

**BMO Private Investment Counsel Inc.  
Form ADV Part 2A**

**Item 1 – Cover Page**

**FORM ADV, PART 2A**

**BMO PRIVATE INVESTMENT COUNSEL INC.  
FIRM BROCHURE**

**BMO Private Investment Counsel Inc.**  
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Toronto, Ontario, Canada, M5X 1A1

[www.bmoprivatebanking.com](http://www.bmoprivatebanking.com)

This Brochure provides information about the qualifications and business practices of BMO Private Investment Counsel Inc. ("BPIC"). For any questions about the contents of this Brochure, please contact BPIC at (416) 359-5001 or <https://www.bmo.com/privatebanking>. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about BPIC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by conducting a search with a unique identifying number, known as a CRD number. BPIC's CRD number is 160344.

Registration as an investment adviser with the SEC does not imply that BPIC, or any of its principals or employees, possess a particular level of skill or training.

Date of Brochure: January 2017

## Item 2 – Material Changes

The following is only a summary of the material changes to this Brochure since the last update dated January 29, 2016.

<b>Item 1</b>	BPIC's contact information has been updated.
<b>Item 4</b>	There is a more comprehensive explanation of BPIC's advisory services. The amount of BPIC's assets under management on a discretionary basis has increased to C\$26.9 billion.
<b>Item 5</b>	There is a more comprehensive description of how investment management fees are calculated including fees for Smaller Accounts and Canadian Money Market Accounts.
<b>Item 8</b>	There is a more comprehensive description of BPIC's investment strategies and the investment risks associated with those strategies.
<b>Item 9</b>	The OSC issued an Order approving a settlement agreement entered into between OSC staff, BPIC, and certain BPIC affiliates.
<b>Item 10</b>	Information about BPIC's relationships with its affiliates is more detailed and includes an explanation of how BPIC deals with any conflicts that may arise from those relationships.
<b>Item 12</b>	There is an explanation that although BPIC does not have a preferred broker, in 2016, 21% of commissions paid went to its affiliate, BMO Nesbitt Burns Inc., as a result of this affiliate offering the most favorable prices.
<b>Item 14</b>	Information about BPIC's existing referral arrangements is included.

In addition to the material changes described above, this Brochure now contains more detailed information about BPIC's services and relationships. BPIC has not materially changed any of its services or relationships since it last filed its Brochure in 2016.

BPIC will continue its practice of offering and/or delivering the most current Brochure to clients on an annual basis at a minimum. If BPIC makes material changes to the Brochure, there will be a summary provided within this section that identifies and discusses the changes.

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#### **Item 4 – Advisory Business**

BMO Private Investment Counsel Inc. (“**BPIC**” or the “**Firm**”) is a wholly-owned subsidiary of BMO Nesbitt Burns Inc., a Canadian investment dealer and an indirect subsidiary of Bank of Montreal. BPIC is headquartered in Toronto, Ontario and was incorporated under the laws of Canada in 1996.

BPIC is the investment management firm that is part of the BMO Private Banking brand. The BMO Private Banking brand is a part of the wealth management operations with BMO Financial Group. BPIC offers discretionary investment advisory services to individuals and high net worth individuals in Canada and the United States, pooled investment vehicles, corporations, pension plans, charitable organizations, insurance companies, trusts and estates, non-profit organizations and private foundations.

BPIC had C\$26.9 billion in assets under management on a discretionary basis as of October 31, 2016. BPIC has no assets under management on a non-discretionary basis.

#### **Description of Advisory Services**

BPIC provides advisory services to clients using model asset allocation strategies designed to meet individual investment goals by allocating client assets among different asset classes with varying levels of risk and return (each, an “Investment Strategy”). Assets within a particular Investment Strategy are invested across each asset class into one or more mutual funds such as BPIC’s proprietary BMO Private Portfolios (the “Private Portfolios”) (except for U.S. Residents, as described in more detail below) or other investment funds, exchange traded funds (“ETFs”), fixed income instruments, structured products, and equity securities. BPIC’s advisory services include assistance in determining a client’s needs, knowledge, and investment objectives and then deciding on the appropriate Investment Strategy for the client based on those objectives. Once the client’s investment objective is determined, BPIC’s client assets are invested in a manner consistent with one of the Investment Strategies (see Item 8 below for more detail about the Investment Strategies). BPIC will purchase and sell securities for clients in accordance with the client’s Investment Strategy, monitor and review the client’s holdings and investment performance to ensure client accounts are aligned with their Investment Strategy, and provide information to the client on their investments. BPIC invests client assets in both North American and global strategies, which are managed by a group of dedicated portfolio managers and subadvisors. Both in-house investment professionals and external advisers oversee the management of these strategies.

BPIC also serves as the portfolio manager of the 13 Private Portfolios and engages subadvisors to provide investment advice for each of the Private Portfolios. Each Private Portfolio is a

mutual fund trust established under the laws of the Province of Ontario and governed by a declaration of trust dated May 15, 1997, as amended and restated from time to time. Units of the Private Portfolios are only available to discretionary managed clients of BPIC and the sale of these units is restricted to residents of Canada. As the portfolio manager of these funds, BPIC provides investment analysis and engages subadvisors to provide investment advice. The subadvisors also make investment decisions for the Private Portfolios' investment portfolios. Each of the funds has its own investment objectives and risks, and therefore not all funds are suitable for all BPIC investors.

### **BMO Private Portfolios**

As of January 2017, the 13 Private Portfolios are:

1. BMO PRIVATE CANADIAN MONEY MARKET PORTFOLIO
2. BMO PRIVATE CANADIAN SHORT-TERM BOND PORTFOLIO
3. BMO PRIVATE CANADIAN MID-TERM BOND PORTFOLIO
4. BMO PRIVATE CANADIAN CORPORATE BOND PORTFOLIO
5. BMO PRIVATE DIVERSIFIED YIELD PORTFOLIO
6. BMO PRIVATE CANADIAN INCOME EQUITY PORTFOLIO
7. BMO PRIVATE CANADIAN CORE EQUITY PORTFOLIO
8. BMO PRIVATE CANADIAN SPECIAL EQUITY PORTFOLIO
9. BMO PRIVATE U.S. EQUITY PORTFOLIO
10. BMO PRIVATE U.S. GROWTH EQUITY PORTFOLIO
11. BMO PRIVATE U.S. SPECIAL EQUITY PORTFOLIO
12. BMO PRIVATE INTERNATIONAL EQUITY PORTFOLIO
13. BMO PRIVATE EMERGING MARKETS EQUITY PORTFOLIO

The Private Portfolios are not registered for sale to U.S. resident clients. Any U.S. residents invested in the Private Portfolios would have purchased these assets while residing in Canada. Further, any dividends paid by the Private Portfolios are not reinvested for U.S. residents; rather, BPIC Investment Counsellors will invest those dividends elsewhere in accordance with the client's objectives. All U.S. resident BPIC clients have most of their non-registered assets managed through separately managed accounts ("SMAs").

### **Item 5 – Fees and Compensation**

BPIC is compensated for its discretionary investment management and administrative services by charging investment management fees which are calculated as a percentage of a client's assets under management ("AUM"). The investment management fee is in addition to certain fixed fees such as brokerage commissions or the Private Portfolio operating expenses as described further below.

The Private Portfolios pay their own expenses relating to their operation and the carrying on of their business. These operating expenses are part of the fund's Management Expense Ratio ("MER"). The MER is the total of the management fee and operating expenses of a fund or fund series expressed as an annualized percentage of the average net asset value of the fund or fund series (this could include the Private Portfolio, an affiliated fund or a third party fund). A Private Portfolio's MER does not include management fees but does include operating expenses and taxes. The Private Portfolio operating expenses includes sub-advisory fees when applicable and other operating expenses associated with regulatory requirements and day-to-day expenses of operating the fund such as filings, transaction processing, client reporting, audit and legal fees, and custodial fees. Although the Private Portfolio sub-advisory fees are included in the MER when applicable, as noted herein, BPIC has agreed to absorb a portion of the sub-advisory fees for each portfolio, which may affect the performance results of the Private Portfolio.

Further, each Private Portfolio pays its own brokerage commissions and fees and includes these in the cost of investments. Information regarding fees and expenses payable directly by the Private Portfolios is available in the Private Portfolios' simplified prospectus, annual information form and Fund Facts.

### **Establishment of a Fee Schedule**

Fee Schedules are applicable to U.S. residents depending on the type of account the client opens and/or the amount of money the client has to invest: Investment Management Fees, Smaller Account Investment Management Fees, and Canadian Money Market Fees. Investment management fees are charged on a quarterly basis, based on a calculation of the accounts' market value applied against the appropriate fee schedule. The market value of participating accounts is calculated as the average of month-end market values including accrued income. Fees are deducted from a client's BPIC account, in accordance with the fee schedule information described below, and reflected in the client statements.

Investment management fees provide clients with portfolio management in accordance with the client's defined investment objectives, an assigned Investment Counsellor, annual account consultations, additional consultations as required during the year, customized financial reporting, custodial services (provided by BPIC's affiliated entity BMO Trust Company), sub-custodial services provided by BMO Nesbitt Burns Inc. (an affiliated entity with BPIC and BMO Trust Company), and up to 0.15% of the sub-advisor costs associated with the Private Portfolios.

Investment Management fees are on a per relationship basis and calculated using a declining fee rate schedule as the size of the portfolio grows. BPIC's investment management fees may be discounted for certain clients at BPIC's discretion.

## **Calculation of Fees**

Investment Management fees are calculated per relationship where a relationship is not on a per account basis but is the aggregation of assets across associated accounts. Fees are calculated quarterly based on the higher of the average of the month-end market values (including accrued income of the portfolios within the quarter) or the quarterly minimum fee and appears in the client's reporting package. BPIC does not charge an investment management fee on securities that pay trailing commissions.

Fees include all services described above. The investment management fee does not include a) any fixed fees charged for brokerage commissions on individual trades in a client's account (see Item 12 for more information on brokerage practices), b) any applicable MER fees (as described above), c) wire fees to transfer money from the client's BPIC account (i.e. – service charges), d) regulatory transaction charges, and e) any other fees that may be charged by external parties (including affiliates) relating to investment vehicles held in the BPIC account(s). If a client is invested in individual securities under a SMA model, subadvisor fees will be charged separately. When non-traditional investments such as hedge funds, commodity futures contracts, or derivatives, etc. are included in a client's portfolio, the client may also be charged additional fees associated with those non-traditional investments. Any investments in non-traditional assets will be included as part of a client's total AUM for the purpose of calculating the BPIC investment management fee.

BPIC does not invest clients into securities that pay trailing commissions. A trailing commission is an ongoing fee (i.e. 12b-1 fees) paid to a registered dealer (as defined by Canadian securities laws) from the fund's management fees. It is paid for as long as the client owns the fund. Generally, BPIC does not invest clients into securities with trailing commissions. Any securities with trailing commissions would have been transferred to BPIC when a customer moved their account holdings to BPIC. Mutual funds or other securities that pay trailing commissions that are transferred into a customer's BPIC account are excluded from any BPIC fee calculation. BPIC's business practice is to divest these securities as soon as possible, but may retain certain securities for a longer period due to early redemption penalties or tax considerations. BPIC does not charge an investment management fee in addition to trailing commissions it may receive.

## **Account Statements**

Clients are provided with a monthly or quarterly portfolio statement showing all transactions carried out in their account during the month or quarter, all assets held, account fees and taxes, withdrawals and contributions, and certain performance information. BPIC clients whose assets are custodied with BMO Trust Company (and sub-custodied with BMO Nesbitt Burns Inc.) receive a joint account statement from BPIC and BMO Trust Company on at least a quarterly basis. The Investment Counsellor is available to review and discuss with a client their portfolio statement as well as any subsequent portfolio statement or reporting specifically

requested, as applicable, that is prepared for that client. In addition, clients will receive annual reports on performance as well as fees and compensation.

#### **U.S. Clients Investment Management Fee Schedule**

There is a minimum fee of C\$8,000 per year for a BMO Private Portfolio relationship and C\$15,700 per year for a SMA relationship, the SMA relationship typically will be the type of account that is held by U.S. residents. The standard investment management fee rates are as follows:

Portfolio Size	Rate
First C\$500,000	1.60%
Next C\$1,500,000, up to C\$2,000,000	1.10%
Next C\$1,000,000, up to C\$3,000,000	0.70%
Over C\$3,000,000	0.50%

#### **Smaller Account Investment Management Fee Schedule**

Rate: 1.95%

This rate is applied for different types of smaller accounts when there is no minimum dollar value requirement in the account.

#### **Canadian Money Market Fee Schedule**

There is a minimum fee of C\$1,000 per year for a BMO Private Portfolio relationship and C\$2,400 per year for a SMA relationship, which typically will be the type of account that is held by U.S. residents. The standard investment management fee rate for Canadian Money Market investments are as follows:

Portfolio Size	Rate
First C\$500,000	0.50%
Next C\$1,500,000, up to \$2 million	0.40%
Next C\$1,000,000, up to \$3 million	0.30%
Over C\$3,000,000	0.20%

A client's portfolio may hold units in BMO Private Canadian Money Market Portfolio, which pays all administration fees and expenses relating to its operation and may also pay a portion of the

sub-advisory fees charged by its portfolio manager in the form of MER fees.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

BPIC does not charge any performance-based fees (fees based on a share of capital gains or capital appreciation of the assets of a client) or engage in side-by-side management.

## **Item 7 –Types of Clients**

### **Types of Clients**

BPIC offers discretionary investment advisory services to individuals and high net worth individuals in Canada and the United States, pooled investment vehicles, corporations, pension plans, charitable organizations, insurance companies, trusts and estates, non-profit organizations and private foundations. In general, the BPIC minimum account size starts at C\$500,000; however, BPIC may reduce the account minimum at its discretion on a per relationship basis.

## **Item 8 –Methods of Analysis, Investment Strategies, and Risk of Loss**

### **A. Methods of Analysis**

Once the client has met with and advised their Investment Counsellor about their investment objectives and restrictions as well as their risk tolerance and any income requirements, the Investment Counsellor will develop an appropriate Investment Strategy based on this information. The investment strategies referred to below represent the different strategies that an Investment Counsellor may employ for a client. The strategies do not include any personal income tax planning services, which shall remain the responsibility of the client.

### **B. BPIC Investment Strategies**

All references to the term “Domestic” in this section refer to Canada.

As described below, BPIC has a number of investment mandates in which clients may be invested. Generally, where an Investment Strategy includes a fund or structured product, the fund or structured product will be a BPIC proprietary product or BPIC affiliate product. Notwithstanding the foregoing, the Investment Strategy may also include third party funds and structured products at BPIC’s discretion. For former Canadian resident clients who are now a resident in the United States, BPIC’s use of proprietary products described above no longer applies because BPIC does not invest additional client assets in the Private Portfolios after the client leaves Canada. Any dividends issued by the Private Portfolios for assets previously

purchased by US resident clients before they left Canada will not be reinvested in the Private Portfolios.

All material risks listed in each investment strategy description below are explained in full detail in the “Risk of Loss” section that follows.

#### **(i) Standard Multi – Asset Class Strategies**

**All Equity - Income Strategy:** The primary focus of this strategy is to provide for income through a total return approach with exclusive emphasis on long-term growth of capital and dividends. The portfolio’s return will be achieved by investing in equities that are primarily income-oriented, across all capitalization sizes from Canada, the United States and non-North American countries with, at times, differing geographic emphasis. This investment approach can be expected to have a level of portfolio volatility significantly above that of a balanced portfolio. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Company Size Risk, Value Style Risk, Growth Stock Risk, Stock Market Risk.*

**Focused Equity - Income Strategy:** The primary focus of this strategy is to provide for income through a total return approach with a significant emphasis on long-term growth of capital and dividends. The portfolio’s return will be achieved predominantly from equities, supplemented by a low allocation to fixed income securities. The equity emphasis will be primarily on income-oriented equities across all capitalization sizes from Canada, the United States and non-North American countries with, at times, differing geographic emphasis. This investment approach can be expected to have a level of portfolio volatility somewhat above that of a balanced portfolio. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Company Size Risk, Value Style Risk, Growth Stock Risk, Stock Market Risk, Interest Rate Risk, Credit Risk, Call Risk, Liquidity Risk, Asset-Backed Securities Risk, High Yield Securities Risk.*

**Balanced Equity - Income Strategy:** The primary focus of this strategy is to provide for income through a total return approach with modest emphasis on long-term growth of capital and dividends. The portfolio’s return will be achieved primarily from equities, supplemented by a moderate allocation to fixed income securities. The equity emphasis will be primarily on income-oriented equities across all capitalization sizes from Canada, the United States and non-North American countries with, at times, differing geographic emphasis. This investment approach can be expected to have a level of portfolio volatility slightly above that of a balanced portfolio. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Company Size Risk, Value Style Risk, Growth Stock Risk, Stock Market Risk,*

*Interest Rate Risk, Credit Risk, Call Risk, Liquidity Risk, Asset-Backed Securities Risk, High Yield Securities Risk.*

**Balanced - Income Strategy:** The primary focus of this strategy is to provide moderate growth of capital as well as current income. The portfolio's return will be achieved from a balance of fixed income securities and equities. The equity emphasis will be primarily on income-oriented equities across all capitalization sizes from Canada, the United States and non-North American countries with, at times, differing geographic emphasis. This investment approach can be expected to have a level of portfolio volatility below that of equity markets and greater than that of fixed income markets. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Company Size Risk, Value Style Risk, Growth Stock Risk, Stock Market Risk, Interest Rate Risk, Credit Risk, Call Risk, Liquidity Risk, Asset-Backed Securities Risk, High Yield Securities Risk.*

**Balanced Conservative - Income Strategy:** The primary focus of this strategy is to provide a conservative balance between current income and long-term capital appreciation. The portfolio's return will be achieved primarily from fixed income securities, supplemented by a moderate allocation to equities. The equity emphasis will be primarily on income-oriented equities across all capitalization sizes from Canada, the United States and non-North American countries with, at times, differing geographic emphasis. This investment approach can be expected to have a level of portfolio volatility slightly below that of a balanced portfolio. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Company Size Risk, Value Style Risk, Growth Stock Risk, Stock Market Risk, Interest Rate Risk, Credit Risk, Call Risk, Liquidity Risk, Asset-Backed Securities Risk, High Yield Securities Risk.*

**Focused Conservative - Income Strategy:** The primary focus of this strategy is to provide current income while preserving capital. The portfolio's return will be achieved predominantly from fixed income securities, supplemented by a low allocation to equities. The equity emphasis will be primarily on income-oriented equities across all capitalization sizes from Canada, the United States and non-North American countries with, at times, differing geographic emphasis. This investment approach can be expected to have a level of portfolio volatility somewhat below that of a balanced portfolio. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Company Size Risk, Value Style Risk, Growth Stock Risk, Stock Market Risk, Interest Rate Risk, Credit Risk, Call Risk, Liquidity Risk, Asset-Backed Securities Risk, High Yield Securities Risk.*

**All Equity - Domestic Income Strategy:** The primary focus of this strategy is to provide for income through a total return approach with exclusive emphasis on long-term growth of capital and dividends. The portfolio's return will be achieved by investing in equities that are primarily income-oriented, across all capitalization sizes from Canada, with smaller allocations to the United States and non-North American countries. This investment approach can be expected to have a level of portfolio volatility significantly above that of a balanced portfolio. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Company Size Risk, Value Style Risk, Growth Stock Risk, Stock Market Risk.*

**Focused Equity - Domestic Income Strategy:** The primary focus of this strategy is to provide for income through a total return approach with a significant emphasis on long-term growth of capital and dividends. The portfolio's return will be achieved predominantly from equities, supplemented by a low allocation to fixed income securities. The equity emphasis will be primarily on income-oriented equities across all capitalization sizes from Canada, with smaller allocations to the United States and non-North American countries. This investment approach can be expected to have a level of portfolio volatility somewhat above that of a balanced portfolio. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Company Size Risk, Value Style Risk, Growth Stock Risk, Stock Market Risk, Interest Rate Risk, Credit Risk, Call Risk, Liquidity Risk, Asset-Backed Securities Risk, High Yield Securities Risk.*

**Balanced Equity - Domestic Income Strategy:** The primary focus of this strategy is to provide appreciation with some current income. The portfolio's return will be achieved primarily from equities, supplemented by a moderate allocation to fixed income securities. The equity emphasis will be primarily on income-oriented equities across all capitalization sizes from Canada, with smaller allocations to the United States and non-North American countries. This investment approach can be expected to have a level of portfolio volatility slightly above that of a balanced portfolio. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Company Size Risk, Value Style Risk, Growth Stock Risk, Stock Market Risk, Interest Rate Risk, Credit Risk, Liquidity Risk, Asset-Backed Securities Risk, High Yield Securities Risk.*

**Balanced - Domestic Income Strategy:** The primary focus of this strategy is to provide moderate growth of capital as well as current income. The emphasis will be on a balance of fixed income securities and equities. The equity emphasis will be primarily on income-oriented equities across all capitalization sizes from Canada, with smaller allocations to the United States and non-North American countries. This investment approach can be expected to have a level of portfolio volatility below that of equity markets and greater than that of fixed income markets.

*Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Company Size Risk, Value Style Risk, Growth Stock Risk, Stock Market Risk, Interest Rate Risk, Credit Risk, Call Risk, Liquidity Risk, Asset-Backed Securities Risk, High Yield Securities Risk.*

**Balanced Conservative - Domestic Income Strategy:** The primary focus of this strategy is to provide a balance between current income and long-term capital appreciation. The portfolio's return will be achieved primarily from fixed income securities, supplemented by a moderate allocation to equities. The equity emphasis will be primarily on income-oriented equities across all capitalization sizes from Canada, with smaller allocations to the United States and non-North American countries. This investment approach can be expected to have a level of portfolio volatility slightly below that of a balanced portfolio. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Company Size Risk, Value Style Risk, Growth Stock Risk, Stock Market Risk, Interest Rate Risk, Credit Risk, Call Risk, Liquidity Risk, Asset-Backed Securities Risk, High Yield Securities Risk.*

**Focused Conservative - Domestic Income Strategy:** The primary focus of this strategy is to provide current income while preserving capital. The portfolio's return will be achieved predominantly from fixed income securities, supplemented by a low allocation to equities. The equity emphasis will be primarily on income-oriented equities across all capitalization sizes from Canada, with smaller allocations to the United States and non-North American countries. This investment approach can be expected to have a level of portfolio volatility somewhat below that of a balanced portfolio. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Company Size Risk, Value Style Risk, Growth Stock Risk, Stock Market Risk, Interest Rate Risk, Credit Risk, Call Risk, Liquidity Risk, Asset-Backed Securities Risk, High Yield Securities Risk.*

**Fixed Income Strategy:** The primary focus of this strategy is to provide current income with an emphasis on preserving capital. The portfolio's return will be achieved predominantly by investing in fixed income securities. This investment approach can be expected to have a level of portfolio volatility significantly below that of a balanced portfolio. *Material Risks: Interest Rate Risk, Credit Risk, Call Risk, Liquidity Risk, Asset-Backed Securities Risk, High Yield Securities Risk, Mutual Fund Risk, Management & Strategy Risk, Asset Allocation Risk.*

**All Equity Strategy:** The primary focus of this strategy is to provide for long-term growth of capital. Providing for current income is not an investment objective. The portfolio's return will be achieved by investing in equities across all capitalization sizes from Canada, the United States and non-North American countries with, at times, differing geographic emphasis. This

investment approach can be expected to have a level of portfolio volatility significantly above that of a balanced portfolio. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Company Size Risk, Value Style Risk, Growth Stock Risk, Stock Market Risk.*

**Focused Equity Strategy:** The primary focus of this strategy is to provide capital appreciation with modest current income. The portfolio's return will be achieved predominantly from equities, supplemented by a low allocation to fixed income securities. The equity emphasis will be primarily on equities across all capitalization sizes from Canada, the United States and non-North American countries with, at times, differing geographic emphasis. This investment approach can be expected to have a level of portfolio volatility somewhat above that of a balanced portfolio. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Company Size Risk, Value Style Risk, Growth Stock Risk, Stock Market Risk, Interest Rate Risk, Credit Risk, Call Risk, Liquidity Risk, Asset-Backed Securities Risk, High Yield Securities Risk.*

**Balanced Equity Strategy:** The primary focus of this strategy is to provide capital appreciation with moderate current income. The portfolio's return will be achieved primarily from equities, supplemented by a moderate allocation to fixed income securities. The equity emphasis will be primarily on equities across all capitalization sizes from Canada, the United States and non-North American countries with, at times, differing geographic emphasis. This investment approach can be expected to have a level of portfolio volatility slightly above that of a balanced portfolio. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Company Size Risk, Value Style Risk, Growth Stock Risk, Stock Market Risk, Interest Rate Risk, Credit Risk, Call Risk, Liquidity Risk, Asset-Backed Securities Risk, High Yield Securities Risk.*

**Balanced Strategy:** The primary focus of this strategy is to provide moderate growth of capital as well as current income. The portfolio's return will be achieved from a balance of fixed income securities and equities. The equity emphasis will be primarily on equities across all capitalization sizes from Canada, the United States and non-North American countries with, at times, differing geographic emphasis. This investment approach can be expected to have a level of portfolio volatility below that of equity markets and greater than that of fixed income markets. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Company Size Risk, Value Style Risk, Growth Stock Risk, Stock Market Risk, Interest Rate Risk, Credit Risk, Call Risk, Liquidity Risk, Asset-Backed Securities Risk, High Yield Securities Risk.*

**All Equity - Global Strategy:** The primary focus of this strategy is to provide for long-term growth of capital. Providing for current income is not an investment objective. The portfolio's return will be achieved by investing in equities across all capitalization sizes from the United States and non-North American countries. This investment approach can be expected to have a level of portfolio volatility significantly above that of a balanced portfolio. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Company Size Risk, Value Style Risk, Growth Stock Risk, Stock Market Risk.*

**Focused Equity - Global Strategy:** The primary focus of this strategy is to provide capital appreciation with modest current income. The portfolio's return will be achieved predominantly from equities, supplemented by a low allocation to fixed income securities. The equity emphasis will be primarily on U.S. and non-North American equities across all capitalization sizes. This investment approach can be expected to have a level of portfolio volatility somewhat above that of a balanced portfolio. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Company Size Risk, Value Style Risk, Growth Stock Risk, Stock Market Risk, Interest Rate Risk, Credit Risk, Call Risk, Liquidity Risk, Asset-Backed Securities Risk, High Yield Securities Risk.*

**Balanced Equity - Global Strategy:** The primary focus of this strategy is to provide capital appreciation with moderate current income. The portfolio's return will be achieved primarily from equities, supplemented by a moderate allocation to fixed income securities. The equity emphasis will be primarily on U.S. and non-North American equities across all capitalization sizes. This investment approach can be expected to have a level of portfolio volatility slightly above that of a balanced portfolio. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Company Size Risk, Value Style Risk, Growth Stock Risk, Stock Market Risk, Interest Rate Risk, Credit Risk, Call Risk, Liquidity Risk, Asset-Backed Securities Risk, High Yield Securities Risk.*

**Balanced - Global Strategy:** The primary focus of this strategy is to provide moderate growth of capital as well as current income. The portfolio's return will be achieved from a balance of fixed income securities and equities. The equity emphasis will be primarily on U.S. and non-North American equities across all capitalization sizes. This investment approach can be expected to have a level of portfolio volatility below that of equity markets and greater than that of fixed income markets. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Company Size Risk, Value Style Risk, Growth Stock Risk, Stock Market Risk, Interest Rate Risk, Credit Risk, Call Risk, Liquidity Risk, Asset-Backed Securities Risk, High Yield Securities Risk.*

**All Equity - Domestic Strategy:** The primary focus of this strategy is to provide for long-term growth of capital. Providing for current income is not an investment objective. The portfolio's return will be achieved by investing in equities across all capitalization sizes from Canada, with smaller allocations to the United States and non-North American countries. This investment approach can be expected to have a level of portfolio volatility significantly above that of a balanced portfolio. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Company Size Risk, Value Style Risk, Growth Stock Risk, Stock Market Risk.*

**Focused Equity - Domestic Strategy:** The primary focus of this strategy is to provide capital appreciation with modest current income. The portfolio's return will be achieved predominantly from equities, supplemented by a low allocation to fixed income securities. The equity emphasis will be primarily on equities across all capitalization sizes from Canada, with smaller allocations to the United States and non-North American countries. This investment approach can be expected to have a level of portfolio volatility somewhat above that of a balanced portfolio. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Company Size Risk, Value Style Risk, Growth Stock Risk, Stock Market Risk, Interest Rate Risk, Credit Risk, Call Risk, Liquidity Risk, Asset-Backed Securities Risk, High Yield Securities Risk.*

**Balanced Equity - Domestic Strategy:** The primary focus of this strategy is to provide capital appreciation with moderate current income. The portfolio's return will be achieved primarily from equities, supplemented by a moderate allocation to fixed income securities. The equity emphasis will be primarily on equities across all capitalization sizes from Canada, with smaller allocations to the United States and non-North American countries. This investment approach can be expected to have a level of portfolio volatility slightly above that of a balanced portfolio. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Company Size Risk, Value Style Risk, Growth Stock Risk, Stock Market Risk, Interest Rate Risk, Credit Risk, Call Risk, Liquidity Risk, Asset-Backed Securities Risk, High Yield Securities Risk.*

**Balanced - Domestic Strategy:** The primary focus of this strategy is to provide moderate growth of capital as well as current income. The portfolio's return will be achieved primarily from fixed income securities, supplemented by a moderate allocation to equities. The equity emphasis will be primarily on equities across all capitalization sizes from Canada, with smaller allocations to the United States and non-North American countries. This investment approach can be expected to have a level of portfolio volatility below that of equity markets and greater than that of fixed income markets. *Material Risks: Asset Allocation Risk, Management & Strategy*

*Risk, Mutual Fund Risk, Foreign Investing Risk, Company Size Risk, Value Style Risk, Growth Stock Risk, Stock Market Risk, Interest Rate Risk, Credit Risk, Call Risk, Liquidity Risk, Asset-Backed Securities Risk, High Yield Securities Risk.*

## **(ii) Specialty / Single Asset Class Strategies**

**All Equity Strategy – Canadian:** The primary focus of this strategy is to provide for long term growth of capital. Providing for current income is not an investment objective. The investment emphasis will be on investing in medium and large capitalization Canadian companies. This investment approach can be expected to have a level of portfolio volatility significantly above that of a balanced portfolio. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Company Size Risk, Value Style Risk, Growth Stock Risk, Stock Market Risk.*

**All Equity Strategy - Diversified Yield:** The primary focus of this strategy is to provide income by investing primarily in a diversified portfolio of Canadian securities. The portfolio seeks to achieve its investment objective by investing primarily in Canadian common equities, preferred equity, real estate investment trusts, convertible debentures, and fixed income securities. This investment approach can be expected to have a level of portfolio volatility somewhat above that of a balanced portfolio. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Company Size Risk, Value Style Risk, Growth Stock Risk, Stock Market Risk, Interest Rate Risk, Credit Risk, Call Risk, Liquidity Risk, Asset-Backed Securities Risk, High Yield Risk.*

**All Equity Strategy - Canadian Small Cap:** The primary focus of this strategy is to provide above average capital growth over the long term by investing in small and mid-sized Canadian companies. Providing for current income is not an investment objective. This investment objective is associated with a high level of portfolio volatility, significantly above that of a balanced portfolio. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Company Size Risk, Value Style Risk, Growth Stock Risk, Stock Market Risk.*

**All Equity Strategy - U.S.:** The primary focus of this strategy is to provide for long term growth of capital. Providing for current income is not an investment objective. The investment emphasis will be on investing in medium and large capitalization U.S. companies. This investment approach can be expected to have a level of portfolio volatility significantly above that of a balanced portfolio. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Company Size Risk, Value Style Risk, Growth Stock Risk, Stock Market Risk.*

**All Equity Strategy - Non-North American:** The primary focus of this strategy is to provide for long term growth of capital. Providing for current income is not an investment objective. The investment emphasis will be on investing in medium and large capitalization non-North American companies. This investment approach can be expected to have a level of portfolio volatility significantly above that of a balanced portfolio. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Company Size Risk, Value Style Risk, Growth Stock Risk, Stock Market Risk.*

**Non-Traditional - Capital Appreciation Strategy:** The primary focus of this strategy is to provide above average capital growth over the long term. The portfolio will seek to achieve its investment objective by investing in one or a variety of non-traditional capital appreciation oriented instruments. This investment objective is associated with portfolio volatility significantly above that of a balanced portfolio. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Company Size Risk, Value Style Risk, Growth Stock Risk, Stock Market Risk.*

**Fixed Income Strategy – Canadian:** The primary focus of this strategy is to provide current income with an emphasis on preserving capital. The portfolio's return will be achieved predominantly by investing in Canadian fixed income securities. This investment approach can be expected to have portfolio volatility significantly below that of a balanced portfolio. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Interest Rate Risk, Credit Risk, Call Risk, Liquidity Risk, Asset-Backed Securities Risk, High Yield Securities Risk.*

**Fixed Income Strategy - U.S.:** The primary focus of this strategy is to provide current income with an emphasis on preserving capital. The portfolio's return will be achieved predominantly by investing in U.S. fixed income securities. This investment approach can be expected to have portfolio volatility significantly below that of a balanced portfolio. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Interest Rate Risk, Credit Risk, Call Risk, Liquidity Risk, Asset-Backed Securities Risk, High Yield Securities Risk.*

**Fixed Income Strategy - Non-North American:** The primary focus of this strategy is to provide current income with an emphasis on preserving capital. The portfolio's return will be achieved predominantly by investing in non-North American fixed income securities. This investment approach can be expected to have portfolio volatility significantly below that of a balanced portfolio. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Interest Rate Risk, Credit Risk, Call Risk, Liquidity Risk, Asset-Backed Securities Risk, High Yield Securities Risk.*

**Non Traditional - Capital Preservation Strategy:** The primary focus of this strategy is to preserve capital. The portfolio will seek to achieve its investment objective by investing in one or a variety of non-traditional capital preservation oriented instruments. This investment approach can be expected to have portfolio volatility significantly below that of a balanced portfolio. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Interest Rate Risk, Credit Risk, Call Risk, Liquidity Risk, Asset-Backed Securities Risk, High Yield Securities Risk.*

**Money Market Strategy – Canadian:** The primary focus of this strategy is to preserve capital and ensure liquidity as well as provide some income. The portfolio will seek to achieve its investment objective by investing primarily in high quality, low risk short-term debt instruments, such as Government of Canada and provincial treasury bills, bankers' acceptances, commercial paper and other short-term debt instruments issued by government and corporations in Canada. This investment approach can be expected to have portfolio volatility significantly below that of a balanced portfolio. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Interest Rate Risk, Credit Risk, Call Risk, Liquidity Risk, Asset-Backed Securities Risk, High Yield Securities Risk.*

**Money Market Strategy - U.S.:** The primary focus of this strategy is to preserve capital and ensure liquidity as well as provide some income. The portfolio will seek to achieve its investment objective by investing primarily in high quality, low risk short-term debt instruments, such as treasury bills, bankers' acceptances, commercial paper and other short-term debt instruments issued by governments and corporations in the United States. This investment approach can be expected to have portfolio volatility significantly below that of a balanced portfolio. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Interest Rate Risk, Credit Risk, Call Risk, Liquidity Risk, Asset-Backed Securities Risk, High Yield Securities Risk.*

**Money Market Strategy - Non-North American:** The primary focus of this strategy is to preserve capital and ensure liquidity as well as provide some income. The portfolio will seek to achieve its investment objective by investing primarily in high quality, low risk short-term debt instruments, such as treasury bills, bankers' acceptances, commercial paper and other short-term debt instruments issued by non-North American governments and corporations. This investment approach can be expected to have portfolio volatility significantly below that of a balanced portfolio. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Interest Rate Risk, Credit Risk, Call Risk, Liquidity Risk, Asset-Backed Securities Risk, High Yield Securities Risk.*

**Guaranteed Income Stream Strategy:** The primary focus of this strategy is to preserve capital and provide current income. The portfolio will seek to achieve its investment objective by investing primarily in a diversified mix of high yielding, high quality securities, which may include guaranteed investment certificates, low risk short-term debt instruments, such as treasury bills, bankers' acceptances, commercial paper and other short-term debt instruments, and capital preservation oriented investments vehicles. This investment approach can be expected to have portfolio volatility significantly below that of a balanced portfolio. *Material Risks: Asset Allocation Risk, Management & Strategy Risk, Mutual Fund Risk, Foreign Investing Risk, Interest Rate Risk, Credit Risk, Liquidity Risk.*

### **C. Risk of Loss**

All investments have some level and type of risk. Simply put, risk is the possibility the client will lose money, or not make money, on the investment. Generally, the higher an investment's anticipated return, the greater the risk the client must be prepared to take. Strategies involving frequent trading can affect investment performance. The following summarizes the range of potential risks generally associated with investing. Not all of the risks outlined below apply to all investment strategies.

The nature of the securities to be purchased and traded and the investment techniques and strategies to be employed in an effort to generate risk-adjusted investment returns may increase this risk with respect to the portfolio. Many unforeseeable events, including actions by various government agencies and domestic and international political events, may cause significant market fluctuations. Common types of investment risks that may be applicable to a portfolio of securities include, but are not limited to the following:

- BPIC utilizes a number of investment strategies that focus on Canadian securities. U.S. resident clients should be aware that investments in non-U.S. securities involve additional risks resulting from different reporting standards and regulatory requirements, the amount and reliability of publicly available information, and the volume and liquidity of some non-U.S. stock and bond markets.
- The value of securities denominated in a non-U.S. currency is affected by changes in non-U.S. currency rates or the imposition of non-U.S. exchange controls.
- An issuer of a fixed income security may be unable to make interest payments or pay back the original investment.
- A high concentration of assets in a single or small number of issuers may reduce diversification and liquidity within a portfolio and increase its volatility.
- Equity securities are affected by stock market movements, and equity securities of certain companies or companies within a particular industry sector may fluctuate differently from the overall stock market because of changes in the outlook for those

- individual companies or the particular industry.
- The value of a portfolio that invests in bonds, mortgages and other income-producing securities is affected by changes in the general level of interest rates.

In addition to the foregoing risks associated with investing in securities, the use of derivatives (such as futures, forwards or options) that BPIC may use in the Private Portfolios involves certain other risks. However, as noted above, the Private Portfolios will not be sold to BPIC's U.S. clients. U.S. resident clients who were previously resident in Canada may continue to hold the Private Portfolios in their account. Accordingly, any derivatives in a Private Portfolio held by a U.S. resident client would have been purchased while the client was resident in Canada.

BPIC clients should be prepared to bear investment risks.

**Asset Allocation Risk:** Rather than focusing primarily on securities selection, BPIC attempts to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance; however, a risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to capital markets movement and, if not rebalanced, will no longer be appropriate for the client's goals. BPIC engages in asset allocation rebalancing as necessary.

**Management and Strategy Risks:** As with any investment, there is no assurance that a portfolio will achieve its investment objective. The ability of a portfolio to meet its investment objective is directly related to the investment strategy for the portfolio. The investment process used could fail to achieve the portfolio's investment objective and cause investments to lose value.

**Mutual Fund Risks:** The Private Portfolios are not registered for sale to U.S. resident clients; however, U.S. residents may be invested in the Private Portfolios if purchased while resident in Canada. Mutual funds are subject to investment advisory, transactional, operating and other expenses. Each mutual fund is subject to specific risks, depending on its investments. The value of mutual funds' investments and the net asset value of mutual funds' units will fluctuate in response to changes in market and economic conditions, as well as the financial condition and prospects of securing issuing companies and other investments in which the funds invest.

**Stock Market Risks:** Investments in equity securities are subject to fluctuations in the stock market, which has periods of increasing and decreasing values. Stocks are historically more volatile than debt securities.

**Growth Stock Risks:** A growth stock's revenues and earnings are expected to increase at a faster rate than the average company within the same industry or the overall market. Due to their relatively high valuations, growth stocks are typically more volatile than value stocks. Further, growth stocks may not pay dividends or may pay lower dividends than value stocks. This means they depend more on price changes for returns and may be more adversely affected in a down market compared to value stocks that pay higher dividends.

**Value Style Risks:** Value stocks are generally priced lower than stocks of similar companies in the same industry and may be undervalued. Investments in value stocks are subject to the risk that their intrinsic values may never be realized by the market, that a stock judged to be undervalued may actually be appropriately priced, or that their prices may decline, even though in theory they are already undervalued. Value stocks can react differently than expected to issuer, political, market and economic developments than the market as a whole and other types of stocks (i.e., growth stocks).

**Company Size Risks:** Generally, a company with smaller market capitalization has fewer shares traded daily, making the stock less liquid and its price more volatile. Companies with smaller market capitalizations also tend to have unproven track records, a limited product or service base and a limited access to capital. These factors increase the risk that these companies are more likely to fail than companies with larger market capitalizations.

**Foreign Investing Risks:** Investments in foreign companies and markets carry a number economic, financial and political considerations that are not associated with the U.S. companies and markets, which could unfavorably affect portfolio performance. The potential risks are greater price volatility, weak supervision and regulation of securities exchanges, brokers and issuers, high brokerage costs, fluctuation in foreign currency exchange rates and related conversion costs, adverse tax consequences, and settlement delays.

**Interest Rate Risks:** Prices of fixed income securities rise and fall in response to changes in the interest rate paid by similar securities. Generally, when interest rates rise, prices of fixed income securities fall. Fixed income securities with longer maturities are more affected by interest rate changes.

**Credit Risks:** Credit risk is the possibility that an issuer or counterparty will default on a security or repurchase agreement by failing to pay interest or principal when it is due. If an issuer defaults, a fund holding securities of that issuer may lose money. Fixed income securities with higher credit risk typically have lower credit ratings, and at a certain rating level are considered speculative. Bonds that are rated BB+, Ba1 or lower have speculative characteristics.

**Call Risks:** Fixed income securities with an embedded call option feature may be redeemed (or “called”) by the issuer before maturity (“callable bonds”). A portfolio that invests in callable bonds that are called may have to reinvest the proceeds in securities that pay a lower interest rate, which may decrease the portfolio’s overall yield. This will most likely happen when interest rates are declining.

**Liquidity Risks:** Liquidity risk refers to the possibility that a portfolio may not be able to sell or buy a security or close out an investment contract at a favorable price or time. Consequently, the portfolio may have to accept a lower price to sell a security, sell other securities to raise cash or give up an investment opportunity, any of which could have a negative effect on the portfolio’s performance. Infrequent trading of certain securities may lead to an increase in their price volatility.

**Asset-Backed/Mortgage-Backed Securities Risks:** Asset-backed and mortgage-backed securities are subject to risks of prepayment. A portfolio’s yield will be reduced if cash from prepaid securities is reinvested in securities with lower interest rates. The risk of prepayment also may decrease the value of mortgage-backed securities. Both of these types of securities may decline in value because of mortgage foreclosures or defaults on the underlying obligations. Credit risk is greater for mortgage-backed securities that are subordinate to another security.

**High Yield Securities Risks:** Low rated/high yield securities tend to be more sensitive to economic conditions than higher-rated securities and generally involve more credit risk than securities in the higher-rated categories. The risk of loss due to default by an issuer of low rated/high yield securities is significantly greater than issuers of higher-rated securities because such securities are generally unsecured and are often subordinated to other creditors. Low rated/high yield securities may also have liquidity risk. A portfolio may have difficulty disposing of certain low rated/high yield securities because there may be a thin trading market for these securities.

**Concentration Risk:** The market value of an individual security may be more volatile than the market as a whole. As a result, if an individual security represents all or a significant portion of the market value of a client’s portfolio or assets, changes in the market value of that security may cause greater fluctuations in the portfolio value than would normally be the case. The value of a security may increase or decrease for a number of reasons that directly relate to the issuer of the individual security, such as management performance, financial leverage and reduced demand for the issuer’s goods or services.

**Indexing Risk:** Client portfolios may be invested in exchange traded funds (“ETFs”). ETFs use a variety of indexing strategies that involve tracking the performance of an index by tracking the

performance of the investments included in the index. ETFs are unlikely to track an index perfectly because indices do not have operating or trading costs but ETFs do, which lower returns. An ETF that focuses on a particular index will be more volatile than an ETF that invests in a variety of indices because prices of securities on the same index tend to move up and down together. If required by its investment objectives, an ETF must continue to invest in the securities of the index, even if the index is performing poorly, which means that the ETF will not be able to reduce risk by diversifying its investments on other indices. If the market upon which the index is based is not open, an ETF may be unable to determine its net asset value per security, and so may be unable to satisfy redemption requests.

### **Item 9 – Disciplinary Information**

BPIC is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation and the integrity of BPIC.

On December 15, 2016, the Ontario Securities Commission ("OSC") issued an order approving a settlement agreement entered into on a no contest basis (the "Settlement Agreement") between the staff of the OSC and BPIC, BMO Nesbitt Burns Inc., BMO Investments Inc. and BMO InvestorLine Inc. (collectively, the "BMO Registrants"). The OSC staff alleged that there were inadequacies in the BMO Registrants' systems of controls and supervision that formed part of their compliance system, which resulted in certain clients of the BMO Registrants paying, directly or indirectly, excess fees that were not detected or corrected in a timely manner. The BMO Registrants did not make any admissions regarding the allegations and the OSC did not issue any fines or penalties; however, as part of the Settlement Agreement, the BMO Registrants undertook to pay C\$49,885,661 in compensation to affected clients and a total of C\$2,190,000 in voluntary payments to be used to cover the OSC's costs and to be allocated by the OSC to third parties or itself for the purpose of promoting financial literacy.

### **Item 10 – Other Financial Industry Activities and Affiliations**

BPIC holds several registrations with Canadian securities regulatory authorities. Specifically, BPIC is registered as:

- A Portfolio Manager in all Canadian jurisdictions (which permits BPIC to act as an adviser in respect of any security);
- An Investment Fund Manager in the provinces of Newfoundland and Labrador, Ontario and Quebec (which permits BPIC to direct the business, operations or affairs of an investment fund);
- An Exempt Market Dealer in all Canadian jurisdictions (which permits BPIC to act as a dealer in Canada for securities distributed under an exemption from the prospectus requirement);

- A Commodity Trading Counsel and Commodity Trading Manager in Ontario (which permits BPIC to trade in and advise with respect to investing in commodity futures contracts and options);
- A Derivatives Portfolio Manager in Quebec (which permits BPIC to act as an adviser in respect of derivatives); and
- A Financial Planner in Quebec (which permits BPIC to provide financial planning services).

Investment Counsellors with BPIC are individually registered with their provincial securities commissions.

### **BPIC Relationships with Affiliates**

BPIC has several relationships with BPIC affiliates that may be material to its advisory business. As discussed more fully in Item 15 below, BMO Trust Company serves as the custodian for BPIC's client assets. BMO Trust Company employs BMO Nesbitt Burns Inc. (an affiliate of both BPIC and BMO Trust Company) as a sub-custodian to hold possession of BPIC's assets. The institutional trading desk of BMO Nesbitt Burns Inc. may act as the broker in executing a number of BPIC client transactions but it is not the sole broker. BPIC client transactions may also be processed through external brokers independent of BMO Nesbitt Burns Inc. BMO Nesbitt Burns Inc. is the only affiliated broker that BPIC currently engages for client transactions. BPIC clients pay an additional brokerage commission fee that will go to the broker including to a BPIC affiliate when the affiliate is the broker. While BPIC does not consider BMO Nesbitt Burns Inc. a preferred broker, nor does it use any preferred broker, in 2016, 21% of commissions paid by BPIC went to BMO Nesbitt Burns Inc. because it offered the most favorable prices available. For more information on Brokerage Practices see Item 12 below.

As required, any affiliated investment advisors and financial institutions are disclosed in section 7.A. on Schedule D of Form ADV, Part 1. (Part 1 of BPIC's Form ADV can be accessed by following the directions provided on the cover page of this Firm Brochure).

### **Related Persons**

Where BPIC advises a client or exercises discretion on a client's behalf with respect to securities issued by BPIC or a related party in the course of distribution, BPIC must disclose to the client BPIC's relationship with the issuer of the securities. The information below includes explanations and categorized lists of BPIC's material relationships with related persons.

## **Bank of Montreal**

As noted above, BPIC is a wholly-owned indirect subsidiary of Bank of Montreal (“BMO”), a reporting issuer with securities listed and trading on the Toronto Stock Exchange and the New York Stock Exchange. BMO is considered to be a related party to BPIC because it is the owner of BMO Nesbitt Burns Inc. which, as disclosed above, is the parent corporation of BPIC. Accordingly, where BMO securities are being distributed to the public it would be considered to be a related party under securities laws.

Although BPIC is a subsidiary of BMO, it is a separate corporation. This means that securities sold by BPIC (unless BPIC informs the client otherwise concerning a specific security) are a) not insured by any government deposit insurer, b) not guaranteed by BMO, and c) subject to fluctuations in market values.

## **Other Affiliated Investment Advisors, Insurance Companies, and Institutions**

BPIC uses both affiliated and third party subadvisors. The majority of BPIC’s subadvisors are affiliated subadvisors. Some of the benefits to BPIC using affiliated subadvisors include familiarity with the affiliated portfolio managers and easy access to research. Further, these affiliated subadvisors frequently offer very competitive cost rates, which are passed on to BPIC’s clients. BPIC and BPIC Investment Counsellors are not obligated to use affiliated subadvisors and do not receive additional compensation when either chooses to do so. The following are categorized lists of BPIC’s affiliated subadvisors and other related entities.

BPIC affiliates that are registered with the Securities Exchange Commission as Registered Investment Advisors include:

- BMO Asset Management Corp.
- BMO Capital Market Corp.
- BMO Global Asset Management (Asia) Limited
- BMO Harris Financial Advisors, Inc.
- CTC myCFO, LLC
- F&C Management Limited
- LGM Investments Limited
- Lloyd George Investment Management (Bermuda) Ltd.
- Monegy, Inc.
- Pyrford International Limited
- Stoker Ostler Wealth Advisors, Inc.
- Taplin, Canida & Habacht, LLC
- BMO Nesbitt Burns Securities Ltd. (CRD 281337)

BPIC affiliates that are registered with the Ontario Securities Commission and that are not listed above include:

- BMO Asset Management Inc.
- BMO Investments Inc.
- BMO Estate Insurance Advisory Services Inc. (formerly, BMO Nesbitt Burns Financial Services Inc.)

BPIC affiliates that are approved persons with the U.K. Financial Conduct Authority and that are not listed above include:

- Bank of Montreal
- BMO Capital Markets Limited
- BMO Rep Asset Management plc
- F&C Asset Managers Ltd
- F&C Investment Business Limited
- F&C Managed Pension Funds Limited
- F&C Managers Limited
- Thames River Capital LLP
- Thames River Multi-Capital LLP

BPIC affiliates that are registered with the Financial Industry Regulatory Authority and that are not listed above include:

- BMO Investment Distributors, LLC
- BMO Nesbitt Burns Securities Ltd. (CRD 44057)

Other BPIC affiliates that are not listed above include:

- BMO Nesbitt Burns Inc. (Canadian Broker Dealer)
- BMO Harris Bank, N.A. (Qualified Custodian)
- BMO Trust Company (Qualified Custodian)

### **Affiliated Issuers and Mutual Funds**

Generally, where an Investment Strategy includes a fund or structured product, the fund or structured product will be a BPIC proprietary product or BPIC affiliate product. Notwithstanding the foregoing, the Investment Strategy may also include third party funds and structured products at BPIC's discretion. The following entities are issuers and mutual funds that may be considered to be affiliated with BPIC:

- BMO Mutual Funds group of funds because they are managed and distributed by BPIC's affiliate, BMO Investments Inc.;
- BMO ETFs and BMO Pooled Funds because they are managed and administered by

BPIC's affiliate, BMO Asset Management Inc.;

- Private Portfolios because they are managed by BPIC;
- DoubleLine Income Solutions Trust because it is promoted, managed and administered by BPIC's affiliate, BMO Nesbitt Burns Inc. and BPIC's affiliate, BMO Asset Management Inc., provides certain valuation and fund accounting services to this investment fund;
- Global Alpha Worldwide Growth Fund which is promoted, managed and administered by BPIC's affiliate, BMO Nesbitt Burns Inc., and BPIC's affiliate, BMO Asset Management Inc. provides certain valuation and fund accounting services;
- Global Water Solutions Fund which is promoted, managed and administered by BPIC's affiliate, BMO Nesbitt Burns Inc., and BPIC's affiliate BMO Asset Management Inc. provides certain valuation and fund accounting services;
- PineBridge Investment Grade Preferred Securities Fund because it is promoted, managed and administered by BPIC's affiliate, BMO Nesbitt Burns Inc. and BPIC's affiliate, BMO Asset Management Inc., provides certain valuation and fund accounting services to this investment fund;
- Star Yield Managed Trust because it is managed and administered by BPIC's affiliate, BMO Nesbitt Burns Inc. and BPIC's affiliate, BMO Asset Management Inc., provides certain valuation and fund accounting services to this investment fund;
- U.S. Housing Recovery Fund because it is promoted, managed and administered by BPIC's affiliate, BMO Nesbitt Burns Inc. and BPIC's affiliate, BMO Asset Management Inc., provides certain valuation and fund accounting services to this investment fund;
- BMO Nesbitt Burns Inc. is an influential securityholder of Virtus Investment Partners Inc.

Additionally, the following affiliates (which are also listed above) are portfolio managers and/or subadvisors to certain of the above-listed mutual funds and flow-through limited partnerships:

- BMO Asset Management Inc.
- BMO Asset Management Corp.
- BMO Capital Markets Corp.
- BMO Global Asset Management (Asia) Limited
- F&C Management Limited
- LGM Investments Limited
- Taplin, Canida & Habacht, LLC
- Pyrford International Limited
- Money, Inc.

### **Related Registrants**

BMO is the principal shareholder of the following Canadian registrants:

- BMO Asset Management Inc.

- BMO Financial Advisors, Inc.
- BMO Nesbitt Burns Inc.
- BMO Investments Inc.
- BMO InvestorLine Inc.

### **Related Officers & Directors**

Further, certain of BPIC's officers and directors are also directors and officers of affiliated entities. The following is a list of BPIC affiliates with officers and directors in-common:

- A member of BPIC's Board of Directors is also the Chair of the Board of Directors of BMO Global Tax Advantage Funds Inc., BMO Monthly Dividend Fund Ltd., and LGM (Bermuda) Limited.
- The Chair of the Board of Directors of BPIC is also the Chair of the Board of Directors of BMO Life Assurance Company, BMO Life Insurance Company, and BMO Trust Company.
- A member of BPIC's Board of Directors is also a member of the Board of Directors of BMO Trustee Asia Limited.
- The Chief Operating Officer of BMO Private Banking is a member of the Board of Directors of Bank of Montreal Mortgage Corporation, BMO Corporate Services Asia Limited, and BMO Trustee Asia Limited.

In connection with BPIC's ongoing business activities, BPIC obtains or provides management, administrative, referral and/or other services from or to the following affiliates (which are listed above):

- Bank of Montreal
- BMO Asset Management Inc.
- BMO Asset Management Corp.
- BMO Capital Market Corp.
- BMO Capital Markets Limited
- BMO Financial Advisors, Inc.
- BMO Nesbitt Burns Inc.
- BMO Estate Insurance Advisory Services Inc. (formerly, BMO Nesbitt Burns Financial Services Inc.)
- BMO Investments Inc.
- BMO InvestorLine Inc.
- BMO Nesbitt Burns Securities Ltd.
- Money, Inc.

### **How BPIC Addresses Conflicts of Interest**

BPIC puts the interest of its clients first as part of BPIC's fiduciary duty as a registered investment adviser. BPIC takes the following steps, among others, to address any conflicts:

- Disclose to clients the existence of all material conflicts of interest;
- Disclose to clients that they may set up restrictions around any securities they do not wish to include in their portfolio;
- Collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance to ensure the client's investments are suitable and in-line with the client's expectations;
- Conduct regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- Require employees to seek prior approval of any outside employment activity so that BPIC may ensure that any conflicts of interest in such activities are properly addressed;
- Monitor outside employment activities to verify that any conflicts of interest continue to be addressed by the Firm properly; and
- Educate BPIC's employees on ethics through BPIC's Ethics, Legal & Compliance training.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### *Code of Ethics*

BPIC has adopted the BMO Code of Ethics that sets forth the basic policies and ethical conduct standards for all employees. The purpose of the Code of Ethics is to ensure that BMO employees act with a high standard of integrity to deliver fair treatment of clients. The Code of Ethics also requires all employees to comply with all corporate policies, corporate standards, subsidiary policies and operating procedures or directives.

### *Participation or Interest in Client Transactions*

As indicated in Item 10 "Other Financial Industry Activities and Affiliations" of this Brochure, it is possible that BPIC or one of its affiliates purchases or sells securities that BPIC also recommends for clients. It is possible that other related parties also recommend, purchase, or sell the same securities, thus sharing in the profits and losses of those assets.

BPIC maintains comprehensive policies and procedures regarding what should happen when BPIC purchases securities for one of its client's accounts that have been issued by an affiliated entity. Among other requirements, such purchases must be consistent with, or necessary to meet, the client's investment objective. In addition, the purchase must be free from any influence by the affiliated issuer, without taking into account any consideration relevant to the affiliate or any of BPIC's other affiliates. It must also be the opinion of BPIC that the purchase achieves a fair and reasonable result for the client's portfolio.

BPIC believes that its policies, procedures, and controls are reasonably designed to ensure that any resultant conflicts of interest are addressed appropriately.

### *Personal Trading*

BPIC's policies describe its fiduciary duties and obligations to clients and set forth its practice of supervising the personal securities transactions of employees who have access to client information. The policies include provisions relating to the confidentiality of client information and a prohibition on insider trading.

The Code of Ethics requires employees to avoid any situation in which their personal interests conflict with their duties to BPIC. BPIC's policies require all employees to abide by special rules regarding personal securities transactions. Employees must not use any non-public information about clients for their direct or indirect personal benefit or in a manner that would not be in the best interest of BPIC's clients. Employees must also not use their position at BPIC to obtain special treatment or investment opportunities not generally available to BPIC clients or the public. In addition, all employees are subject to personal trading restrictions which may require prior approval from BPIC prior to making trades in their personal securities accounts (unless the class of securities that is traded has specifically been exempted from this requirement by BPIC).

Specifically, the Code of Ethics states as follows:

#### **Personal trading in securities**

- Do not engage in trading activities that abuse or undermine the integrity of the capital markets.
- Do not use inside information or share it with others. Do not trade securities (including BMO securities) based on material, non-public information - that is, information which could have a significant effect on the market price or value of a security. These actions violate securities regulations, as well as BPIC's Code of Conduct.
- Do not spread rumors to manipulate a security price. Do not engage in market timing of securities and mutual funds.
- Comply with BMO's internal trading policies

BPIC reviews, on a regular basis, reports of all securities transactions made in employees' personal securities accounts to identify, detect and resolve potential conflicts of interest.

All personnel must acknowledge the terms of the Code of Ethics at least annually, or as the Code of Ethics is amended. Any employee found to have violated the Code of Ethics may be subject to disciplinary actions, including dismissal, and additional punishment under governing laws, if applicable.

Clients or prospective clients may request a copy of BPIC's Code of Ethics by contacting their local BMO branch or their personal Investment Counsellor.

## **Item 12 – Brokerage Practices**

BPIC has the discretionary authority, within client-imposed restrictions, to determine the securities to be bought and sold and the timing and amount of all trades. Client limitations or restrictions on investments are documented in the client's Investment Policy Statement ("IPS") which is agreed to and signed by both BPIC and the client.

Generally, securities are bought and sold through brokers or dealers selected by BPIC. It is BPIC's general policy that all securities transactions must be executed with a broker on BPIC's approved list of brokers. If a security is only available through a broker or dealer that is not on the approved list, specific approval to execute the transaction through such broker or dealer must be obtained.

While BPIC does not use a preferred broker, in 2016, 21% of commissions paid by BPIC went to an affiliate, BMO Nesbitt Burns Inc., because it offered the most favorable prices available. When BPIC is given discretion to choose a broker or dealer, it endeavors to obtain the most favorable prices available for the client. In approving broker-dealers for its clients' trades, BPIC considers, among other factors, financial and operational integrity and the quality and reliability of execution. BPIC selects broker-dealers for each trade based on its ability to obtain the "best execution" for its clients. BPIC considers, among other things, transaction price, size of the order, access to liquidity, certainty, speed, quality of execution, trading characteristics of the security involved, and the broker or dealer's ability to execute a large trade without moving the market. In some instances, however, clients may direct BPIC to place trades through or with a particular broker or dealer and in such cases BPIC may not be able to obtain the best pricing or execution.

BPIC does not utilize "soft dollars" in relation to trading or brokerage activities for U.S. clients.

BPIC will aggregate the purchase or sale of securities for various client accounts and certain of its Private Portfolios, also referred to as "block trading" in order to ensure fair allocation of purchase or sale price to all BPIC clients.

## **Item 13 – Review of Accounts**

BPIC's policy is that, on an annual basis, the Investment Counsellors will establish and review with the client, the investment objectives, restrictions and income requirements of the account(s) in order to develop an appropriate investment strategy for the client. During this review, the types of securities and asset mixes held in client accounts are reviewed. BPIC invests all U.S. resident clients in SMAs. These SMAs invest in separate securities and instruments that are recorded on the books and records of BPIC and the custodian, BMO Trust Company, as held for each respective client's account.

BPIC's Investment Counsellors monitor reports relating to SMAs on a daily basis.

In addition, depending on the nature of the account, Investment Counsellors review their client's transaction reports daily, and their client accounts at least annually or as otherwise required by the client relationship. Investment Counsellors look at transaction and cash balances daily, the asset mix of their client accounts weekly, and the overall suitability of the investment mandate for each client annually. On an annual basis (or more frequently if desired by the client) the Investment Counsellor contacts each client to set up a meeting to review their investment objectives, account restrictions, income requirements, and financial position. The client and the investment counselor then use this information to amend BPIC's investment strategy for the client's account, if necessary. If an investment strategy is amended, the client will be given a new IPS to approve and sign.

Clients receive a monthly or quarterly account statement report that summarizes the performance of their account during the immediately preceding month or quarter, as selected by the client. In addition, clients will receive annual reports on performance as well as fees and compensation. The custodian for each client's account maintains the official record for the account and delivers, on behalf of the custodian and BPIC, a joint account statement to the client and/or the client's designated agent. BPIC urges clients to carefully review such statements and compare their custodial records with any additional portfolio or performance reports that BPIC may sometimes provide to clients. Please note, however, that BPIC's reports may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities. Any questions regarding client statements should be directed to the client's Investment Counsellor.

## **Item 14 – Client Referrals and Other Compensation**

BPIC abides by all regulatory requirements and BPIC Policies and Procedures when entering into a referral arrangement. BPIC has internal referral arrangements between BPIC and other BMO Financial Group entities, and external arrangements between BPIC and third parties. BPIC's third party referral arrangements include an agreement to pay a referral fee in respect of a referred client.

### **Referral Arrangements with other BMO Financial Group Entities**

Clients (and prospective clients) receive disclosure in writing prior to BPIC opening the client's account or providing services to the referred client, including the name of each party to the referral agreement, the terms of the referral arrangement, a description of any associated conflicts of interest generated by the referral arrangement, the amount of the referral fee and how it is calculated, the registration category of each registrant that is a party to the agreement and the activities that they may undertake or are prohibited from, and any other information that a reasonable person would consider important in evaluating a referral arrangement. If a referral is made to a registrant, the disclosure will also include a statement that all activity

requiring registration under securities laws will be performed by an entity with the appropriate registrations. BPIC provides the disclosures in the BPIC Terms and Conditions booklet which accompanies each BPIC client Account Opening Form or in a separate client disclosure document.

### **External Referrals**

BPIC is currently a party to two separate referral agreements. It has been BPIC's historical practice to permit external referral arrangements with Canadian resident clients.

Existing referral arrangements:

- 1) Executive Solutions Inc. ("ESI")** – For client referrals from ESI to BPIC (this arrangement does not apply to referrals to any other BMO legal entity) BPIC pays ESI the lesser of a) 15% of the annual management fees received by BPIC during the 12 month period commencing on the date the new client account is opened solely for new AUM; or b) \$50,000 CAD per client relationship.
- 2) GNR Cabinet en assurance de personnes Inc. ("GCI")** – For client referrals from GCI to BPIC (this arrangement does not apply to referrals to any other BMO legal entity) BPIC pays GSI 15% of the fee revenue collected by BPIC from the referred client.

For existing referral arrangements with third parties, a client disclosure document is prepared which includes all disclosures listed above (the "Client Disclosure Document"). This Client Disclosure Document is provided to all prospective clients referred to BPIC before BPIC opens the client's account or provides any service to the client. The terms of both referral arrangements are set out in a written agreement.

The referral payments made under the agreements listed above are made at BPIC's expense and do not result in any additional fee to BPIC's clients.

### **Changes to Referral Arrangements**

Periodically, the existing referral arrangements are reviewed to determine whether they are in the best interests of BPIC and its clients to continue the relationship. If BPIC is no longer satisfied with the referral arrangement it will recommend the amendment or termination of the referral arrangement. In the event of a change to a referral agreement, each client affected by the change is notified as soon as possible and no later than 30 days before the date on which a referral fee is next paid or received.

### **Referral Payments**

Any payments made by BPIC to other entities for clients referred by such entities are made at BPIC's expense and do not result in any additional fee to BPIC's clients. If BPIC agrees to pay a

referral fee in any form, directly or indirectly, the terms of the referral arrangement must be set out in a written agreement prior to the referral being made in accordance with regulatory requirements.

In addition, where BPIC receives affiliate-generated referrals, payments by BPIC to such affiliates are made at BPIC's own expense and do not result in any additional fee to its clients. Clients (and prospective clients) are given notice of these referral arrangements.

### **Item 15 – Custody**

Unless the client has entered into an agreement with another custodian that is satisfactory to BPIC, BPIC will assist the client in arranging for a qualified custodian to take physical possession of the client's funds and securities for safekeeping.

BPIC typically assists its clients by arranging for its affiliate, BMO Trust Company, to act as custodian of clients' funds and securities. BMO Trust Company employs BPIC's direct owner, BMO Nesbitt Burns Inc., as a sub-custodian for the client assets. Because a BPIC affiliate is custodian of client funds and securities, BMO Trust Company and BMO Nesbitt Burns Inc., BPIC has engaged an independent public accountant that is registered with and subject to regular inspection by the Public Company Accounting Oversight Board ("PCAOB") to perform a surprise annual examination of the client assets held by these affiliated custodians.

BPIC clients whose assets are custodied with BMO Trust Company receive joint account statements on at least a quarterly basis. BPIC urges clients to carefully review such statements and advise their Investment Counsellor if any item(s) on the statement appears incorrect.

### **Item 16 – Investment Discretion**

BPIC receives discretionary management authority from each client at the outset of an advisory relationship. All BPIC clients execute an Acknowledgment & Agreement in the BPIC Account Opening Form, which authorizes BPIC to manage their assets including to the power to buy, sell, exchange and otherwise deal in all securities/investments. BPIC may, in its sole discretion, directly or indirectly, purchase, sell, exchange, convert, and otherwise trade the securities and other permitted investments in a client's account.

In exercising its discretion with respect to a client's account, BPIC will consider the client's financial background and investment knowledge, as well as the client's investment objectives, investment limitations and any other restrictions that have been outlined by the client.

Clients may impose reasonable restrictions on the management of their accounts, including instructions that particular securities should not be purchased for the accounts. BPIC may deviate from investment decisions that it would otherwise make in managing an account as a result of any restrictions imposed. For example, money may be kept as cash in the accounts

that would otherwise be invested in restricted securities.

BPIC may place securities transactions through the securities dealers of its choice, including a securities dealer with which it is affiliated, and such transactions may include those where the dealer acts as principal. As stated in Item 12 above, while BPIC does not use a preferred broker, in 2016, 21% of commissions paid by BPIC went to BPIC's affiliate, BMO Nesbitt Burns Inc., because it offered the most favorable prices available. When BPIC is given discretion to choose a broker or dealer, it endeavors to obtain the most favorable prices available for the client.

### **Item 17 – Voting Client Securities**

All BPIC clients are given, and acknowledge receipt of, a copy of BPIC's terms & conditions, which state that BPIC may, in its sole discretion, exercise the right to vote a proxy or enlist another company to vote the proxy in respect of securities. Where BPIC assets are sub-advised, generally proxies are voted by BPIC's subadvisors. Any exercise of voting rights by either BPIC or its subadvisors will be made in the best interests of BPIC's clients. If BPIC or its subadvisors decide to vote a proxy, it will consider each side of the proxy at issue.

BPIC has adopted and implemented written policies and procedures that are designed to ensure that client securities are voted in the best economic interests of its clients. These policies and procedures are followed by BPIC in determining how BPIC or its subadvisors will vote on certain matters. All proxy issues are considered on their own merits and voting decisions take into account the particular circumstances involved.

Clients who wish to direct their vote in a particular solicitation, may do so by submitting their specific request in writing and sending it directly to their Investment Counsellor.

BPIC also has procedures in place to identify potential conflicts of interest. When BPIC or its subadvisor becomes aware of any vote that presents a conflict, BPIC or its subadvisor will vote such proxy in a manner consistent with, and uninfluenced by the best interests of BPIC's clients. BPIC and its subadvisors vote on proxy matters in accordance with its written policies and procedures, independently of any interest BPIC or any of its affiliates may have in the proposal. A conflict of interest may exist if BPIC, its personnel, or another related entity has a business relationship with (or is actively soliciting business from) either the company soliciting the proxy or a third party that has a material interest in the outcome of a proxy vote or that is actively lobbying for a particular outcome of a proxy vote. Individual conflicts of interest also may arise if the portfolio manager involved in the proxy voting decision has a direct or indirect material personal relationship or other material interest in either the company soliciting the proxy or in a third party that has a material interest in the outcome of a proxy vote or that is lobbying for a particular outcome of a proxy vote.

Any proxy vote that pertains to Bank of Montreal or its affiliates will be made free from any influence by Bank of Montreal or any affiliate or associate thereof and shall represent the business judgment of the BPIC portfolio manager, uninfluenced by considerations other than the best interests of BPIC clients in accordance with BPIC's policies and procedures. BPIC will hold all of its subadvisors to this same standard.

Clients or prospective clients may request a copy of BPIC's Proxy Voting Policy or learn how proxies were voted in respect of their account by contacting their Investment Counsellor.

### **Item 18 – Financial Information**

BPIC does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

BPIC has no financial commitment that is reasonably likely to impair its ability to meet contractual and fiduciary commitments to clients.

BPIC has not been the subject of a bankruptcy petition at any time during the past ten years.