

# **LGM Investments Limited**

## **Part 2A of Form ADV: Firm Brochure**

January 2021

LGM Investments Limited is registered in the United States as an investment adviser with the United States Securities and Exchange Commission. Registration does not imply a certain level of skill or training.

**This brochure provides information about the qualifications and business practices of LGM Investments Limited. If you have any questions about the contents of this brochure, please contact us at +44 (0) 20 7628 8000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any United States state securities authority.**

Additional information about LGM Investments Limited is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

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**Item 2 Material Changes**

There have been no material changes since the last update in January 2020.

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#### **Item 4: Advisory business**

LGM Investments is a trading name of LGM Investments Limited and is part of the BMO Global Asset Management group of companies which are themselves part of the wider BMO Financial Group. The BMO Financial Group can trace its roots back to the foundation of the Bank of Montreal in 1817, Canada's first bank and the ultimate parent company of the BMO Financial Group, including LGM Investments Limited.

BMO Global Asset Management is a global investment organisation providing investment management, services to institutional, retail and high net worth investors around the world with over 20 offices in 17 countries. We are a provider of market-leading investment capabilities across multiple asset classes, with a focus on helping our clients meet their investment goals, while also building a more sustainable and secure future for us all.

Our business is focused on understanding our clients' objectives and providing innovative solutions to meet those. We provide access to a wide range of investment solutions, built around our three core investment capabilities of Equity, Fixed Income and Alternatives, and underpinned by our 30+ years in Responsible Investment.

As at 31 October 2020, LGM Investments Limited managed approximately US \$4.24 billion of assets for a range of clients. The BMO Global Asset Management group of companies, including LGM Investments Limited, had a total of approximately US \$277.2 billion in assets under management. The wider BMO Financial Group is the eighth largest bank in North America by assets<sup>1</sup>, with total assets of \$949 billion, and an engaged and diverse base of employees providing a broad range of personal and commercial banking, wealth management and investment banking products and services to more than 12 million customers.

<sup>1</sup> As at October 31, 2020.

## Item 5: Fees and Compensation

The fees and expenses for our services will depend on the service provided and may be open to negotiation or based on existing agreements we may have entered into with you. Fees will generally be based on either:

- a basis point fee in relation to the assets under management;
- a charge associated with a particular piece of advisory work or a particular solution provided (e.g. if you ask us to structure a specific transaction we will charge you costs associated with this transaction and these will be linked to the risk of the trade and the cost of doing it); and/or
- a performance fee which will be linked to performance targets which have been set and agreed in the agreement we have entered into with you.

The fees and expenses associated with our governance and sustainable investment services are captured as part of the management fee you pay, and the service is therefore part of the broader package that we offer you. We also offer a responsible engagement overlay service for our clients where we do not manage their assets and therefore where there is no associated management fee. In these instances, either a fixed fee or a basis point charge will be applied to the value of assets to which the service is applied.

Fees are usually payable monthly or quarterly in arrears and are either deducted from your assets, which are held by your appointed custodian, or billed directly to you. Respectively, the fee, the method of calculation and the frequency of charging can be negotiated before we enter into any formal agreement with you to manage your money or provide services to you.

The fees and expenses for clients with their own segregated discretionary portfolio management accounts are subject to, and will depend on, the structure of the assets, but may include:

- administration fees;
- brokerage fees; and
- other transaction costs such as the bid/offer spread on non-agency transactions.

Brokerage fees and other transaction fees are discussed in more detail in Item 12 Brokerage Practices.

We review our fee rates regularly and also benchmark our fee schedules against what the market charges, using public information, industry surveys and industry press reports. We aim to ensure that our fees remain competitive whilst reflecting the high quality of our investment products and also the high level of client service that we offer.

We reserve the right to waive or impose different fees or otherwise modify the fee arrangements of an existing client with the consent of that client.

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

We charge some clients a performance based fee, that is, a fee based on our performance against targets which have been set and agreed in the client agreement. These will vary from client to client and will be negotiated at the time the agreement is drafted between us.

Potential conflicts of interest may arise due to the nature of performance fees. Such fees may create an incentive for us to undertake investments carrying greater risks. Another potential conflict of interest may arise because we may have an incentive to favour higher performance fee paying accounts or those that pay a performance fee over those that do not.

To manage these risks, we have Performance and Risk Review Committees (PRRC) for mutual funds investing in direct property assets. For other asset classes performance and risk is monitored on a daily basis through a report that monitors both performance and risk across portfolios over a range of periods: daily, month to date, quarter to date year to date. There is also an overarching Performance and Risk Review Oversight Committee (PRROC) which monitors performance and investment risk on a regular basis with a view to ensuring that portfolios are not running undue risk, or that those portfolios with similar objectives are achieving similar outcomes. Additionally, we also seek to monitor the fair participation and fair allocation of deals including new issues. Furthermore, we have a policy of requiring staff to disregard any material interest or conflict when advising or exercising investment discretion for clients. That is, the policy is to always act in the best interests of the client and in the last resort we may decline to act for clients where that is the only alternative.

Other potential conflicts that may arise from us managing both funds with performance fees and more traditional funds with lower fees and where we are seeking to cross assets from one to another. Our policies on fair participation, aggregation and allocation are designed to manage these conflicts. Our senior management and our internal audit, risk and compliance teams monitor these key potential conflicts. Our controls over crossing aim to prevent conflicts arising in this area. That is, positions cannot simply be transferred from account to account. Crosses may be made between clients' accounts, but these are generally traded through a broker in the market at a price that is fair to both parties.

**Item 7: Types of Clients**

Our clients comprise a range of investors, across a number of geographies and jurisdictions. We provide discretionary investment management services to the following:

- Pension funds;
- Foundations;
- Government organisations;
- Third party funds; and
- LGM Investments sponsored funds.

We do not provide investment advice to private individuals.

For our institutional clients wishing to have their own segregated mandate, we generally look to a minimum fund size of \$50 million; however, this may be adjusted on an individual basis. For LGM funds, the minimum subscription amounts are detailed in the applicable fund prospectus.

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

We offer a broad range of investment strategies across a full range of asset classes, including:

- Global, regional and country specific fixed income (covering corporate bonds, government securities, money market and aggregate strategies across developed and emerging markets);
- Developed and emerging market equities in small, medium and large companies (including strategies focused on environmental, social and governance themes, as well as systematic equity);
- Liability Driven Investment (solutions ranging from our cost-effective Dynamic and leveraged Swap funds, simple hedging Equity Linked products, to the more tailored Bespoke and Segregated service);
- Multi-asset (balanced) and multi-manager (fund of funds) portfolios;
- Private equity fund of funds;
- Listed and direct real estate investment; and
- Alternative strategies such as absolute return oriented fixed income, and derivatives-based strategies.

Excepting passive product, these approaches aim to add value through active management based on investment processes that, inter alia, include internal and external research.

We believe that individuals work best as part of a small, focused team. Our investment professionals are therefore organised into tightly knit groups, focused on specific products/asset classes. Each team is provided with a high degree of autonomy over their investment approach, fostering a strong culture of enterprise and accountability for delivering performance. Individual investment teams applying what they believe to be the most appropriate investment philosophy and process for the particular market in which they invest, based upon specific mandate objectives and guidelines.

Each strategy is designed to provide the investment exposure described in its investment guidelines which in the case of segregated mandates are contained in the Investment Management Agreement. The suitability of a strategy or fund for a particular client depends on their investment requirements and attitude to risk.

Clients will be exposed to the risks associated with investment in stocks, shares and bonds and should understand that the value of, and income from, investments can fall as well as rise and that they may not get back the full amount originally invested. Clients should also be aware that the strategy in which they invest will be liable to market movements and should be familiar with the specific risks associated with that strategy and be prepared to undertake those risks. Clients should ensure you are aware of all the potential risks specific to their investment portfolio. We have summarised below the key risks.



## General Risks

The following risks are general and apply to all strategies we offer:

- **Market risk:** the value of shares and the income from them is not guaranteed and can fall as well as rise due to stock market and currency movements.
- **Performance risk:** past performance is not a guide to future investment returns and when holdings are sold you may get back less than you originally invested.

There will be a variation in performance between different funds with similar objectives due to the different assets selected. Portfolios will also diverge from their benchmarks depending on these selections. There is no guarantee of the performance of your investment.

- **Inflation risk:** inflation can affect the value of your investment.
- **Fees:** the impact of fees charged on the management of assets may reduce the prospects for capital growth or possibly result in capital erosion.

## Strategy Specific Risks

Our individual investment strategies have different specific areas of investment and investment objectives. These specific objectives may mean that one or more of the specific risks listed below could also apply to your investment.

- **Liquidity risk:** Generally speaking, smaller capitalization and emerging market equities; credit, high yield and emerging market debt instruments; private equity and direct property are less liquid than other asset classes. This means that there may be difficulty in both buying and selling assets and individual asset prices may be subject to short-term price swings. This may result in increased volatility for these assets.
- **Credit risk:** There is always a credit risk associated with investing in corporate bonds. With investments in lower grade corporate bonds there is a higher risk that the issuer will not meet its debt obligations. The higher the credit risk, the greater is the likelihood of a failure to pay interest or capital when due.
- **Exchange or currency risk:** Investments made overseas may not be traded in your base currency and movements in exchange rates may cause the value of your investment to rise and fall.

- **Smaller companies:** Smaller companies and businesses at an early stage of their development carry a higher degree of risk and this means that the value of such investments is usually more sensitive to market movements, which may result in increased volatility for these assets.
- **Concentrated portfolio:** Where a portfolio is concentrated, short-term volatility in the price could be relatively high.
- **Fixed interest securities and interest rates:** The value of portfolios that invest in fixed interest securities may increase or decrease if interest rates change. For example, if interest rates rise, the portfolio value is likely to fall.
- **Sub-Investment Grade Bonds:** Such bonds have a lower credit rating than investment grade bonds and so a higher risk of default and carry a higher degree of risk both to the income and capital value of the portfolio.
- **Ethical screening:** Certain strategies are unable to invest in certain sectors and companies due to the ethical, product, conduct and other responsible investment/ESG screening they undertake which may lead to differential volatility in portfolios containing such strategies.
- **Zero dividend preference shares:** Zero dividend preference shares are entitled to a fixed return of capital at redemption that is set at issue and will not increase. The return is not guaranteed and may be adversely affected by investment performance; however, it is protected to the extent zero dividend preference shares are paid out before other shareholders
- **Investment trusts:** Certain strategies may invest in investment trusts. These are public limited companies quoted on the Stock Exchange. The price of their shares depends on supply and demand and is not necessarily the same as the value of the underlying assets per share. It may be higher 'at a premium' or lower 'at a discount'. The discount or premium varies continuously and represent an additional measure of risk and reward. Gearing – investment trusts can borrow money, which can then be used to make further investments. In a rising market, this 'gearing' can enhance returns to shareholders. Correspondingly, if the market falls, losses will also be multiplied.
- **Emerging Markets:** Investments in emerging markets may be more volatile than investments in more developed markets. Many emerging markets do not have well developed regulatory systems and disclosure standards may be less stringent than those of developed markets. The risks of expropriation, nationalisation and social, political and economic instability are greater in emerging markets than in more developed markets. The accumulation and disposal of holdings may be more expensive, time consuming and generally more difficult than in more developed markets. Also, due to the lack of liquidity, volatility may be higher. Many emerging markets are small, have low trading volumes, low liquidity and significant price volatility. Significant changes in the exchange rates of currencies of the countries in which investments are made may occur following investment in these countries. It may not be possible to undertake currency hedging techniques in respect of these currencies. Settlement and custody standards may not be as high and supervisory and regulatory authorities may not be as sophisticated. As a result, there may be risks that settlement may be

delayed and that cash or securities could be disadvantaged. Emerging markets may restrict the access of foreign investors to securities. As a result, certain equity securities may not be readily available because the maximum permitted number of or investment by foreign shareholders has been reached. Similarly, the outward remittance by foreign investors of their share of net profits, capital and dividends may be restricted or require governmental approval. The fund manager will only invest in markets in which it believes these restrictions to be acceptable. There is however no guarantee that additional restrictions will not be imposed after an investment has been made. Settlement and custody standards may not be as high and supervisory and regulatory authorities may not be as sophisticated. As a result, there may be risks that settlement may be delayed and that cash or securities could be disadvantaged.

- **Property:** Certain strategies may invest in property related securities. The value of such securities is likely to reflect valuations of property assets as determined by professional valuers. Such valuations are the opinion of the valuer at a particular time, may not be supported by recent transactions and are liable to revision, up or down.
- **Restricted Diversification:** investments are concentrated in companies which are focused on the specific sectors, such as property markets. These investments are limited to a relatively narrow segment of the economy. Performance may differ in direction and degree from that of the overall stock market.
- **Political and / or regulatory risks:** The value of your investment may be affected by uncertainties such as changes in government policies, taxation, restrictions on foreign investment and on foreign currency repatriation, currency fluctuation and other developments in the laws and regulations of investee countries.
- **Economic risk:** Any investment made may be sensitive to any general downturn in the overall economy or in that entity's industrial sector. Although the fund manager will attempt, through careful selection of investment candidates, to limit the risk associated with general economic conditions, substantial adverse economic conditions might have an impact on the investment assets the client's account.
- **Derivatives and Forward Transactions:** Investments in derivatives may increase or decrease the volatility of the value of the client's investment.
- **Taxation:** Levels and bases of taxation and reliefs from such taxation are subject to change and their value, in certain circumstances, depends on an investor's particular circumstances. Existing and prospective investors should consult their professional advisers regarding potential tax consequences of undertaking particular investments.

The importance of these risks may change in the future.

## **Item 9: Disciplinary Information**

There is no disciplinary information that relates directly to LGM, however, there is certain information relating to other companies within the BMO Global Asset Management group of companies, that we would like to disclose as detailed below.

1. The Swedish regulator Finansinspektionen ordered BMO Asset Management (Holdings) plc on 28 April 2011 to pay approximately 550,000 Swedish Krona (at the time, approximately US \$78,000) because of its omission on three occasions during the period May 2007 – May 2008 to report within stipulated disclosure deadlines changes to ownership in Zodiak Television across client accounts that the BMO Asset Management Group in Europe manages. Reports were filed with the regulator as soon as the omissions came to light. The omissions occurred as a result of historical administrative errors in BMO Asset Management (Holdings) plc shareholding disclosure process which were subsequently rectified.
2. In June 2016 BMO Portugal, an affiliate of BMO Asset Management Limited, was subject to a decision by the Portuguese securities regulator (CMVM) that BMO Portugal breached local regulatory obligations due to actions taken by two former BMO Portugal employees on behalf of a local institutional client in 2008 and 2009. The CMVM's decision is not connected with, nor does it impact in any way, any other business units of BMO Global Asset Management or their underlying clients. The CMVM imposed a non-material fine on BMO Portugal.

**Item 10: Other Financial Industry Activities and Affiliations**

LGM Investments is a trading name of LGM Investments Limited and is part of the BMO Global Asset Management group of companies which themselves are part of the wider BMO Financial Group. LGM Investments Limited is wholly owned Bank of Montreal which is the parent company of the BMO Financial Group.

When appropriate, employees of LGM Investments Limited may provide information, marketing materials and disclosure documents to clients or potential clients of companies within the BMO Global Asset Management group of companies. These products or services are only offered to investors in those countries and regions in accordance with applicable laws and regulations. Alternatively, other companies within the BMO Global Asset Management group of companies may provide information, marketing materials and disclosure documents with respect to clients or potential clients of LGM Investments Limited.

In addition, LGM Investments Limited may have common management and officers with some of its affiliates, including with affiliated investment advisers. LGM Investments Limited shares facilities with some affiliates and relies on BMO Financial Group for various administrative support including information technology, human resources, legal, finance, risk management, internal audit and compliance. These facilities can create potential conflicts of interest. LGM Investments Limited seeks to mitigate these potential conflicts of interests through its governance structures and by maintaining trading policies and procedures including a Code of Ethics policy.

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

### **Code of Ethics**

BMO Global Asset Management's Code of Conduct represents the five principles that reflect BMO Global Asset Management's commitment to high standards of business conduct and ethics. These principles provide BMO Global Asset Management for ethical behaviour and decision-making.

BMO Global Asset Management holds a unique place of trust in the lives of our clients. BMO Global Asset Management has adopted this Code of Ethics, in support of BMO's Code of Conduct, to safeguard this position.

The Code aims to ensure that BMO Global Asset Management employees place the interests of clients and BMO Global Asset Management EMEA's reputation above their own, so helping to avoid potential conflicts of interest that may arise from their actions. The Code applies to employees of the regulated businesses within BMO Global Asset Management, in jurisdictions where we operate and have regulatory requirements on managing conflicts of interest.

To meet this objective, the Code sets out procedures on personal account dealing, providing and receiving gifts and hospitality and personal conflicts of interest. Employees should comply with the spirit as well as the letter of this Code.

BMO Global Asset Management owes an overriding duty to its clients to treat them fairly and to exercise its business with integrity.

Upon joining BMO Global Asset Management, employees must sign their agreement to read and understand several wide-ranging policies of BMO Global Asset Management, including the Code of Ethics. Monitoring compliance with the Code forms part of the employee's day to day responsibilities. It also forms part in the employees' overall annual appraisal process of which an employee's bonus is determined by this appraisal. The appraisal process considers the employee's performance and contribution to the investment team and to BMO Global Asset Management as a whole.

In accordance with our Code of Ethics, we have rules and policies regarding individual and peer responsibilities, as well as responsibilities to our employees, to our clients, suppliers, shareholders and other stakeholders. They include:

- Compliance with laws, rules and regulations (including Market Abuse regulations);
- Fraud and malpractice;
- Anti-Corruption;
- Code of Conduct;
- Protecting BMO Global Asset Management's confidential and other proprietary information and that of our customers and vendors;
- Protection and proper use of company assets;

- Treating BMO Global Asset Management employees with respect;
- Dealing with conflicts of interest;
- Political activity;
- Promoting full, fair, accurate, timely and understandable disclosure in financial reports and other public communications;
- Confidentiality of Information;
- Protecting the environment and social responsibility; and
- Encouraging the reporting of any unlawful or unethical behaviour through Whistleblowing

Specific ethical aspects are also contained in BMO Global Asset Management's Corporate Values which we strive to reflect in how we behave day to day.

Our Corporate Values:

- Clients: we put our client's first, adding value and building relationships.
- Accountability: for performance in delivering, and indeed exceeding, all of our clients' objectives.
- Innovation: constantly challenging and improving the way we do things for the benefit of our clients and ourselves.
- Respect: integrity and trust forms the cornerstone of all our activities

The BMO Global Asset Management cultural values and all rules and policies are accessible to employees on the company Intranet. Commitment to the values is reinforced through employee surveys and individual performance management process. We are happy to supply further detail on our Code of Ethics on request.

### **Participation or Interest in Client Transactions**

We are committed to fair dealing and integrity in everything that we do. We operate on the basis that clients' interests are placed before our own and our policies, procedures and processes reflect this principle.

The above said, this is not to say that we will never have interests which conflict with our clients' interests or with our duties owed to clients and in this regard, we have established policies and procedures designed to identify, mitigate and manage any such conflicts (e.g. a Conflicts of Interest Policy, Code of Ethics, Market Abuse Handbook, Restricted Dealing Process). These include organisational and administrative arrangements and controls designed to safeguard the interests of clients.

### **Personal Trading**

We allow our employees to carry out personal account transactions for their own account and this could cause a conflict with our clients' interests however this is mitigated through our internal Code of Ethics.

The overriding principle in the Code of Ethics is that our clients' interests come first. It is designed to ensure that employee dealing is undertaken in such a way that it avoids actual or potential conflicts of interest, that

employees do not abuse their position of trust and responsibility and do not take inappropriate advantage of their position.

The PA Dealing Rules generally require the pre-approval of proposed trading. Blackout periods before and after client trading and a ban on short-term trading and trading in derivative instruments are in place. A list of restricted investments is maintained and checked prior to any personal account trade being authorised

Any employee whose personal dealings breach the letter or spirit of these rules may, at the discretion of the Chief Compliance Officer, be prohibited from dealing on their own account and may be required to surrender any profits which resulted from the offending trading.

A copy of the Code of Ethics is given to every employee on commencement of employment, or on any amendment to the rules. Compliance with these rules form part of the employee's contract of employment. To assist in the Compliance monitoring of employee transactions, employees are required to disclose personal securities holdings upon commencement of employment with the firm and annually thereafter.



## Item 12 Brokerage Practices

The committee responsible for counterparty approval and monitoring is the Counterparty Credit Committee (CCC). The CCC is responsible for the appointment of counterparties and the subsequent monitoring and review of credit limits where applicable for all counterparties. The CCC also approves the derivatives policy for BMO Global Asset Management, which is then monitored daily by the Derivative Support Group, reporting any deviation from the derivatives policy to the CCC.

All new counterparties are subject to a due diligence process in which the counterparties' legal, tax, regulatory status, financial strength, operational, 'Environmental, Social and Governance' (ESG) factors as well as money laundering bona fides are assessed. In addition, appropriate legal contractual documentation is put in place between the Broker and BMO Global Asset Management. Counterparties / brokers are differentiated and classed into different credit risk categories resulting from the different products utilised within BMO Global Asset Management.

The CCC meets formally on a quarterly basis and more frequently if required. Where necessary the CCC will decide if BMO Global Asset Management should cease trading, increase/decrease/reduce exposures or limits with an approved counterparty based on positive or adverse factors identified during the review process. Changes to the list of approved counterparties will occur whenever a counterparty meets or ceases to meet BMO Global Asset Management's criteria. Execution quality is monitored continually and reviewed by the Dealing Oversight Committee quarterly. Counterparties can also be removed and added based on the quality of execution services offered.

From January 1<sup>st</sup>, 2018, BMO Global Asset Management pays from its own P&L for all third-party investment research consumed by investment teams in EMEA. The use of Commission Sharing Agreements ceased at the end of Dec 2017 and client portfolios will only incur execution-related costs from then onwards. All execution rates are reviewed on an ongoing basis by the Dealing Team to ensure BMO Global Asset Management obtains optimum rates on behalf of its clients. Rates will vary depending on the country of execution and type of service required from the executing broker.

The Centralised Dealing Desk have a responsibility to ensure best execution on behalf of client portfolios and therefore have full discretion about how and where to place orders, as described in the firm's Order Execution Policy. As part of our commitment to deliver consistent execution quality, we utilise independent Transaction Cost Analysis (TCA) services, which allows the central dealing team to evaluate their execution quality and to optimise execution strategies across asset classes. We have a robust governance framework in place around order execution processes and outcomes. The relevant committees are responsible for oversight of practices and review of this policy, and include representation from Business Management, Dealing and Compliance.

### Item 13 Review of Accounts

On a regular basis (typically monthly) our Performance Review and Risk Oversight Committee, comprising members of the product management and investment risk teams, meet to formally review the performance and investment risk of investment desks including:

- Comparison of performance versus benchmark (if appropriate) over appropriate time periods, typically: one and three-year returns;
- Comparison to peer groups (if appropriate) where relevant showing one and three-year relative returns;
- Consistency in performance and identify of any outliers;
- Ex ante risk, whereby ex ante tracking errors are reviewed against internal targets or client limits for representative portfolios; and

Reports reviewed in the committee meetings are provided by the following specialist teams who also ensure independent monitoring:

- The State Street Performance Analytics team: calculates portfolio returns, delivering these on a monthly basis to the BMO Global Asset Management Product Management and investment teams, and senior management. Their detailed analysis covers absolute and relative performance, dispersion and risk comparisons.
- The Investment Risk Oversight team: produces a report utilising the State Street truView risk analytics service, on the portfolio active risk positions. This is in addition to the daily monitoring used by the portfolio managers. This report includes risk attribution.

In particular, the Investment Risk Oversight team is responsible for:

- Monitoring the active risk taken by BMO Global Asset Management portfolios;
- Analysing the sources of risk taken in each portfolio and checking they are consistent with the fund manager's investment strategy; and
- Checking that portfolios' risk is consistent with investment performance objectives;

The monitoring of client portfolio active risk positions will typically include the following:

- Risk statistics (portfolio volatility, ex ante tracking error, value at risk, portfolio beta)
- Deviations from benchmarks (per stock, sector, country, duration, quality, currency, etc.)
- Portfolio biases (style, market capitalisation, momentum, etc.)
- Compliance with client guidelines.

Risk oversight is typically undertaken daily, and statistics are reported internally by the Investment Risk Oversight team on a monthly basis. The team acts strictly independently from the Fund Managers to ensure adequate monitoring of the risk taken within portfolios.

### **Portfolio monitoring**

In addition, the Investment Mandate Control team checks all client portfolios on a daily basis to ensure post-trade compliance with investment guidelines. This team uses the ThinkFolio system to ensure that all mandates are run in-line with the client's pre-agreed limits. ThinkFolio is a compliance system which monitors all the agreed limits of the mandates managed by BMO Global Asset Management EMEA. Every active or passive breach will immediately be communicated to the relevant portfolio manager, allocation team and responsible account manager.

### **Institutional Client Reporting**

We place great importance on maintaining and developing a good relationship with our clients. As part of this, we aim to provide institutional clients with an excellent standard of service, tailored to meet their requirements. We can provide a comprehensive package of reports on your portfolio and reports are available in hard copy or email.

Typically, these will include:

- Monthly valuation of the portfolio;
- Monthly list of transactions carried out during the month;
- Monthly cash statement, showing the movements on the account during the month;
- Quarterly report on the activity and performance in the last quarter;
- Quarterly report of the voting actions taken at company meetings for your holdings;
- Quarterly report on transaction costs incurred for the portfolio;
- Quarterly investment outlook, giving our view on the global investment scene; and
- Annual audited report on our control policies and procedures ("AAF 01/06 (formerly known as "FRAG 21/94)").

We review regularly the content of our reports to ensure that they still meet high standards and are relevant to the nature of the mandate.

**Item 14: Client Referrals and Other Compensation**

This section is not applicable to us as we do not compensate client referrals.

**Item 15: Custody**

This section is not applicable to us as we do not have custody of our US advisory clients' funds or securities.

## Item 16: Investment Discretion

Our main business is investment management. Clients appoint us to manage their assets as described in the investment management agreement or a Fund Prospectus, and therefore we typically have investment discretion over clients' assets within pre agreed guidelines. For Fund investors the investment guidelines are articulated in a Fund prospectus and KIID document and there are clear procedures for any change that include engagement with an independent Board as well as client communication protocols.

For a client who engages with us via a segregated account a client director is appointed and will have responsibility for managing the client's on-going relationship with BMO Global Asset Management and for checking that all the client's requirements are met by the company. In order to ensure smooth and effective onboarding of a client we appoint a transition manager to support the client directors in the on boarding and to verify that all relevant business units (including the fund management and operations teams) are informed of the details of each new client so that the accounts are set-up on all relevant in-scope IT applications. The transition management team then receives confirmation from the business units that the accounts have been set-up in time for the commencement of investment activities.

Money laundering detection and Know Your Client procedures include the requirement to verify the identity of all new clients with official documentation and obtaining an authorised signatory list. An electronic checklist is completed to verify that such documentation is obtained.

From the details received from the new client, the client director checks that a client classification is established based on the client's investment objectives and risk profile. This is documented and appears in the client's investment management agreement (IMA) so that the correct regulatory protections are afforded to the client. For a Fund investor, this verification is undertaken by our administrator and follows agreed standards and procedures overseen by our Anti-Money Laundering function.

Each new IMA is reviewed by the legal department and a contract sign-off form completed as evidence that the IMA is compliant with legal requirements and current regulations, before the IMA is signed by authorised signatories of both parties.

The client management team captures all the client's requirements including investment objectives, benchmarks, restrictions and guidelines in the IMA. The agreement is signed by authorised signatories of BMO Global Asset Management, as per the authorised signatory list, and the client before the commencement of investment activities.

The Transition Manager team completes an electronic checklist to verify that investment activity cannot commence on a new client's portfolio until:

1. the IMA has been completed and signed by both parties, or issued in line with local regulations,
2. the commencement date of the IMA has been reached and
3. Anti-Money Laundering and Know Your Client documentation has been confirmed as complete.

Communication is maintained between the client director and the new client to verify that their requirements are met. All communications (correspondence, meetings, etc.) with new, potential and existing clients are recorded by the institutional business team in a Client Relationship Management system, Salesforce.

A checklist is completed by the Transition Manager to verify that the client's account has been set-up correctly on the investment accounting systems, and the client's stock and cash holdings have been received and recorded on the client's account.

A report on the opening book values of all transferred assets is prepared by the operations team prior to being sent to the client. Any discrepancies are followed up with the client and resolved.

## Item 17 Voting Client Securities

BMO Global Asset Management has developed joint proxy-voting policies with certain of its affiliates (together and individually, the “BMO Organization”). When acting as a fiduciary, the BMO Organization votes proxies in the sole interest of its fiduciary clients. Unless the client has directed otherwise, the BMO Organization generally votes proxies for securities held in client accounts and has adopted policies and procedures designed to help ensure that those proxies are voted in the best interests of fiduciary clients.

**How We Vote Proxies.** BMO Global Asset Management’s proxy voting leverages the BMO Organization’s global proxy voting framework. The guiding principle for BMO Global Asset Management’s voting of proxies is to vote proxies in the interest of our clients with a view to enhancing the value of securities held for the benefit of our clients. What follows is a brief description of the proxy voting process.

**Global Proxy Voting Process.** The BMO Organization’s global proxy voting process is overseen by the Global Investment Committee (GIC). The GIC approves policies and guidelines for proxy voting. The GIC has empowered the Responsible Investment (RI) team and the Proxy Working Group (PWG) with administration of the global proxy voting framework. The RI team supports the development of BMO Global Asset Management’s Corporate Governance Guidelines (CGG). BMO Global Asset Management has engaged Institutional Shareholder Services Inc. (ISS) to assist with the execution of proxy votes. The CGG are coded into the ISS system, and all proxy proposals that are within the scope of our CGG are auto-executed by ISS in accordance with our CGG. All proxy proposals that are not within the scope of our CGG or that require further review are voted manually by the RI team after consultation with the PWG where appropriate. In the event that an issuer files additional soliciting materials sufficiently prior to the vote deadline, the RI team seeks to review the materials in light of our CGG, escalate to the PWG where relevant, and vote accordingly. The PWG is comprised of senior experts in governance and sustainable investment within BMO Global Asset Management and includes representatives from all regions. While the PWG’s decision-making is by majority vote, a decision by the PWG will only apply to a region if the regional representative on the PWG supports the decision. In the event a majority vote lacks a regional representative, the vote is escalated to the GIC. When mutual funds are held in client accounts, Portfolio Managers of the client account in certain instances request that the RI manually vote proxies and liaise with the Portfolio Manager on voting related to the mutual funds held in their client accounts. Unless otherwise requested, ISS auto-executes the majority of votes in accordance with CGG. When ISS requires guidance on standing voting instructions, ISS consults with RI. In the event the vote involves a potential conflict of interest, BMO Global Asset Management’s Conflicts of Interest policy sets forth policies that direct BMO Global Asset Management vote that represent the best interests of our client. A copy of the BMO Global Asset Management Conflicts of Interest Policy – Proxy Voting is available upon request and on the BMO Global Asset Management Responsible Investment website.

**Conflicts of Interest:** We could vote at a company meeting where the company is a client of, or has another type of business relationship with, BMO Financial Group. We manage this conflict by treating all our clients equally in our voting activities. We do not alter our position on a vote due



to a business relationship that a company may have with BMO Financial Group. Unless an institutional client instructs us otherwise, we apply our CGG to all client portfolios in a manner that considers our clients' respective investment objectives and best interests.

Voting at a BMO meeting (including meetings of investment funds Global Asset Management manages) or where BMO is a party: We could vote at a company meeting of Bank of Montreal, any of its affiliates, or an investment fund BMO Global Asset Management or an affiliate manages. We could also vote at a company meeting relating to a corporate action (for example, a merger or acquisition) involving the company (or any of its affiliates) and a member of BMO Financial Group.

We manage this conflict by using ISS as our proxy voting administrator, to auto-execute all relevant votes in accordance with the ISS proxy voting policy. ISS executes votes without our further guidance, except where we have specific instructions from a client. This can result, for example, in our votes not supporting specific resolutions at a company meeting of Bank of Montreal.

However, for our investment funds that are subject to Canadian securities laws that hold securities of an affiliated investment fund, we will not vote the top fund's holdings in the underlying fund. We may instead arrange for investors in the top fund to vote the securities of the underlying fund. In light of the cost and complexity in doing so, this is not our typical practice.

Voting at a meeting involving a BMO officer, director or employee: We could vote at a company meeting where an officer, director or employee of BMO Global Asset Management is nominated for election or serves on the board of that company. We manage this conflict by using this and other BMO policies specifically relating to BMO employees with relationships with companies. For example, BMO's Code of Ethics requires our employees to declare and disclose their outside business interests. In cases where there is a significant conflict, we may determine that it is inappropriate for such employees to direct the voting at meetings of certain companies in which our clients invest. Where an officer, director or employee of BMO Global Asset Management is nominated for election to the board of directors of a company, we also manage this conflict the same way as we do for company meetings of Bank of Montreal: we use ISS to auto-execute the vote in accordance with our standing voting directions without our further guidance.

Clients may retain the right and obligation to vote any proxies relating to securities held by/in their account(s) by providing prior written notice to BMO Global Asset Management. Any changes to a client's proxy voting instructions must be received in writing. Clients can request and obtain a copy of BMO Global Asset Management's complete proxy voting policies and procedures and information about how BMO Global Asset Management voted any proxies on behalf of their account.

**Item 18: Financial Information**

This section is not applicable to us as we do not require or solicit prepayment of more than six months or more in advance.