

PRODUCT KEY FACTS

BMO Funds
BMO Balanced Fund

BMO Global Asset Management (Asia) Limited

20 February 2019

- This statement provides you with key information about this product.
- This statement is a part of the fund's Prospectus.
- You should not invest in this product based on this statement alone.

Quick facts

Manager:	BMO Global Asset Management (Asia) Limited
Trustee:	Cititrust Limited
Ongoing charges over a year*:	1.07%
Dealing frequency:	Daily
Base currency:	USD
Dividend policy:	<p>Class A USD Acc - It is the current intention of the Manager that dividend distributions will not be made in respect of this class</p> <p>Class A USD MDis, HKD MDis - The Manager currently intends to make monthly dividend distribution at its discretion. Dividends may be paid out of capital or effectively out of capital of the Sub-Fund and may result in an immediate reduction of the Net Asset Value per Unit of the Sub-Fund</p>
Financial year end of this fund:	31 December
Classes available:	Class A USD Acc, Class A USD MDis, Class A HKD MDis
Minimum initial investment:	USD5,000 or equivalent
Minimum subsequent investment:	USD1,000 or equivalent
Minimum holding:	USD5,000 or equivalent
Minimum redemption amount:	USD1,000 or equivalent

What is this product?

- The BMO Balanced Fund (the "Sub-Fund") is a sub-fund of BMO Funds which is a unit trust established by a trust deed dated 23 May 2018 as an umbrella fund under the laws of Hong Kong.
- The Sub-Fund will invest primarily in a globally diversified portfolio of exchange traded funds (the "Underlying ETFs").

Objectives and Investment Strategy

Objective

The investment objective of the Sub-Fund is to achieve long term capital growth while maintaining stable income. This will be achieved by investing primarily in a globally diversified portfolio of Underlying ETFs whose underlying assets cover the risk return spectrum. The Sub-Fund seeks to diversify its portfolio across a broad range of underlying asset classes and currencies globally, including emerging markets. Such

* The ongoing charges figure is an annualised figure based on the sum of the ongoing expenses chargeable to the Sub-Fund for the period from the launch of the Sub-Fund to 31 December 2018 expressed as a percentage of the Sub-Fund's average net asset value over the same period. This figure may vary from year to year. For the period from the launch of the Sub-Fund to 31 December 2019, the ongoing charges figure is capped at a maximum of 1.55% of the average Net Asset Value of the Sub-Fund. Any ongoing expenses exceeding 1.55% of the average Net Asset Value of the Sub-Fund during this period will be borne by the Manager and will not be charged to the Sub-Fund.

underlying assets may include, but are not limited to equity securities, fixed income securities, commodities and money market instruments.

There can be no assurance that the Sub-Fund will achieve its investment objective.

Strategy

Underlying ETFs selection

The Underlying ETFs will be selected by reference to their appropriateness to meet the investment objective and the desired asset exposure required by the Manager in accordance with the investment strategy of the Sub-Fund. The Manager does not intend to have an investment focus in terms of sector, industry or market capitalisation.

The Sub-Fund will invest at least 70% (but less than 100%) of its Net Asset Value in the Underlying ETFs. The asset allocation of the Sub-Fund will change according to the Manager's views of fundamental economic and market conditions and investment trends, taking into consideration factors such as liquidity, costs, timing of execution, relative attractiveness of individual securities and issuers available in the market. Please refer to the "Indicative Asset Allocation" table below for an indication of the underlying asset allocation ranges of the Sub-Fund.

Each of the Underlying ETFs, which may or may not be authorised by the SFC, must meet the following criteria:

- (i) is listed and regularly traded on internationally recognised stock exchanges open to the public (excluding nominal listing), including but not limited to Canada, Hong Kong, Singapore, the United States ("US") or the United Kingdom ("UK"), and the principal objective of which is to track, replicate or correspond to a financial index or benchmark, which complies with the applicable requirements under Chapter 8.6 of the Code on Unit Trusts and Mutual Funds;
- (ii) seeks investment results corresponding to a rule-based underlying index or benchmark; and
- (iii) has an exposure to fixed income securities, equity securities and/or commodities.

The Manager may also consider other factors such as total expense ratio, tracking difference, currency exposure, dividend yield, fund size, liquidity, costs of trading and tax when selecting the Underlying ETFs.

The Sub-Fund will not invest in any leveraged, inverse, futures or synthetic ETFs.

Fixed income ETF investments

The Sub-Fund may invest in Underlying ETFs with an exposure to fixed income securities, such as money market, US aggregate bonds, Eurodollar bonds, emerging markets bonds and high yield bonds. The Sub-Fund will have no restrictions on the credit ratings of the fixed income securities the Underlying ETF holds, and may invest up to 40% of its Net Asset Value in Underlying ETFs with exposure to securities which are rated below investment grade (i.e. below BBB-/Baa3) by internationally recognised credit rating agencies (such as Standard & Poor's, Moody's and/or Fitch), or which are unrated. For the purpose of the Sub-Fund, an "unrated" fixed income security is defined as a fixed income security where neither the security itself nor its issuer has a credit rating.

Equity ETF investments

The Sub-Fund may invest in Underlying ETFs with exposure to equity securities listed in Asia (including Japan, Hong Kong, Singapore), Canada, Europe, UK, US or emerging markets. There is no restriction on market capitalisations in relation to the equity securities in which the Underlying ETFs may invest, and the Underlying ETFs may invest substantially in securities issued by small and/or mid-cap companies.

Physical Commodity ETF investments

The Sub-Fund may invest in Underlying ETFs which are physical commodity (precious metals only) ETFs.

Other investments

The Sub-Fund may invest directly in equity securities and fixed income securities. It may also invest up to 10% of its Net Asset Value in unlisted collective investment schemes, ETFs which are not index tracking (commonly known as active ETFs) and ETFs which adopt a master-feeder structure.

The Sub-Fund's portfolio may also temporarily include cash and cash equivalents for cash flow management.

Limitation on charges

Where appropriate, the Sub-Fund may invest in Underlying ETFs and other collective investment schemes (such as unlisted collective investment schemes, ETFs which are not index tracking and ETFs which adopt a master-feeder structure) which are also managed by the Manager or its connected persons and in such circumstances, all initial charges and management fees on such Underlying ETFs and other collective investment schemes managed by the Manager or its connected persons must be waived. In addition, the Manager may not obtain a rebate on any fees or charges levied by such Underlying ETFs and other collective investment schemes or their management company.

Restriction

The Sub-Fund may invest in financial derivative instruments for hedging purposes only. The Manager will not enter into any securities lending, repurchase or reverse-repurchase transactions or other similar over-the-counter transactions in respect of the Sub-Fund.

Indicative asset allocation

The following is an indication of the underlying asset allocation of the Sub-Fund:

Asset class	Indicative percentage of Net Asset Value
Equity ETFs	40% to 80%
Fixed income ETFs (including money market ETFs)	20% to 60%
Physical Commodity ETFs	0% to 10%
Equity securities	0% to 10%
Fixed income securities	0% to 10%
Unlisted collective investment schemes, ETFs which are not index tracking and ETFs which adopt a master-feeder structure	0% to 10%
Cash and cash equivalents	0% to 10%

What are the key risks?

Investment involves risks. Please refer to the Prospectus for details including the risk factors.

1. Investment risk

- The Sub-Fund's investment portfolio may decrease in value due to any of the key risk factors below and therefore your investment in the fund may suffer losses. There is no guarantee of the repayment of principal.

2. Risk relating to dynamic asset allocation strategy

- The Sub-Fund may incur greater transaction costs than a fund with static allocation strategy. The dynamic asset allocation strategy may not achieve the desired results under all circumstances and market conditions.

3. Risk of investing in the Underlying ETFs

- *General:* The Sub-Fund is a fund of ETFs and will be subject to the risks associated with the Underlying ETFs. The Sub-Fund does not have control over the investments of the Underlying ETFs and there is no assurance that the investment objective and strategy of the Underlying ETFs will be successfully achieved which may have a negative impact on the Net Asset Value of the Sub-Fund.
- *Liquidity risks:* The Underlying ETFs may not be regulated by the SFC. There may be additional costs involved when investing in these Underlying ETFs. There is also no guarantee that the Underlying ETFs will always have sufficient liquidity to meet the Sub-Fund's redemption requests as and when they are made.
- *Conflicts of interest risks:* There may be potential conflicts of interest where the Sub-Fund invests in shares or units of an Underlying ETF managed by the Manager or its connected persons. In the event of such conflicts, the Manager will endeavour to ensure that such conflicts are resolved fairly

and all transactions between the Sub-Fund and any of such Underlying ETFs are on an arm's length basis.

- *Passive investment risks:* The Underlying ETFs are passively managed and the manager of the Underlying ETFs will not have the discretion to adapt to market changes due to the inherent investment nature of the Underlying ETFs. Decreases in the underlying index of the Underlying ETFs are expected to result in corresponding decreases in the value of the Sub-Fund.
- *Tracking error risks:* The Underlying ETFs may be subject to tracking error risk, which is the risk that their performance may not track that of the underlying index exactly. This tracking error may result from the investment strategy used, and fees and expenses. There can be no assurance of exact or identical replication at any time of the performance of the underlying index.
- *Trading risks:* The units/shares of the Underlying ETFs in which the Sub-Fund invests may be traded at large discounts or premiums to their net asset value, which may in turn affect the Net Asset Value of the Sub-Fund.

4. Risk of investing in equity securities

- *General:* The Sub-Fund and/or the Underlying ETFs' investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.
- *Small and mid-capitalisation companies:* The Sub-Fund and/or the Underlying ETFs may invest in small and mid-capitalisation companies. The stocks of such companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general.

5. Risk of investing in fixed income securities

- *Interest rate risk:* The value of the Sub-Fund and/or the Underlying ETFs' fixed income portfolio is subject to interest rate risk. In general, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise.
- *Volatility and liquidity risk:* The fixed income securities in certain markets may be subject to higher volatility and lower liquidity compared to more developed markets. The prices of securities traded in such markets may be subject to fluctuations. The bid and offer spreads of the price of such securities may be large and the Sub-Fund and/or the Underlying ETFs may incur significant trading costs.
- *Credit risk:* The Sub-Fund and/or the Underlying ETFs are exposed to the credit/default risk of issuers of the debt securities that they may invest in.
- *Downgrading risk:* The credit rating of a fixed income security or its issuer may subsequently be downgraded. In the event of such downgrading, the value of the Sub-Fund and/or the Underlying ETFs may be adversely affected. The Sub-Fund and/or the Underlying ETFs may or may not be able to dispose of the securities that are being downgraded.
- *Risk of investing in below investment grade and unrated fixed income securities:* The Sub-Fund and/or the Underlying ETFs may invest in fixed income securities which (or the issuers of which) are rated below investment grade, or may not be rated by any rating agency of an international standard. Such securities are generally subject to a higher degree of volatility and credit risk, a lower degree of liquidity and greater risk of loss of principal and interest than high-rated debt securities.
- *Valuation risk:* Valuation of the Sub-Fund and/or the Underlying ETFs' investments may involve uncertainties and judgemental determinations. If such valuations are incorrect, this may affect the Net Asset Value calculation of the Sub-Fund and/or the Underlying ETFs.
- *Credit ratings risk:* Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times.

6. Risks relating to investment in money market instruments

- Investment in an Underlying ETF which invests in money market instruments is not the same as placing funds on deposit with a bank or deposit-taking company. The manager of the Underlying ETF has no obligation to redeem units / shares at the offer value and the Underlying ETF is not subject to the supervision of any regulator that regulates banks or deposit-taking companies. The Underlying ETF may suffer losses in trading such instruments which in turn may affect the Net Asset Value of the

Sub-Fund.

7. Risk of investing in emerging markets

- Some of the Underlying ETFs invest in emerging markets which may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility.

8. Foreign exchange risk

- Underlying investments of the Sub-Fund may be denominated in currencies other than the base currency of the Sub-Fund. Also, a class of units may be designated in a currency other than the base currency of the Sub-Fund. The Net Asset Value of the Sub-Fund may be affected unfavourably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls.

9. Derivative risk

- The Sub-Fund may from time to time invest in financial derivative instruments for hedging purposes. The use of such derivatives exposes the Sub-Fund to additional risks, including volatility risk, valuation risk, leverage risk, liquidity risk, correlation risk, counterparty/credit risk, legal risk, over-the-counter transaction risk and settlement risk.

10. Dividends risk / distributions payable out of capital or effectively out of capital risk

- Payment of dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of capital or effectively out of capital of the Sub-Fund may result in an immediate reduction of the Net Asset Value per Unit of the relevant class.

How has the fund performed?

The Sub-Fund is newly set up and has been launched for less than one full calendar year. As such, there is insufficient data to provide a useful indication of past performance to investors.

Is there any guarantee?

This Sub-Fund does not have any guarantees. You may not get back the full amount of money you invest.

What are the fees and charges?

Charges which may be payable by you

You may have to pay the following fees when dealing in the units of the Sub-Fund.

Fee	What you pay
Subscription fee	Up to 5% of the subscription monies
Switching fee[^]	Up to 1% of the redemption proceeds
Redemption fee	Nil

Ongoing fees payable by the Sub-Fund

The following expenses will be paid out of the Sub-Fund. They affect you because they reduce the return you get on your investments.

	Annual rate (as a % of the class of Units' Net Asset Value)
Management fee⁺⁺	0.98%
Performance fee	Nil

Trustee fee Included in the management fee

Other fees

You may have to pay other fees when dealing in the Units of the Sub-Fund.

- ^ Certain distributors may impose a charge for each switching of Units in a class of the Sub-Fund acquired through them for Units in another class of the Sub-Fund, which will be deducted at the time of the switching and paid to the relevant distributors. Unitholders who intend to switch their Units in one class to Units in another class should check with their respective distributors for the charge on switching.
- * You should note that some fees may be increased, up to a specified permitted maximum, by giving affected unitholders at least one month's prior notice. For details please refer to the section headed "EXPENSES AND CHARGES" in the Prospectus.
- + The management fee includes the Manager's fee, the Trustee's fee, the Administrator's fee, the Registrar's fees and the custodian's fees (if any).

For the period from the launch of the Sub-Fund to 31 December 2019, the ongoing charges figure is capped at a maximum of 1.55% of the average Net Asset Value of the Sub-Fund. Any ongoing expenses exceeding 1.55% of the average Net Asset Value of the Sub-Fund during this period will be borne by the Manager and will not be charged to the Sub-Fund.

Additional information

- You generally buy and redeem units at the Sub-Fund's next-determined Net Asset Value after the Registrar receives your request in good order at or before 1:00 pm (Hong Kong time), being the Sub-Fund's dealing cut-off time. Before placing your subscription orders or switching/redemption request, please check with your distributor for the distributor's internal dealing cut-off time (which may be earlier than the Sub-Fund's dealing cut-off time).
- The Sub-Fund's Net Asset Value is calculated and the latest subscription and redemption prices of units are published on each business day. They are available on the Manager's website www.bmo.hk (this website has not been reviewed by the SFC).
- The compositions of the dividends (i.e. the relative amounts paid from net distributable income and capital) for the last 12 months will be available from the Manager on request and on the Manager's website.

Important

If you are in doubt, you should seek professional advice.

The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.