units in that scheme become the first Shareholders in the Company.

## 38. **Stock lending**

- 38.1 The entry into stock lending transactions or repo contracts for the account of a Fund is permitted for the generation of additional income for the benefit of that Fund, and hence for its Shareholders.
- 38.2 The specific method of stock lending permitted in this section is in fact not a transaction which is a loan in the normal sense. Rather it is an arrangement of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992, under which the lender transfers securities to the borrower otherwise than by way of sale and the borrower is to transfer those securities, or securities of the same type and amount, back to the lender at a later date. In accordance with good market practice, a separate transaction by way of transfer of assets is also involved for the purpose of providing collateral to the "lender" to cover him against the risk that the future transfer back of the securities may not be satisfactorily completed.
- 38.3 The stock lending permitted by this section may be exercised by a Fund when it reasonably appears to a Fund to be appropriate to do so with a view to generating additional income with an acceptable degree of risk.
- 38.4 The Company or the Depositary at the request of the Company may enter into a stock lending arrangement or repo contract of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992 (without extension by section 263C), but only if all the terms of the agreement under which securities are to be reacquired by the Depositary for the account of a Fund, are in a form which is acceptable to the Depositary and are in accordance with good market practice, the counterparty meets the criteria set out in COLL 5.4.4, and collateral is obtained to secure the obligation of the counterparty. Collateral must be acceptable to the Depositary, adequate and sufficiently immediate.

## 39. **Leverage**

- 39.1 This section explains in what circumstances and how the ACD may use leverage in respect of a Fund where the investment policy of that Fund permits its use of Leverage, the different leverage calculation methods and maximum level of leverage permitted.
- 39.2 Leverage when used in this Prospectus means the following sources of leverage can be used when managing a Fund:
- 39.2.1 cash borrowing, subject to the restrictions set out in the paragraph "Borrowing powers".
- 39.2.2 financial derivative instruments and reinvestment of cash collateral in the context of securities lending, subject in each case to the paragraphs "Derivatives: General", "Permitted transactions (derivatives and forwards)", "Transactions for the purchase of property", "Requirement to cover sales", "OTC transactions in Derivatives", "Cover for investment in derivatives and forward transactions" and "Borrowing powers".
- 39.3 The ACD is required to calculate and monitor the level of leverage of a Fund, expressed as a ratio between the exposure of the Fund and its Net Asset Value (Exposure/NAV), under both the gross method and the commitment method. In both calculations, the ACD shall exclude borrowing arrangements entered into if these are temporary in nature and are fully covered by contractual capital commitments from investors in a Fund.
- 39.4 Under the gross method, the exposure of a Fund is the absolute value of all positions taken by a Fund. For the calculation of the exposure of a Fund according to the gross method, the ACD shall:
- 39.4.1 exclude cash and cash equivalents which are highly liquid investments held in the base currency of the Fund, that are readily convertible to a known amount of cash,

- are subject to an insignificant risk of change in value and provide a return no greater than the rate of a three month high quality government bond;
- 39.4.2 convert derivative instruments into the equivalent position in their underlying assets;
  - 39.4.3 exclude cash borrowings that remain in cash or cash equivalents and where the amounts payable are known;
  - 39.4.4 include exposures resulting from the reinvestment of cash borrowings, expressed as the higher of the market value of the investment realised or the total amount of cash borrowed; and
  - 39.4.5 include positions within repurchase or reverse repurchase agreements and securities lending or borrowing or other similar arrangements.
- 39.5 Under the commitment method, the exposure of a Fund is the sum of the absolute value of all positions. For the calculation of the exposure of a Fund under the commitment method, the ACD shall:
- 39.5.1 convert derivative instruments into an equivalent position in the underlying asset of that derivative (unless they are derivative instruments which have certain specific features as set out more specifically in the AIFMD);
  - 39.5.2 apply certain netting and hedging arrangements;
  - 39.5.3 include exposures resulting from the reinvestment of cash borrowing;
  - 39.5.4 include other arrangements such as convertible borrowings, repurchase agreements, reverse repurchase agreements, securities lending, and securities borrowing.
- 39.6 Further information regarding these different leverage calculation methods can be found in the AIFMD and the Supplementary Information on Risk Management Process which is available upon request.
- 39.7 The maximum level of leverage which a Fund may employ, calculated in accordance with the gross and commitment methods, is stated in Appendix I.
- 39.8 In addition, the total amount of leverage employed by a Fund will be disclosed in the Fund's annual report.



## Appendix IV

### Authorised funds operated by the ACD

The table below sets out the UK funds for which the ACD acts as either authorised corporate director (in respect of the open-ended investment companies) or authorised fund manager (in respect of authorised unit trusts).

<b>CAPACITY</b>	<b>FUNDS</b>
<b>Authorised Corporate Director of</b>	BMO Investment Funds (UK) ICVC BMO Investment Funds (UK) ICVC II BMO Investment Funds (UK) ICVC III BMO Investment Funds (UK) ICVC IV BMO Investment Funds (UK) ICVC V BMO Investment Funds (UK) ICVC VI BMO Investment Funds (UK) ICVC VII BMO Investment Funds (UK) ICVC VIII BMO Investment Funds (UK) ICVC IX BMO Investment Funds (UK) ICVC X BMO UK Property Fund ICVC BMO Property Growth & Income Fund ICVC F&C Institutional Investment Funds ICVC III F&C Money Markets Fund ICVC
<b>Authorised Fund Manager of</b>	BMO Diversified Monthly Income Fund BMO UK Property Feeder Fund

# Appendix V

## Past Performance

<b>FUND NAME</b>	31/10/2017 to 31/10/2018	31/10/2016 to 31/10/2017	31/10/2015 to 31/10/2016	31/10/2014 to 31/10/2015	31/10/2013 to 31/10/2014
BMO MM Navigator Boutiques A Acc	-4.23	13.23	19.65	9.48	1.44
BMO MM Navigator Distribution A Acc	-1.99	4.67	10.39	3.61	2.90
BMO MM Navigator Cautious A Acc	-4.55	7.64	11.10	6.72	1.38
BMO MM Navigator Balanced A Acc	-5.94	10.11	13.76	7.61	0.73
BMO MM Navigator Growth A Acc	21.97	0.83	9.85	9.72	19.79

Total return on mid to mid-price basis with no allowance for initial charges. Past performance is not necessarily a guide to future performance,

# Appendix VII

## Directory

<b>ACD and the Company</b>	Administration and registration	Head and registered office
	BMO Fund Management Limited PO Box 9040 Chelmsford Essex CM99 2XH	BMO Fund Management Limited Exchange House Primrose Street London EC2A 2NY
<b>Depository</b>	State Street Trustees Limited 20 Churchill Place London E14 5HJ	
<b>Investment Manager</b>	BMO AM Multi-Manager LLP Exchange House Primrose Street London EC2A 2NY	
<b>Fund Accounting Services</b>	State Street Bank and Trust Company, London Branch 20 Churchill Place London E14 5HJ	
<b>Legal Advisers</b>	CMS Cameron McKenna Nabarro Olswang LLP Cannon Place 78 Cannon Street London EC4N 6AF	
<b>Auditors</b>	PricewaterhouseCoopers LLP PWC Level 4 Atria One 144 Morrison Street Edinburgh EH3 8EX	