

**Annual Information Form**

**June 11, 2020**



**Alternative Mutual Funds**

**BMO PineBridge Preferred Securities TACTIC™ Fund  
(the “Fund”)**

Offering the following classes of mutual fund units:

Class A  
Class D  
Class F  
Class I

**No securities regulatory authority has expressed an opinion about these securities. It is an offence to claim otherwise.**

**The Fund and the Units of the Fund offered under this annual information form are not registered with the United States Securities and Exchange Commission and they are sold in the United States only in reliance on exemptions from registration.**

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## 1. GENERAL INTRODUCTION

This annual information form contains information about the BMO PineBridge Preferred Securities TACTIC™ Fund (the “**Fund**”).

In this document, “we”, “us”, “our” and “Manager” refer to BMO Nesbitt Burns Inc.

The Fund is part of the Tactical Allocation Customized Thematic Investment Company (“**TACTIC™**”) fund platform, which platform provides for the issuance of customized investment solutions based on a set of timely and opportunistic investment themes (the Fund, together with the other investment funds offered under the TACTIC™ platform, collectively, the “**TACTIC Funds**”). The manager of the TACTIC Funds is BMO Nesbitt Burns Inc.

The Fund is a trust organized under the laws of Ontario. The Fund has specific investment objectives, and offers the different classes of units (the “**Units**”) specified on the front cover of this annual information form.

References to “**Class**” are to a class of Units of the Fund.

References to “**Class A Units**” are to the Class A Units of the Fund.

References to “**Class D Units**” are to the Class D Units of the Fund.

References to “**Class F Units**” are to Class F Units of the Fund.

References to “**Class I Units**” are to Class I Units of the Fund.

The head office of the TACTIC Funds and the Manager is located at 100 King Street West, 8<sup>th</sup> Floor, Toronto, Ontario, M5X 1A1. The Manager is a corporation organized under the laws of Canada. PineBridge Investments LLC will act as portfolio manager (the “**Portfolio Manager**”) to the Fund.

References to time are to local time in Toronto, Ontario.

## 2. NAME, FORMATION AND HISTORY OF THE FUND

The registered address of the Fund is c/o BMO Nesbitt Burns Inc., 1 First Canadian Place, 100 King Street West, 8<sup>th</sup> Floor, Toronto, Ontario, M5X 1A1.

The Fund was originally established as a closed-end investment trust (as DoubleLine Income Solutions Trust) (“**DoubleLine Fund**”) under the laws of Ontario. As of December 7, 2018 (the “**Effective Date**”), the Fund changed its name to “PineBridge Preferred Securities TACTIC™ Fund” and converted from a closed-end fund into a mutual fund (the “**Conversion**”). As of the Effective Date, DoubleLine Fund merged with PineBridge Investment Grade Preferred Securities Fund (“**PineBridge Fund**”) with the DoubleLine Fund being the continuing fund (the “**Merger**”). In connection with the Merger, the Fund acquired substantially all of the assets and assumed all of the liabilities of the PineBridge Fund.

The Conversion and the Merger were approved by holders of Units of the Fund (the “**Unitholders**”) and unitholders of the PineBridge Fund at special meetings concurrently held on November 12, 2018. References in this annual information form to the Fund refer to the DoubleLine Fund following the Conversion and the Merger.

The Fund is a mutual fund established as a trust under the laws of the Province of Ontario and governed by the Amended and Restated Master Declaration of Trust dated as of December 7, 2018 (the “**Master Declaration of Trust**”). The authorized capital of the Fund includes one or more Classes of Units. An unlimited number Units are authorized for issuance. The Fund offers Class A Units, Class F Units, Class D Units and Class I Units.

The Fund is part of the Manager’s TACTIC™ fund platform, which platform provides for the issuance of customized investment solutions based on a set of timely and opportunistic investment themes.

### **3. INVESTMENT PRACTICES AND RESTRICTIONS**

#### **(a) Investment Restrictions**

The investment practices of the Fund are subject to various restrictions imposed by applicable securities laws, by policies of the Canadian securities administrators, and by the Master Declaration of Trust. The Fund has adopted the standard mutual fund investment restrictions and practices contained in securities legislation, including National Instrument 81-102 – *Investment Funds* (“**NI 81-102**”). These are designed in part to ensure that the investments of the Fund are diversified and relatively liquid and to ensure the proper administration of the Fund. The Fund is managed in accordance with these restrictions and practices.

The Fund qualifies as a “mutual fund trust” as defined in the *Income Tax Act* (Canada) (the “**Tax Act**”) and intends to so qualify at all times. The Fund will not engage in any undertaking other than the investment of its funds in property for the purposes of the Tax Act.

Provided that the Fund qualifies as a mutual fund trust at a particular time, Units of the Fund will be qualified investments for trusts governed by registered retirement savings plans (“**RRSPs**”), registered retirement income funds (“**RRIFs**”), tax-free savings accounts (“**TFSAs**”), registered disability savings plans (“**RDSPs**”), registered education savings plans (“**RESPs**”) and deferred profit sharing plans (collectively, “**Registered Plans**”). Owners of RRSPs, RRIFs, TFSAs, RDSPs and RESPs should consult their own advisors as to whether Units would be a “prohibited investment” for their RRSP, RRIF, TFSA, RDSP or RESP having regard to their circumstances.

The Fund has not deviated in the last year from the requirements in the Tax Act to qualify as a mutual fund trust.

The Fund will not mix its investments with investments of other persons. The investments of the Fund will be kept separate from the investments of, and from all other property belonging to, or in the custody of, CIBC Mellon Trust Company, or any other custodian of assets of the Fund.

The fundamental investment objective of the Fund may only be changed with the approval of a majority of the votes cast at a meeting of Unitholders of the Fund called for that purpose.

#### **(b) Investments in derivative instruments**

The Fund will use derivatives only in compliance with the securities regulations applicable to alternative mutual funds or exemptions received therefrom. These requirements include that:

- the Fund will enter into a derivative only if the counterparty, or an affiliate that has fully and unconditionally guaranteed the obligations of the counterparty under the derivative, has an approved credit rating for this purpose; and
- when the Fund uses derivatives for purposes other than hedging, it will hold enough cash and securities to fully cover its position in the derivative.

#### **(c) Exemptive Relief**

The Fund has not sought exemptive relief from securities regulatory authorities to vary any of the investment restrictions and practices contained in applicable securities laws.

#### **(d) Proxy Voting Policies and Procedures**

The Manager has delegated the voting of proxies of the Fund’s portfolio securities to the Fund’s portfolio manager as part of the portfolio manager’s management of the Fund’s portfolio, subject to the Manager’s continuing oversight. A portfolio manager voting proxies on behalf of the Fund must do so in a manner consistent with the best interests of the Fund and its Unitholders.

The Manager has established policies and procedures to be considered, in conjunction with the portfolio manager's own policies and procedures, in determining how to vote on matters for which the Fund receives proxy materials for a meeting of securityholders of an issuer. Due to the variety of proxy voting issues that may arise, the following summary of the proxy voting policies and procedures is not exhaustive and is intended to provide guidance but does not necessarily dictate how each issue must be voted in each instance. Further, the Manager or a portfolio manager may depart from their respective proxy voting policies and procedures or not vote a proxy, in order to avoid voting decisions that may be contrary to the best interests of the Fund and its Unitholders.

The policies and procedures established by the Manager (the “**Proxy Voting Guidelines**”) include:

- i. a standing policy for dealing with routine matters on which the Fund may vote. In particular, the Proxy Voting Guidelines apply general guidelines to a number of routine matters. These guidelines vary, depending on the specific matter involved. Routine matters include: election of directors, appointment of auditors, changes in capital structure, and an increase in authorized stock;
- ii. the circumstances under which the Fund will deviate from the standing policy for routine matters. The Proxy Voting Guidelines provide that the Fund's portfolio manager may depart from the general guidelines with respect to routine matters, in order to avoid voting decisions that may be contrary to the best interests of the Fund and the Fund's Unitholders. For example, the Proxy Voting Guidelines provide that the Fund will typically support management's recommendations regarding the appointment of an auditor, but may vote against such a recommendation if the fees for services are excessive or if there are other reasons to question the independence or quality of the company's auditors;
- iii. the policies under which, and the procedures by which, the Fund will determine how to vote or refrain from voting on non-routine matters. These policies vary depending on the specific matter involved. Non-routine matters include: corporate restructurings, mergers and acquisitions, proposals affecting shareholder rights, corporate governance, executive compensation, social and environmental issues, and shareholder proposals. For example, with respect to shareholders rights, the Proxy Voting Guidelines provide that the Fund will typically vote in favour of proposals that give shareholders a greater voice in the affairs of the company and oppose any measure that seeks to limit those rights; and
- iv. procedures to ensure that portfolio securities held by the Fund are voted in accordance with the instructions of the Manager. This includes the requirement of the portfolio manager to provide to the Manager on a quarterly basis a certificate confirming that it has voted all securities held by the Fund in accordance with the Proxy Voting Guidelines.

The following three situations involving the voting of proxies present a potential material conflict of interest:

- voting proxies in respect of a shareholders meeting of the Manager or any of its affiliates;
- voting proxies of an issuer in respect of a proposed merger or other corporate reorganization or transaction involving the issuer (or any of its affiliates) and the Manager, or any of its affiliates; and
- voting proxies of an issuer in regard to the nomination or election of any officer or director of the Manager to the board of directors of that issuer.

In those instances where the Manager or an affiliate is not acting as portfolio manager, the voting responsibility will be outsourced to the portfolio manager who will vote the proxies in the best interests of the Fund without reference to, or influence from the Manager. In those instances where the Manager or an affiliate acts as portfolio manager, the Manager will employ a leading, independent proxy agent (the “**Proxy Agent**”) who provides in-depth analysis, guidelines and voting recommendations for proxy proposals (e.g., Glass, Lewis & Co.) and vote the proxies to be consistent with the Proxy Agent's recommendation.

A conflict of interest may exist if the portfolio manager, 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. Conflicts of interest also may arise if an individual employed by the portfolio manager that is involved in the proxy vote decision has a direct or indirect personal relationship or other 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.

The portfolio manager of the Fund has procedures in place to identify potential conflicts of interest. When the portfolio manager becomes aware of any vote that presents a conflict, the portfolio manager must vote such proxy question in a manner consistent with, and uninfluenced by considerations other than, the best interest of the Fund and its Unitholders.

The policies and procedures that the Fund follows when voting proxies relating to portfolio securities are available on request, at no cost, by calling 1-866-864-7760 (English) or 1-866-529-0017 (French) or by writing to the Manager, 1 First Canadian Place, 100 King Street West, 8<sup>th</sup> Floor, Toronto, Ontario, M5X 1A1.

The Fund's proxy voting record for the most recent period ended June 30 of each year is, or will be, available free of charge to any Unitholder of the Fund upon request at any time after August 31 of the relevant year by calling 1-866-864-7760.

The proxy voting record is also available on our website at [www.bmonotes.com](http://www.bmonotes.com) or by contacting us by email at [admin.dealerservices@bmonb.com](mailto:admin.dealerservices@bmonb.com).

#### **4. DESCRIPTION OF UNITS OF THE FUND**

The Fund is offering the following Classes of Units: Class A Units, Class D Units, Class F Units and Class I Units.

The Fund is divided into Units of participation which may be issued in one or more Classes as determined by the Manager from time to time. Each Unit of a Class is entitled to participate equally in distributions on Units of that Class made by the Fund (other than Redeemer's Gains) and on liquidation. Your interest in the Fund is shown by how many Units of a Class are registered in your name. There is no limit to the number of Units of each Class of the Fund that can be issued. No Unit in the Fund has any preference or priority over another Unit of the same Class of the Fund.

No Unitholder holds any assets of the Fund. Unitholders have only those rights mentioned in this annual information form, in the simplified prospectus and as created in the Master Declaration of Trust.

Units of the Fund have the following attributes:

1. at any meeting of Unitholders, each Unitholder will be entitled to one vote for each whole Unit registered in the Unitholder's name;
2. on the termination of the Fund, the assets of the Fund will be distributed and all Units in the Fund will share in the value of the Fund;
3. the Units have no dividend rights, but you may participate in any distributions by the Fund;
4. the Units of the Fund do not carry rights to any other fund;
5. the Units of the Fund may be redeemed, possibly subject to costs (see *Redemption of Units*);
6. the Units of the Fund cannot be transferred except in limited circumstances;
7. there is no liability for further calls or assessments; and
8. the Units of the Fund may be sub-divided or consolidated by the Manager.

Subject to certain exceptions, the following changes cannot be made to the Fund unless a majority of the votes cast at a meeting of Unitholders of the Fund called for that purpose approve:

1. a change in basis of calculation of a fee or expense that is charged to the Fund in a way that could result in an increase in charges to the Fund, except where:
  - (i) the Fund is at arm's length with the person or company charging the fee;
  - (ii) the Unitholders have received at least 60 days' notice before the effective date of the change; and
  - (iii) the right to notice described in (ii) is disclosed in the prospectus of the Fund;
2. the introduction of a fee or expense to be charged to the Fund or directly to Unitholders by the Fund or the Manager in connection with the holding of Units that could result in an increase in charges to the Fund or to Unitholders;
3. a change in the manager of the Fund (other than to an affiliate of BMO Nesbitt Burns Inc.);
4. a change in the auditors of the Fund;
5. a change in the fundamental investment objectives of the Fund;
6. in certain cases, the Fund undertakes a reorganization with, or transfer of its assets to, another fund or acquires another fund's assets; or
7. if the net asset value per Unit of the Fund will be calculated less often.

The Manager will give Unitholders of the Fund sixty days' written notice of any other amendment to the Master Declaration of Trust except that the Manager may amend the Master Declaration of Trust without approval of or notice to Unitholders of the Fund, if the proposed amendment is: (i) to remove any conflicts or other inconsistencies which may exist between any terms of the Master Declaration of Trust and any provisions of any law or regulation applicable to or affecting the Fund; (ii) to make any change or correction in the Master Declaration of Trust which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein; (iii) to bring the Master Declaration of Trust into conformity with applicable laws, rules and policies of the securities regulatory authorities or with current practice within the securities industry, provided that any such amendment does not adversely affect the rights, privileges or interests of Unitholders; (iv) to maintain, or permit the Manager to take such steps as may be desirable or necessary to maintain, the status of the Fund as a "mutual fund trust" for the purposes of the Tax Act or to respond to amendments to the Tax Act or the interpretation thereof; (v) to change the tax year end of the Fund as permitted under the Tax Act; (vi) to change the name of the Fund; (vii) to create additional Classes of Units of the Fund and to redesignate existing Classes of Units of the Fund, unless the rights attaching to such Units are changed or are adversely affected thereby; or (viii) to provide added protection to Unitholders, if in the opinion of the Manager the amendment is not prejudicial to Unitholders and is necessary or desirable. Any amendments to the Master Declaration of Trust made by the Manager without the consent of Unitholders will be disclosed in the next regularly scheduled report to Unitholders.

## **5. CALCULATION OF NET ASSET VALUE**

The net asset value ("NAV") of each Class of the Fund and the NAV per Unit of each Class of the Fund are calculated by the Manager in accordance with NI 81-102 on any day on which the Fund is required to calculate a net asset value.

The NAV of a Class of the Fund is determined by taking the Class' proportionate share of the market value of the Fund's portfolio, adding its proportionate share of all other assets and subtracting the Class' liabilities and its proportionate share of common liabilities of the Fund attributable to that Class. The result is the Class NAV of that Class of the Fund.

Since each Class of the Fund has different costs and liabilities, the Class NAV per Unit is calculated separately for each Class. We calculate the Class NAV per Unit by taking that Class' NAV, determined as described above, and then dividing that number by the total number of Units of that Class that are outstanding. The Class NAV per Unit of each Class is calculated as at 4:00 p.m. (Eastern Time) on each business day. A business day is any day on which the Toronto Stock Exchange ("TSX") is open for trading.

The purchase and sale price of each Unit of a Fund Class is equal to that Class' Class NAV per Unit as at 4:00 p.m. (Eastern Time) (the "**Valuation Time**") on each business day (the "**Valuation Date**"). Any applicable redemption fee payable by you will be deducted from your sale proceeds. If your purchase or sale order is received after 4:00 p.m. (Eastern Time), the price will be the Class NAV per Unit as at 4:00 p.m. (Eastern Time) on the next business day.

The issue and redemption price is based on the Fund's Class NAV next determined after the receipt of an order. The issue or redemption of Units of a Class of Units of the Fund is reflected in the next calculation of the applicable Class NAV following the issue or redemption of such Units.

Although purchases and redemptions of Units are recorded on a Class basis, the assets attributable to all of the Classes of the Fund are pooled to create one fund for investment purposes.

You may obtain the NAV per Unit of each Class of the Fund by visiting the Fund's website at [www.bmonotes.com](http://www.bmonotes.com) or by calling 1-866-864-7760.

## **6. VALUATION OF PORTFOLIO SECURITIES**

### **(a) Assets**

The assets of the Fund include:

- all cash on hand, on deposit or on call;
- all bills and notes and accounts receivable;
- all shares and subscription rights and other securities;
- all stock and cash dividends and cash distributions not yet received by the Fund but declared to shareholders of record before the net asset value per Unit is determined;
- all bonds, debentures, mortgages and other evidences of indebtedness;
- interest accrued on any fixed interest bearing securities;
- all derivative instruments
- margin receivable on futures contracts; and
- all other property, including prepaid expenses.

### **(b) Value of assets**

We determine the value of the Fund's assets using the following principles:

- (a) cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued and not yet received, are valued at the full amount or at what is considered to be the fair value by the Valuation Agent;

- (b) money market or short-term investments are valued at amortized cost which approximates fair value due to their short-term nature;
- (c) securities listed on any stock exchange or in the over the counter market are valued at their closing price within the bid-ask spread or, if there is no closing price, or the closing price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. If there are no recent sales, the Manager may use its discretion to calculate its best estimate of the fair value of such securities;
- (d) debt securities are fair valued. Fair value is determined as the last traded market price or close price set by the market makers, where the close price falls within the bid-ask spread of the security. In situations where the last traded market price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value;
- (e) mutual fund securities that are not listed on any stock exchange are valued at the respective net asset values for such units quoted by the trustee or manager of such fund on the relevant valuation date;
- (f) foreign currency accounts shall be expressed in Canadian dollars on the following basis: (i) investments and other assets shall be valued by applying the applicable exchange rate at the Valuation Time; and (ii) purchases and sales of investments, income and expenses shall be recorded by applying the applicable exchange rate on the dates of such transactions;
- (g) the Fund's holdings, other than those referable to a Class of Units denominated in U.S. dollars, if any, shall be valued in Canadian dollars before the NAV of the Fund is calculated;
- (h) forward foreign exchange contracts shall be valued as the difference between the value of the contract on the date the contract was originated and the value of the contract on the Valuation Date. Foreign exchange options shall be valued at their quoted market value. When the contract or option closes or expires, a realized foreign exchange gain or loss shall be recognized;
- (i) forward contracts are valued as the difference between the value on the date the contract originated and the value of the contract on the valuation date;
- (j) derivative securities such as clearing corporation options, warrants shall be valued at their current fair value;
- (k) should the Fund write a covered clearing corporation option, the premium received shall be considered a deferred credit with a value equal to the current market value of an option that would have the effect of closing the position. Any difference resulting from revaluation will be treated as an unrealized gain or loss. Such deferred credits will be deducted to arrive at the NAV of the Fund;
- (l) futures contracts shall be valued at the outstanding current margin payable or receivable;
- (m) bullion, coins, certificates or other evidences of precious metals shall be valued at current market value;
- (n) restricted securities are valued at the lesser of (i) the value thereof based on reported quotations in common use, and (ii) the percentage of the market value of unrestricted securities of the same class, equal to the percentage that the fund's acquisition cost was the market value of such unrestricted securities at the time of acquisition, provided that if we know the time period during which the restrictions on such securities apply, we may adjust the price to reflect that time period;
- (o) all other assets shall be valued at the Valuation Agent's best estimate of fair value; and
- (p) if any investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Valuation Agent to be inappropriate under the circumstances, then, notwithstanding the foregoing rules, the Valuation Agent may estimate the fair value of an investment using established fair

valuation procedures such as: consideration of public information, broker quotes and valuation models. The Valuation Agent may also use external fair value service providers. The value calculated on fair value securities for the purposes of calculating a fund's net asset value may differ from the securities' most recent closing market price.

The Valuation Agent may also determine the fair value of securities in the following circumstances: (i) when there is a halt trade on a security which is normally traded on an exchange; (ii) with respect to securities that trade on markets that have closed prior to the time of calculation of the NAV of the Fund when there is sufficient evidence that the closing price on the market is not the most appropriate value at the time of valuation; and (iii) when there are investment or currency restrictions imposed by a country that affect the Fund's ability to liquidate the assets held in that market.

The NAV per Unit of a Class is calculated in Canadian dollars or, if applicable, in U.S. dollars, in accordance with the rules and policies of the Canadian Securities Administrators or in accordance with any exemption therefrom that the Fund may obtain. The NAV per Unit of a Class determined in accordance with the principles set out above may differ from the NAV per Unit determined under International Financial Reporting Standards.

### **(c) Liabilities**

The liabilities of the Fund include:

- all bills and notes and accounts payable and/or accrued;
- all administrative and operating expenses payable or accrued or both, including management fees;
- all contractual obligations for money or property, including any unpaid distribution credited to Unitholders the day before the net asset value per Unit is determined;
- all allowances authorized or approved by the Manager for taxes (if any) or contingencies;
- the value of margin payable on futures contracts; and
- all other liabilities of the Fund.

Units are still considered outstanding on the day we receive a request to redeem them. They are valued at the redemption price per Unit on that day, but the redemption price is considered a liability of the Fund only after the close of business on that day.

## **7. PURCHASE OF UNITS**

### **(a) Subscription for Units**

Units of the Fund are offered on a continuous basis at the Class NAV per Unit as provided for in the section below entitled "*Price per Unit*". Class A Units and Class F Units must be purchased through your investment advisor. Class D Units are available to investors who have accounts with a discount brokerage or for other investors for whom we do not incur substantial distribution costs. Class I Units are for institutional investors, for use within managed asset programs or structured products. If eligible, you can buy Class I Units only through a registered dealer or broker who has entered into a Class I agreement with us and only with our prior approval. A dealer's participation in Class I Units distribution is subject to our terms and conditions.

Subscriptions as received and accepted will be used to purchase Units of the particular Class of the Fund at the Class NAV per Unit as provided for in the section below entitled "*Price per Unit*". The Master Declaration of Trust authorizes the Manager to accept or reject subscriptions to purchase Units. We may exercise this right provided that: (1) the decision to accept or reject a subscription is made promptly and in any event no later than one business day after receipt of the subscription; and (2) if a subscription is rejected, all monies received with the subscription are

returned without interest or deduction immediately. The time from the business day next following the date of the receipt of a subscription to the settlement date for that subscription shall not exceed two business days.

**(b) Minimum subscription - fractional Units**

You should note that there are minimum subscription and minimum balance amounts applicable to each Class of Units of the Fund as described in this annual information form and in the Fund's simplified prospectus. Fractional Units taken to not less than three decimal points will be issued in order to allow investment of fixed dollar amounts.

An investment in Units of any Class of the Fund (other than Class I Units) requires you to invest and maintain a minimum balance of \$500. Any minimum amounts for Class I Units are determined on a contractual basis. If the value of your investment in a Class of the Fund falls below the minimum amount as determined by us from time to time, we may redeem all the securities of such Class of the Fund in your account. If, as a result of market fluctuation, the value of your Units of a Class of the Fund falls below the minimum balance, we may redeem such Units after giving you ten days' notice. If, as a result of a partial redemption, the value of your remaining holding falls below the minimum balance, we may redeem such remaining holding immediately and without prior notice to you.

We reserve the right to change or waive any minimum purchase order and minimum unitholding amounts from time to time, at our sole discretion, without notice.

**(c) Switching to Units of another Class**

A switch involves moving your investment from one Class to another Class of the Fund. We describe the kinds of switches you can make below. When we receive your order, we will switch your Units of one Class to Units of another Class of the Fund, provided you are qualified to hold the Class into which you are switching.

You can switch your Units of the Fund of one Class to another Class of the Fund through a qualified financial advisor. Switches between Classes of the Fund do not result in dispositions for income tax purposes. It is up to you or your investment professional, if applicable, to determine which Units is the more or most appropriate for you. The choice of different purchase options requires you to pay different fees and expenses and affects the amount of compensation received by your dealer and your financial advisor.

We have the right to refuse any order to switch Units. We must do so within one business day from the time we receive the order. The timing of the processing of switches is the same as for redemptions.

**(d) Redesignations of Units to another Class**

If you or your dealer is no longer eligible to hold Class D Units, Class F Units or Class I Units, we may, in our sole and absolute discretion and without notice, switch your Class D Units, Class F Units or Class I Units into Class A Units of the Fund. If we switch your Units in these circumstances, the management fee charged on your Class A Units will be higher than the fee you were paying on the Class D Units, Class F Units or Class I Units that you previously owned. If you become eligible to hold Class F Units or Class I Units, you should so advise your financial advisor and determine whether a change of your Class A Units into Class F Units or Class I Units is appropriate, and so advise us.

Switch fees and short-term trading fees do not apply in respect of a switch of Class D, Class F, or Class I Units to Class A Units of the Fund. After a switch of Class D, Class F or Class I Units to Class A Units of the Fund, the Class A Units will be subject to the fees and other terms and conditions applicable to all Class A Units of the Fund.

Provided the conditions set out below are met, we may, in our discretion, redesignate your Fund Units into Units of another Class of the Fund. We may only redesignate your Units if:

- you receive Units having the same value;
- the management fee and any other fees and expenses of the new Class are not more than that of the Class that you previously owned;

- the redesignation is done at no cost to you;
- the redesignation is not a disposition for tax purposes; and
- the service commissions payable by us to registered dealers and brokers, if any, remain the same.

After a redesignation of Units to another Class, the redesignated Units will be subject to the fees and other terms and conditions applicable to Units of the other Class of the Fund as described in greater detail in the simplified prospectus of the Fund under the headings “*Fees and Expenses*” and “*Dealer Compensation*”.

**(e) Price per Unit**

The price per Unit for Units of a Class of the Fund purchased pursuant to a subscription accepted by the Manager, will be the applicable Class NAV per Unit of the Fund and determined on the business day next following the date of receipt by us of the subscription; provided however when a subscription or a request for redemption is received by us by 4:00 p.m. (Eastern Time) on a business day, the net asset value of the Unit subscribed for or to be redeemed will be calculated on that date.

**(f) Settlement of sale**

Your subscription for Units of the Fund will be accepted or rejected as described in the simplified prospectus of the Fund.

You should note that if you purchase Units in the Fund from a registered broker or dealer, you may be subject to the particular arrangements of that registered broker or dealer such that you may have to compensate the registered broker or dealer for any losses suffered by the registered broker or dealer in connection with a failed settlement of a purchase of Units of the Fund caused by you.

**(g) Systematic Withdrawal Plan**

You can elect to systematically withdraw Units by selling a specific dollar amount of Units (in minimum amounts of \$100 weekly, semi-monthly, monthly, quarterly, semi-annually or annually, depending on the kind of account you have) in respect of each next scheduled investment date subsequent to such election.

If you wish to set up a withdrawal plan, you must notify your broker, dealer or investment advisor sufficiently in advance of the next scheduled investment date such that the broker, dealer or investment advisor is able to provide at least four Business Days’ notice to the Manager prior to the applicable next scheduled investment date to set up the regular withdrawal plan. If you wish to set up a systematic withdrawal plan with the Manager, you should speak with your broker, dealer or investment advisor for further details. Here is how the plan works:

- you must hold your Fund Units in a non-registered account
- you must continue to meet the minimum balance requirements for the Fund
- we will redeem enough Units to withdraw money from your account and make payments to you.

If you withdraw more than your investment in the Fund is earning, you’ll reduce your original investment and may use it up altogether.

**(h) The sales charge options**

When you purchase Class A Units of the Fund, you may have to pay a sales commission of 0% to 2.00% of the amount invested. You can negotiate this fee with your dealer. No sales commissions will be payable in respect of the Class D Units, Class F Units or Class I Units of the Fund. The choice of different purchase options requires you to pay different fees and expenses and affects the amount of compensation payable to a dealer.

## **8. REDEMPTION OF UNITS**

### **(a) Redemptions**

You can sell Units at any time; this is called a redemption. Units may be surrendered at any time for redemption on a Valuation Date, subject to our right to suspend redemptions in certain circumstances. When redeeming Units of the Fund you should indicate whether you wish to redeem a specified dollar amount or number of Units. You may have to pay an administrative fee to your dealer for each redemption. Except as discussed under “*When you may not be allowed to sell your Units*” on page 12, we cannot refuse an order to redeem Units.

In respect of any redemption, if we receive your order by 4:00 p.m. on a Valuation Date in good order, we will process it at the applicable Class NAV per Unit determined on such date. All Units that have been surrendered for redemption prior to 4:00 p.m. on a Valuation Date will be deemed to be outstanding until (but not after) the close of business on that Valuation Date.

If we receive your redemption order at or after 4:00 p.m. on a day that is a Valuation Date, or on a day which is not a Valuation Date, we will process it at the applicable Class NAV per Unit calculated on the next Valuation Date. If the Toronto Stock Exchange closes earlier than 4:00 p.m. on a Valuation Date, we may impose an earlier deadline for receipt of redemption orders. Payment of any redemption proceeds owing will be made within two business days.

If you redeem a Unit, the Manager may designate and distribute to you, as part of the Class NAV per Unit of the Unit being redeemed, a portion of the net realized capital gains of the Fund for the year (“**Redeemer’s Gains**”).

We may refuse to process your order if it is not in good order or if all necessary documents and/or information have not been received. If we process it anyway, and have not received all the necessary documentation and/or information needed to settle your redemption request within ten business days of a Valuation Date, we are required under securities legislation to purchase the equivalent number of Units you asked to be redeemed as of the close of business on the tenth business day. If the purchase price of those Units is less than your redemption price, the Fund will keep the difference. If the amount of the purchase price exceeds your redemption price, we will pay the difference to the Fund and may seek reimbursement from your dealer, together with additional costs. Your dealer may be entitled to recover these amounts from you.

You should note that if you have purchased Units in the Fund from a registered broker or dealer, you may be subject to the particular arrangements of that registered broker or dealer such that you may have to compensate the registered broker or dealer for any losses suffered by the registered broker or dealer in connection with any failure on your part to satisfy the requirements of the Fund or securities legislation for a redemption of Units of the Fund.

### **(b) When you have to redeem Units**

If you become ineligible to hold the Fund, we may redeem your Units. We may redeem your Units if we are permitted or required to do so, including in connection with the termination of the Fund, in accordance with applicable law. If we redeem your Units, the effect will be the same as if you initiated the transaction. We will not give you or your dealer notice prior to taking any of these actions.

### **(c) When you may not be allowed to sell your Units**

The Fund may suspend your right to request a redemption of Units for all or part of a period when:

- (a) normal trading is suspended on a stock, options or futures exchange in Canada or outside Canada in which securities or derivatives that make up more than 50% of the value or underlying exposure of the Fund’s total assets are traded, and
- (b) those securities or derivatives are not traded on any other exchange that represents a reasonable alternative for the Fund.

The Fund may postpone a redemption payment for any period during which your right to request a redemption is suspended under the circumstances described above or with the approval of the Canadian securities regulators. The Fund may not accept orders for the purchase of Units during any period when the redemption of its Units has been suspended.

The suspension may, at the discretion of the Manager, apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. If you make a request for redemption during a suspension (unless the suspension lasts for less than forty-eight hours), you will be advised by the Manager of the suspension and that the redemption will be in effect on the basis of the Class NAV per Unit determined on the first business day following the termination of the suspension. You will have and will (unless the suspension lasts for less than forty-eight hours) be advised that you have the right to withdraw your request for redemption. The suspension will terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent that it is not inconsistent with rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration or suspension made by the Manager shall be conclusive.

**(d) Payment on redemption - outstanding Units**

If you make a redemption request, we will pay you within two business days the value of the Units determined on the date the redemption request was treated as received. If all your Units in the Fund are redeemed, any net income and net realized capital gains relating to the Units which have been made payable prior to the business day on which the value of the Units was determined will also be paid to you. If you redeem only some of your Units in the Fund, the proceeds will be paid as described above and net income and net realized capital gains attributable to the Units will be paid to you in accordance with the Fund's distribution policy, as described in the simplified prospectus. Payments will be considered made upon deposit of the redemption proceeds into your bank account or the mailing of a cheque in a postage prepaid envelope addressed to you unless the cheque is not honoured for payment.

**(e) Transfer of money for redemption**

We shall cause the custodian to pay out of the money or other assets of the Fund from time to time deposited with the custodian, sufficient moneys or other assets to enable us to redeem Units as required.

**(f) Tax effect of a redemption**

A redemption constitutes a disposition for purposes of the Tax Act. If the net asset value of the Units redeemed is greater than your adjusted cost base for those Units and any reasonable costs of disposition, there is a gain. Similarly if the net asset value of the redeemed Units and any reasonable costs of disposition is less than the adjusted cost base for those Units, there is a loss. See "*Income Tax Considerations*" on page 23 for more information.

**(g) Non-Resident Unitholders**

At no time may: (i) non-residents of Canada; (ii) partnerships that are not Canadian partnerships; or (iii) a combination of non-residents of Canada and such partnerships (all as defined in the Tax Act), be the beneficial owners of a majority of the Units of the Fund (on either a number of Units or fair market value basis). The Manager may require declarations as to the jurisdictions in which a beneficial owner of Units is resident and, if a partnership, its status as a Canadian partnership. If the Manager becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% of the Units of the Fund then outstanding (on either a number of Units or fair market value basis) are, or may be, non-residents and/or partnerships that are not Canadian partnerships, or that such a situation is imminent, the Manager may make a public announcement thereof. If the Manager determines that more than 40% of such Units (on either a number of Units or fair market value basis) are beneficially held by non-residents and/or partnerships that are not Canadian partnerships, the Manager may send a notice to such non-resident Unitholders and partnerships, chosen in inverse order to the order of acquisition or in such manner as the Manager may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not less than 30 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Manager with satisfactory evidence that they are not non-residents or partnerships other than Canadian

partnerships within such period, the Manager may on behalf of such Unitholders sell such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such sale, the affected Unitholders shall cease to be beneficial holders of Units and their rights shall be limited to receiving the net proceeds of sale of such Units.

Notwithstanding the foregoing, the Manager may determine not to take any of the actions described above if the Manager has been advised by legal counsel that the failure to take any of such actions would not adversely impact the status of the Fund as a mutual fund trust for purposes of the Tax Act or, alternatively, may take such other action or actions as may be necessary to maintain the status of the Fund as a mutual fund trust for purposes of the Tax Act.

## **9. RESPONSIBILITY FOR OPERATIONS OF THE FUND**

### **(a) Manager, Principal Distributor, Registrar and Prime Broker**

BMO Nesbitt Burns Inc. is the manager, principal distributor and registrar of the Fund. The address, phone number and the website of the Manager is: 1 First Canadian Place, 100 King Street West, 8<sup>th</sup> Floor, Toronto, Ontario, M5X 1A1, 1-866-864-7760 (English) or 1-866-529-0017 (French) and [www.bmonotes.com](http://www.bmonotes.com). You can contact us by e-mail at [admin.dealerservices@bmonb.com](mailto:admin.dealerservices@bmonb.com). The register of securities of the Fund will be kept in Toronto, Ontario. BMO Nesbitt Burns Inc. also acts as prime broker to the Fund and, in such capacity, provides leverage loan facilities to the Fund pursuant to the terms of a prime brokerage agreement.

The Manager manages the Fund pursuant to the terms of a master amended and restated management agreement dated December 7, 2018 (the “**Management Agreement**”) between the Fund and the Manager. The Management Agreement determines how we administer the Fund’s day-to-day operations, supervise the Fund’s investments, help manage the investment and reinvestment of assets, and serve as principal distributor of the securities of the Fund except that, certain functions are performed exclusively by PineBridge Investments LLC. See “*Responsibility for Operations of the Fund – Portfolio Manager*”. The Manager will be entitled to receive fees as compensation for management services rendered to the Fund. The Manager is responsible for compliance with the investment policies, restrictions and practices of the Fund and to provide or arrange for the provision of all general administrative services related to the Fund. We have taken the initiative in creating the Fund and may be considered the promoter of the Fund.

The Management Agreement contains provisions regarding the resignation and replacement of the Manager subject to the approval of the investors in the Fund. The Management Agreement may be terminated in respect of the Fund by the Unitholders of the Fund in the event of the Manager’s material breach or default of its obligations thereunder and such default has not been cured within 30 days’ notice after notice of same has been given to the Manager. The Management Agreement may also be terminated in respect of the Fund by the Fund immediately in the event of the commission by the Manager of any wilful misconduct (including fraud) and shall be automatically terminated if the Manager becomes bankrupt, insolvent or makes a general assignment for the benefit of its creditors.

The name and municipality of residence, position and office held with the Manager and current principal occupation of each of the directors and executive officers of the Manager are as follows:

<b><u>Name and Municipality of Residence</u></b>	<b><u>Position with the Manager and Principal Occupation</u></b>
ANDREW AUERBACH <sup>(1)</sup> Toronto, Ontario	Director of the Manager and Head, Private Client Division and Ultimate Designated Person for Private Client Division
DANIEL BARCLAY <sup>(2)</sup> Toronto, Ontario	Director, President, Chief Executive Officer and Ultimate Designated Person for Capital Markets of the Manager and Group Head of BMO Capital Markets, Bank of Montreal
PATRICK CRONIN <sup>(3)</sup> Toronto, Ontario	Chief Risk Officer of the Manager and Chief Risk Officer, Bank of Montreal

<u>Name and Municipality of Residence</u>	<u>Position with the Manager and Principal Occupation</u>
BRUCE FERMAN <sup>(4)</sup> North York, Ontario	Chief Operations Officer, Private Client Division
THOMAS FLYNN <sup>(5)</sup> Toronto, Ontario	Director and Chair of the Manager and Chief Financial Officer, Bank of Montreal
SHARON HAWARD-LAIRD <sup>(6)</sup> Toronto, Ontario	Director of the Manager, Senior Vice President and Head, North American Treasury and Payment Solutions, Bank of Montreal
PETER HINMAN <sup>(7)</sup> Toronto, Ontario	Director of the Manager and Chief Financial Officer of BMO Nesbitt Burns Holdings Corporation
B. ROBERT MARKOVSKI <sup>(8)</sup> Toronto, Ontario	Chief Financial Officer and Managing Director of the Manager
DAVID MOORE <sup>(9)</sup> Toronto, Ontario	Chief Compliance Officer, Capital Markets
DANIELLE NARDI <sup>(10)</sup> Mississauga, Ontario	Chief Compliance Officer, Private Client Division
SILVIO STROESCU <sup>(11)</sup> Stouffville, Ontario	Director of the Manager and President, BMO InvestorLine Inc.
CHRIS TAVES <sup>(12)</sup> Mississauga, Ontario	Chief Operating Officer, Capital Markets

<sup>(1)</sup> Appointed effective February 1, 2018.

<sup>(2)</sup> Appointed Director, President and Chief Executive Officer of the Manager effective November 1, 2018.

<sup>(3)</sup> Appointed Chief Risk Officer of the Manager effective June 27, 2019.

<sup>(4)</sup> Appointed effective May 8, 2020.

<sup>(5)</sup> Appointed Director of the Manager effective September 26, 2019.

<sup>(6)</sup> Appointed Director of the Manager effective January 21, 2020.

<sup>(7)</sup> Appointed Director effective March 27, 2017. Chief Financial Officer up to and including January 31, 2017.

<sup>(8)</sup> Appointed Chief Financial Officer effective February 1, 2017. Previously Senior Vice-President of the Manager.

<sup>(9)</sup> Appointed effective March 27, 2018.

<sup>(10)</sup> Appointed effective March 8, 2019.

<sup>(11)</sup> Appointed Director effective March 27, 2017.

<sup>(12)</sup> Appointed effective March 27, 2018.

Each of the foregoing individuals except for Mr. Stroescu has held his or her current office or has held a senior position with the Manager or an affiliate of the Manager during the five years preceding the date hereof.

From March 2013 to October 2016, Mr. Stroescu was Vice President of Deposits at Tangerine Bank and Vice President of Investments Tangerine Investment Funds Limited and Tangerine Asset Management Inc. (previously, ING Direct Funds Limited and ING Direct Asset Management). As of October 2014 he was nominated President and CEO of Tangerine Investment Funds Limited and Tangerine Investment Management Inc. In October 2016, he became President, BMO InvestorLine Inc.

#### **(b) Portfolio Manager**

The Portfolio Manager provides services to the Fund pursuant to the provisions of an amended and restated portfolio management agreement among the Fund, the Manager and the Portfolio Manager (the “**Portfolio Management**”).

**Agreement**”) dated December 7, 2018, as may be further amended or amended and restated. The Portfolio Manager is responsible for providing or arranging for the provision of all necessary investment advisory and portfolio management services in respect of the Portfolio and for ensuring that the trading and investment activities of the Portfolio are in compliance with the Fund’s investment objectives, investment strategies and investment restrictions.

Under the Portfolio Management Agreement, the Portfolio Manager is required to act at all times on a basis that is fair and reasonable to the Fund, to act honestly and in good faith with a view to the best interests of the Fund and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent portfolio manager would exercise in comparable circumstances. The Portfolio Management Agreement provides that the Portfolio Manager shall not be liable in any way for any default, failure or defect in any of the securities held by the Fund, nor shall it be liable if it has satisfied the duties and standard of care, diligence and skill set forth above. The Portfolio Manager will, however, incur liability in cases of willful misconduct, bad faith, gross negligence, breach of its standard of care or material breach of its obligations under the Portfolio Management Agreement.

The Portfolio Management Agreement, unless terminated as described below, will continue in effect until the termination date of the Fund. The Manager may terminate the Portfolio Management Agreement on behalf of the Fund without cause, upon providing the Portfolio Manager 90 days’ prior written notice. The Manager may otherwise terminate the Portfolio Management Agreement (i) if the Portfolio Manager becomes bankrupt or insolvent or has entered into liquidation or winding-up whether compulsory or voluntary (and not merely a voluntary liquidation for the purposes of amalgamation or reorganization) or makes a general assignment for the benefit of its creditors or a receiver is appointed in respect of the Portfolio Manager or a substantial portion of its assets; (ii) if the Portfolio Manager is in material breach or default of the Portfolio Management Agreement and such breach or default has not been cured within 30 Business Days after written notice thereof has been given to the Portfolio Manager and the Trustee by the Fund or the Manager; (iii) if the assets of the Portfolio Manager have become subject to seizure or confiscation by any public or governmental organization; (iv) if the Portfolio Manager has lost any registration, license or other authorization or cannot rely on an exemption therefrom required by the Portfolio Manager to perform the services delegated to the Portfolio Manager under that agreement; or (v) if the Portfolio Manager has breached the standard of care under that agreement or acted with willful misconduct, bad faith or gross negligence and as a result of such action there has been a material adverse effect on the Fund.

Except as set out below, the Portfolio Manager may not terminate the Portfolio Management Agreement or assign the same except to an affiliate of the Portfolio Manager without the approval of the Manager. The Portfolio Manager may terminate the Portfolio Management Agreement (i) without cause, upon 90 days’ prior written notice or on terms mutually agreeable to the Portfolio Manager and the Manager, (ii) if the Fund or the Manager is in material breach or default of the provisions thereof and, if capable of being cured, such breach or default has not been cured within 30 Business Days’ written notice of such breach or default to the Fund or the Manager; (iii) on 30 days’ prior written notice to the Manager in the event there is a material change in the investment objectives, investment strategies or investment restrictions of the Fund to which the Portfolio Manager has not previously agreed; (iv) if the Manager has been declared bankrupt or insolvent or has entered into liquidation or winding-up, whether compulsory or voluntary (and not merely a voluntary liquidation for the purposes of amalgamation or reorganization); (v) if the Manager makes a general assignment for the benefit of creditors or otherwise acknowledges its insolvency; or (vi) if the assets of the Manager have become subject to seizure or confiscation by any public or governmental organization.

If the Portfolio Management Agreement is terminated, the Manager will promptly appoint a successor portfolio manager to carry out the activities of the Portfolio Manager until a meeting of the Unitholders of the Fund is held to confirm such appointment, provided that approval of Unitholders shall not be required if the Manager assumes the role of the Portfolio Manager.

The Portfolio Manager and each of its directors, officers, employees and agents will be indemnified by the Manager and the Fund for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against the Portfolio Manager or any of its officers, directors, employees or agents in the exercise of its duties as portfolio manager of the Fund, except those resulting from the Portfolio Manager’s wilful misconduct, bad faith, gross negligence, breach of standard of care or material breach of its obligations under the Portfolio Management Agreement.

The Manager is responsible for the payment of the fees of the Portfolio Manager out of its fees.

The following individual is principally responsible for the day-to-day management of a material portion of the portfolios of the Fund:

<u>Name</u>	<u>Title</u>	<u>Length of Service with PineBridge</u>	<u>Business Experience (past 5 years)</u>
Vladimir Karlov	Managing Director, Head of Quantitative Portfolio Management, Fixed Income	20 years	Managing Director, Head of Quantitative Portfolio Management, Fixed Income

Mr. Karlov has held his current office or a senior position with the Portfolio Manager or an affiliate thereof during the past five years. A description of the experience and background of Vladimir Karlov who has primary responsibility for the management of the Portfolio at the Portfolio Manager is set out below:

**Vladimir Karlov** - Managing Director, Head of Quantitative Portfolio Management, Fixed Income. Mr. Karlov joined the firm in 2000 and is responsible for managing preferred equity portfolios. He is also engaged in asset allocation decisions, asset-liability management, liability driven investments, execution of structured and derivatives transactions. Previously, Mr. Karlov was responsible for managing capital structure arbitrage and convertible portfolios. Prior to joining the firm, he was a Consultant in the Financial Risk Management Group at PricewaterhouseCoopers LLP in New York. At PwC, Mr. Karlov worked with banks, investment management companies, mortgage companies and government agencies on a wide variety of risk management projects. He received a BS and an MS (Honors) in Applied Mathematics and Cybernetics at Moscow State University in Russia, and a Doctor of Science in Operations Research from George Washington University.

Biographical information for the remainder of the PineBridge Preferred Securities investment team is set out below:

#### **Research:**

**Michael Schaller, CFA** – Managing Director, Research Analyst. Mr. Schaller joined the firm in 2013 and is responsible for covering Banks, Finance Companies, Broker Dealers and Insurance Companies. Previously, Mr. Schaller worked at DBRS, a ratings agency, covering US and European Financial Institutions. Prior to that, Mr. Schaller worked in the Investment Grade Fixed Income Research group at Bear Stearns & Co. Inc. covering US Banks and Brokers. He received a BA from the University of Maryland and an MA in Economics from the University of Virginia.

**Dan Purser, CFA** - Managing Director, Credit Analyst. Mr. Purser joined the firm in 2005. His responsibilities include analyzing and monitoring credits in the financials and industrials sectors. Mr. Purser joined PineBridge as a Vice President working in the High Yield Group for the Distressed Fund. He took over management of the Distressed Fund in October 2005. Prior to joining the firm, he worked at Sandell Asset Management as senior analyst - distressed securities. Prior to joining Sandell in 2003, Mr. Purser was a Principal in high yield/distressed research for Bank of America covering European industrial bonds. He began his high yield career in 1995 for PaineWebber. Mr. Purser received a BS, Business Administration and MS, Management - Finance and Accounting, from the University of California, Riverside. He also earned an MBA from the Georgia Institute of Technology. He is a Chartered Financial Analyst.

**Jason Weiss** - Senior Vice President, Research Analyst. Mr. Weiss joined the firm in 2005 and is a Senior Vice President and Research Analyst on PineBridge Investments' Investment Grade Fixed Income team. He is responsible for covering manufacturing, pipelines, and property and casualty insurance. Prior to his current role, Mr. Weiss was a Portfolio Manager for the Global Focus Equity strategy. Previously, Mr. Weiss managed the Merger Arbitrage strategy and was a Senior Analyst for the US and European industrials and materials sectors. In his initial role within the firm, he served in the office of the CEO providing strategic analysis and due diligence of investment opportunities across asset classes. Prior to joining the firm, Mr. Weiss was an equity analyst at Caveat Emptor Capital, a value

oriented family office. Earlier in his career, he worked in a Specialist Sales role at Spartan Institutional Research, where he provided fundamental short research and ideas to buy-side clients, and as a Credit Analyst at Valley National Bank. Mr. Weiss received an MBA from Fordham University and a BA from Muhlenberg College.

**Claire Barbour** - Vice President, Research Analyst. Ms. Barbour joined the firm in 2019 and is a Vice President and Research Analyst on PineBridge Investments' Developed Markets Investment Grade Fixed Income team. She is responsible for the analysis and investment recommendations of US and European utilities, as well as several industries within the broader energy sector including integrated, oil services, refining, and E&P. Before joining PineBridge, Ms. Barbour worked at JPMorgan Chase as a sell-side Credit Analyst covering investment grade and high yield utility companies. Prior to that, she worked at Standard and Poor's as a Ratings Analyst in the Financial Institutions Group. She received her BA in Business from Rider University.

### **Trading:**

Timothy Grant - Senior Vice President, Head Trader, High Grade Fixed Income. Mr. Grant joined the firm in 1999 and is currently responsible for trading cash bonds in all high grade sectors. From 2003-2006 he traded in Europe and was responsible for dollars, euro's and sterling in the following sectors: autos, banks, brokers, finance, chemicals, metals, supermarkets, retail, sovereigns, supra-nationals, US treasuries and US agencies. From 2000 to 2003, Mr. Grant was based in New York and traded consumer products, defense, banks, brokers, healthcare, sovereigns, supra-nationals, agencies, other services and all floating rate paper. Upon joining the firm, he worked in the Systems Department as a Front Office Systems Analyst where he implemented several different fixed income and equity analytical systems. Prior to joining the firm, Mr. Grant was a Senior Pricing Analyst at Scudder Kemper Investments and a mutual fund accountant at Putnam Investments, both in the Boston area. He received a BS in Business Administration and a Minor in Economics from the University of New Hampshire.

### **(c) Brokerage Arrangements**

Decisions regarding the purchase and sale of portfolio securities for the Fund are made by the Portfolio Manager taking into consideration the particular investment objectives, investment strategies and investment restrictions of the Fund.

Brokerage business is allocated to dealers based on quality of service and the terms offered for specific transactions including price, volume, speed and certainty of execution, the competitiveness of commission terms and prices, the range of services and the quality of research provided and total transaction cost. The process for allocation of brokerage business is the same as described above for dealers that are affiliated entities.

There are no ongoing contractual arrangements with any brokers with respect to securities transactions.

In addition to order execution goods and services, dealers or third parties may provide research goods and services, which include: (i) advice as to the value of securities and the advisability of effecting transactions in securities; and (ii) analyses and reports concerning securities, issuers, industries, portfolio strategy or economic or political factors and trends that may have an impact on the value of securities.

Such research goods and services may be provided by the executing dealer directly (known as proprietary research) or by a party other than the executing dealer (known as third party research).

In the event of the provision of a good or service that contains an element that is neither research goods and services nor order execution goods and services ("**mixed-use goods and services**"), such as data analysis, software applications and data feeds, brokerage commissions will only be used to pay for the portion of such goods and services which would qualify as either research goods and services or order execution goods and services. The Portfolio Manager would itself pay for the remainder of the costs of such mixed-use goods and services. Records detailing the payment allocations will be kept.

The Portfolio Manager makes a good faith determination that the Fund, on whose behalf it directs to a dealer any brokerage transactions involving client brokerage commissions, in return for research and order execution goods and

services from such dealer or third party, receives reasonable benefit, considering both the use of the goods or services and the amount of the client brokerage commissions paid, by conducting extensive trade cost analyses.

Research and order execution goods and services may benefit not only the Fund whose trades generated the brokerage commission, but may also benefit other funds and clients to whom the Portfolio Manager provides advice. Such research and order execution goods and services may also be shared with affiliates of the Manager. Similarly, the Fund may benefit from research and order execution goods and services obtained with brokerage commissions generated by client accounts of affiliates of the Manager. There are policies and procedures in place to ensure that, over a reasonable period of time, all clients, including the Fund, receive a fair and reasonable benefit in return for the commissions generated.

No affiliated companies have provided investment decision making services in the nature of research analysis and reports concerning securities and portfolio strategies and statistical or other similar services to the Manager or a person appointed by the Manager in return for the allocation of brokerage transactions. Services other than order execution provided to the Portfolio Manager by non-affiliated dealers and third parties in return for the allocation of brokerage transactions may include research, market data subscriptions, and economic analysis.

The name of any non-affiliated dealer or third party that provides such goods or services to the Fund in return for the allocation of brokerage transactions will be provided upon request. You can direct inquiries about the Fund to our administration office by calling us toll free at 1-866-864-7760 (English) or 1-866-529-0017 (French) or through our website at [www.bmonotes.com](http://www.bmonotes.com).

**(d) Trustee**

The Fund is governed in accordance with the provisions of the Master Declaration of Trust. CIBC Mellon Trust Company (the “**Trustee**”) was appointed as the trustee of the Fund on December 7, 2018. The Trustee has a fiduciary responsibility to act in the best interests of the Unitholders of the Fund. The Fund is administered in its day-to-day operations by the Manager.

The Trustee holds the property of the Fund on behalf of the Unitholders of the Fund.

**(e) The Independent Review Committee**

The Independent Review Committee (the “**IRC**”) (as defined below) is responsible for the oversight of the Manager. Please refer to “*Corporate Governance of the Fund*” for more information.

**(f) Custodian**

The cash and securities of the Fund are held in Ontario by CIBC Mellon Trust Company (“**CIBC Mellon**”), as custodian, pursuant to a Master Amended and Restated Custodial Services Agreement dated as of December 7, 2018 (the “**Master Custodial Services Agreement**”). Either party may terminate this Master Custodial Services Agreement, with respect to the Fund, without penalty, by giving at least 90 days written notice to the other party of such termination. The principal office of CIBC Mellon is located at 320 Bay Street, P.O. Box 1, Toronto, Ontario, M5H 4A6. CIBC Mellon may appoint qualified sub-custodians to hold portfolio securities outside of Canada.

**(g) Auditor**

The auditor of the Fund is PricewaterhouseCoopers LLP, Chartered Professional Accountants, Toronto, Ontario.

**(h) Securities Lending Agent**

The Bank of New York Mellon acts as agent for securities lending transactions for the Fund (the “**Securities Lending Agent**”). The Securities Lending Agent is independent of the Manager. The principal office of the Securities Lending Agent is located in Toronto, Ontario.

## 10. CONFLICTS OF INTEREST

### (a) Principal holders of securities

#### (i) *Manager*

The Manager is an indirect wholly-owned subsidiary of Bank of Montreal and may sell Units of the Fund. Such sales are made on the same basis as those made by other dealers, with no preferential compensation. To the knowledge of Bank of Montreal, no person owns 10% or more of the common shares of Bank of Montreal, directly or indirectly. As of May 31, 2020 the directors and senior officers of Bank of Montreal, in aggregate, own less than 1% of Bank of Montreal's outstanding common shares.

#### (ii) *IRC*

As of May 31, 2020, the members of the IRC, in aggregate, owned less than 1% of Bank of Montreal's outstanding common shares. The members of the IRC, in aggregate, do not own any voting or equity securities of any other person or company that provides services to the Fund or the Manager.

### (b) Affiliated Entities

The diagram below sets out the relationships among the affiliated entities that provide services to the Fund or to the Manager in connection with the Fund. All entities below are wholly-owned by Bank of Montreal, directly or indirectly, unless otherwise indicated.



On November 1, 2012, BMO Nesbitt Burns Inc., Bank of Montreal Securities Canada Limited, Jones Heward Investments Inc. and BMO Nesbitt Burns Corporation Limited were amalgamated and continued under the name of BMO Nesbitt Burns Inc. The amalgamated BMO Nesbitt Burns Inc. was reorganized to become a wholly-owned subsidiary of BMO Nesbitt Burns Holdings Corporation. The disclosure of the amount of fees received from the Fund by each affiliated entity that provides services to the Fund or to the Manager in relation to the Fund will be contained in the audited financial statements of the Fund.

## 11. CORPORATE GOVERNANCE OF THE FUND

As stated above, the Fund is governed in accordance with the provisions of the Master Declaration of Trust. The Trustee has the exclusive authority over the assets and affairs of the Fund. The Manager is responsible for fund governance and for the day-to-day administration of the Fund. The Manager has written policies and procedures in place with respect to risk management and also on the use of, and supervision of others in the use of, derivatives as

investments within the Fund. These policies and procedures are reviewed by the Manager, as required, with a minimum annual review. See also “*Investment Practices and Restrictions – Investments in derivative instruments*”.

We have hired the Portfolio Manager to provide portfolio management services to the Fund in accordance with the provisions of the Portfolio Management Agreement. Their activities are carefully and regularly monitored by the Manager to help ensure observance of investment guidelines, conduct and financial performance. The Portfolio Manager may also report to the Trustee from time to time.

We have established policies, procedures, practices and guidelines to ensure the proper management of the Fund, including the policies and procedures relating to conflicts of interest as required by National Instrument 81-107 – *Independent Review Committee for Investment Funds* (“NI 81-107”). Included among these policies is a personal trading policy for employees of the Manager. The personal trading policy is designed to prevent potential, perceived or actual conflicts between the interests of the Manager and its employees, and the interests of the Fund. Under the policy, certain senior personnel of the Manager are required to obtain prior approval before placing any trades in securities for their personal accounts in order to ensure that the trades do not conflict with the best interests of the Fund and have not been made available to the employee because of his or her position, knowledge of or relationship with the Fund.

We are the principal distributor of securities of the Fund.

Risk management is dealt with on a number of levels. The agreements between the Manager and the Portfolio Manager set out the objectives and strategies of the Fund, the investment restrictions and policies prescribed by the Canadian securities regulators and any additional guidelines and criteria considered by the Manager to be appropriate. Various measures to assess risk are used, including mark to market security valuation, fair value accounting, effective exposure reporting, and monthly reconciliations of security and cash positions. Compliance monitoring of the Fund’s portfolios is ongoing. The Fund is priced daily, which aims to ensure that the valuation accurately reflects market movements.

#### **(a) The Independent Review Committee**

In accordance with NI 81-107, the Manager appointed an Independent Review Committee for the Fund. The mandate of the IRC is to review conflict of interest matters identified and referred to the IRC by the Manager and to give an approval or a recommendation, depending on the nature of the conflict of interest matter. In each instance where a conflict of interest matter is identified and referred to the IRC, a primary focus of the IRC is to determine if the Manager’s proposed action achieves a fair and reasonable result for the Fund. NI 81-107 also imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, to maintain records in respect of these matters and to provide the IRC with guidance and assistance in carrying out its functions and duties. According to NI 81-107, the IRC must be comprised of a minimum of three independent members, and is also subject to requirements to conduct regular assessments of its members and provide reports, at least annually, to the Fund and to their Unitholders in respect of those functions.

At least annually, the IRC will also review and assess the adequacy and effectiveness of the Manager’s policies and procedures relating to conflict of interest matters in respect of the Fund, and will conduct a self-assessment of the IRC’s independence, compensation and effectiveness.

The members of the IRC are Allen Clarke (Chair), Thomas Pippy and Douglas Derry. Each member is independent of the Fund, the Manager and other entities related to the Manager.

The following are brief biographies provided by the members of the IRC:

**Allen Clarke** (chair) acts as a consultant on financial products and matters of corporate governance. Mr. Clarke was the founder, Chief Executive Officer and Chief Investment Officer of Opus 2 Financial, an investment portfolio company, from 1999 to 2004. Prior to this, Mr. Clarke was a Senior Vice-President at AGF Funds and Richardson Greenshields and Central Guaranty Trust. Mr. Clarke also served as a member of the independent review committee for BMO ETFs, BMO Mutual Funds and BMO Private Portfolios, from 2007-16. Mr. Clarke also serves on the independent review committee, for Canoe Financial, Ridgewood Capital, and numerous BMO Closed-End Funds. Mr.

Clarke is a recipient of the Queen Elizabeth II Diamond Jubilee Metal, an Honorary a trustee of the Royal Ontario Museum and a Fellow of the Royal Canadian Geographical Society.

**Thomas Pippy** is a Chartered Professional Accountant and is President of Avonlea Capital Corporation. Mr. Pippy's previous positions include Professor at Conestoga College, Senior Vice President Finance, Mergers and Acquisitions at a major Canadian software company and Vice President and Director of a major Canadian investment dealer. Mr. Pippy is also on the board of directors of BMO Corporate Class Inc., BMO Monthly Dividend Fund Ltd., Top 20 U.S. Dividend Trust and Durham Radio Inc. In addition to his role as a member of the independent review committee of the TACTIC Funds, he also served as a member of the independent review committee of BMO Q-Model® Funds.

**Douglas Derry** serves on the Independent Review Committees of certain funds administered within each of the Bank of Montreal and the Scotiabank groups of companies, and on the Board of Directors of various publicly-listed, public interest, and private companies, including AGF Management Limited, the above Scotiabank groups of companies, Poplar Lane Holdings Ltd. and Keewhit Investments Ltd. He serves as an officer of St. Michael's Hospital (Toronto) Research Institute and is a Trustee of Trinity College School and the Patrick and Barbara Keenan Foundation. He is Past Chair of the Institute of Chartered Accountants of Ontario, The Bishop Strachan School, The Empire Club of Canada, the Empire Club Foundation, the University of Guelph and the University of Guelph Heritage Trust (Vice Chair). Mr. Derry spent many years in financial services as a Senior Partner with PricewaterhouseCoopers LLP. A Fellow of the Institute of Chartered Professional Accountants of Ontario (FCPA), and the Chartered Accountants of Ontario (FCA), Mr. Derry is a graduate of the Richard Ivey School of Business, University of Western Ontario. In 2012 he was awarded the Queen Elizabeth II Diamond Jubilee Medal for his dedicated service to his peers, his community and to Canada.

The report prepared by the IRC will be available on our website ([www.bmonotes.com](http://www.bmonotes.com)), on SEDAR at [www.sedar.com](http://www.sedar.com), or at a Unitholder's request at no cost, by contacting us at 1 First Canadian Place, 100 King Street West, 8<sup>th</sup> Floor, Toronto, Ontario, M5X 1A1 or toll free 1-866-864-7760.

Fees and expenses related to the IRC, plus associated legal and insurance costs, will be allocated among all of the funds managed by the Manager in a manner that is fair and reasonable.

The IRC engages in the following activities:

- reviews and provides input on our written policies and procedures that deal with conflict of interest matters in respect of the Fund;
- reviews conflict of interest matters referred to it by us and makes recommendations to us regarding whether our proposed actions in connection with the conflict of interest matter achieve a fair and reasonable result for the Fund;
- considers and, if deemed appropriate, approves our decision on a conflict of interest matter that we refer to the IRC for approval; and
- performs other duties as may be required of the IRC under applicable securities laws.

Each IRC member receives compensation for the duties he or she performs as an IRC member. During the most recently completed financial year of the Fund ended December 31, 2019, each IRC member received from the Fund annual fees and meeting fees in the amount of \$1,766.75 (\$2,357.75 for the Chair), in connection with performing their duties for the Fund. The annual retainer for each IRC member (other than the Chair) in respect of all the funds managed by the Manager for which the IRC reviews conflict of interest matters, including the Fund, is \$10,000. The annual retainer for the Chair in respect of all the funds managed by the Manager for which the IRC reviews conflict of interest matters, including the Fund, is \$13,400. In addition, each IRC member is entitled to the reimbursement of all reasonable expenses in connection with his or her duties as an IRC member. The fees and expenses, plus associated legal and insurance costs, in respect of all of the funds managed by the Manager for which the IRC reviews conflict of interest matters, including the Fund, are allocated among such funds in a manner that is considered by the Manager to be fair and reasonable.

**(b) Short-term Trading**

We have policies and procedures to detect and deter short-term or excessive trading that include the ability to refuse your present or future order(s) to buy or switch securities and charging a short-term trading fee.

If, in our sole discretion, we determine that you are engaging in short-term trading, in addition to taking other available remedies, the Fund may reject your purchase or switch order(s) or may charge a short-term trading fee to be paid directly to the Fund out of the redemption proceeds, reducing the amount otherwise payable to you on the redemption or switch. We have the option to waive this penalty at any time. If further short-term trading occurs, any further transactions, other than redemptions, may be refused.

The restrictions imposed on short-term trading, including the short-term trading fees, will generally not apply in connection with redemptions or switches initiated by us; under special circumstances, as determined by us in our sole discretion; or made under optional plans including rebalancing in connection with Systematic Withdrawal Plans.

**(c) Securities Lending Transactions**

On behalf of the Fund, the Manager may enter into a securities lending agreement (the “**Securities Lending Agreement**”) with the Custodian, Canadian Imperial Bank of Commerce (“**CIBC**”), the Securities Lending Agent and CIBC Mellon Global Securities Services Company (“**GSS**”). The securities lending program is administered by GSS. The Securities Lending Agent acts as agent for securities lending transactions for the Fund that engages in securities lending and will value the loaned securities and the collateral daily to ensure that the collateral is worth at least 102% of the market value of the loaned securities. Pursuant to the terms of the Securities Lending Agreement, the Custodian, GSS, CIBC and the Securities Lending Agent will indemnify and hold harmless the Manager, on behalf of the Fund, from all losses, damages, liabilities, costs or expenses (including reasonable counsel fees and expenses, but excluding consequential damages) suffered by the Manager of the Fund arising from (a) the failure of the Securities Lending Agent or GSS to perform any obligations under the Securities Lending Agreement, (b) any inaccuracy of any representation or warranty made by GSS or the Securities Lending Agent in the Securities Lending Agreement or (c) fraud, bad faith, wilful misconduct or reckless disregard of the duties by the Securities Lending Agent or GSS. The Securities Lending Agreement may be terminated at any time at the option of any party upon thirty days’ prior notice to the other parties.

The Securities Lending Agreement complies with the applicable provisions of NI 81-102. The Manager manages the risks associated with securities lending (which are described under the heading “*General Risks Relating to an Investment in the Fund – Securities Lending*” in the simplified prospectus) by requiring the Securities Lending Agent to:

- enter into securities lending transactions with reputable and well-established Canadian and foreign brokers, dealers and institutions (“counterparties”);
- maintain internal controls, procedures and records including a list of approved counterparties based on generally accepted creditworthiness standards, transaction and credit limits for each counterparty and collateral diversification standards;
- establish daily the market value of both the securities loaned by the Fund under a securities lending transaction or sold by the Fund under a repurchase transaction and the cash or collateral held by the Fund. If on any day the market value of the cash or collateral is less than 102% of the market value of the borrowed or sold securities, the Custodian will request that the counterparty provide additional cash or collateral to the Fund to make up the shortfall; and
- ensure that the collateral to be delivered to the Fund is one or more of cash, qualified securities or securities immediately convertible into, or exchangeable for, securities of the same issuer, class or type, and same term, if applicable, as the securities being loaned by the Fund.

A transaction may be terminated by the Fund at any time and the loaned securities recalled within the normal and customary settlement period for such transactions.

The Manager will review its written policies and procedures at least annually to ensure that the risks associated with securities lending transactions are being properly managed. The Fund's Securities Lending Agent will use risk measurement procedures or simulations to test each portfolio under stress, where applicable.

## 12. INCOME TAX CONSIDERATIONS

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to the acquisition, holding and disposition of Units of the Fund by a Unitholder. This summary only applies to a Unitholder of the Fund who is an individual (other than a trust) resident in Canada for purposes of the Tax Act who deals at arm's length with the Fund and is not affiliated with the Fund, and who holds Units of the Fund as capital property (a "**Holder**"). Generally, Units will be considered to be capital property to a Holder provided that the Holder does not hold such Units in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Provided that the Fund qualifies as a "mutual fund trust" for purposes of the Tax Act, certain Unitholders who might not otherwise be considered to hold Units of the Fund as capital property may, in certain circumstances, be entitled to have such Units and all other "Canadian securities" owned or subsequently acquired by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This summary does not apply to a Holder who has entered or will enter into a "derivative forward agreement" as that term is defined in the Tax Act with respect to the Units.

This summary assumes that the Fund will at all times comply with its investment restrictions.

This summary is based on the facts described herein, the current provisions of the Tax Act, and an understanding of the current publicly available administrative policies and assessing practices of the Canada Revenue Agency ("**CRA**") published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**"). This description is not exhaustive of all Canadian federal income tax consequences and does not take into account or anticipate changes in the law or in administrative policy or assessing practice, whether by legislative, governmental or judicial action other than the Tax Proposals in their present form, nor does it take into account provincial, territorial or foreign tax considerations which may differ significantly from those discussed herein. There can be no assurance that the Tax Proposals will be enacted in the form publicly announced, or at all.

**This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units of the Fund. This summary does not address the deductibility of interest on any funds borrowed by a Holder to purchase Units of the Fund. The income and other tax consequences of investing in Units will vary depending on an investor's particular circumstances including the province or territory in which the investor resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any holder of Units of the Fund. Prospective investors should consult their own tax advisors with respect to the income tax consequences to them of an acquisition of Units of the Fund based on their particular circumstances.**

### (a) Status of the Fund

This summary is based on the assumptions that the Fund will qualify or be deemed to qualify at all times as a "mutual fund trust" within the meaning of the Tax Act. If the Fund were not to qualify or be deemed to qualify as a mutual fund trust at all times, the income tax considerations described below would, in some respects, be materially and adversely different.

### (b) Taxation of the Fund

The taxation year of the Fund ends on December 15. The Fund must pay tax on its net income (including net realized taxable capital gains) for a taxation year, less the portion thereof that it deducts in respect of the amount paid or payable

to its Unitholders in the calendar year in which the taxation year ends. An amount will be considered to be payable to a Unitholder of the Fund in a calendar year if it is paid to the Unitholder in that year by the Fund or if the Unitholder is entitled in that year to enforce payment of the amount. The Master Declaration of Trust requires that sufficient amounts be paid or made payable each year so that the Fund is not liable for any non-refundable income tax under Part I of the Tax Act.

On a redemption of Units, the Manager may designate and distribute Redeemer's Gains to the redeeming Unitholder as part of the NAV per Unit of the Units being redeemed. If certain proposals to amend the Tax Act are enacted as proposed, an amount will generally be deductible by the Fund in respect of Redeemer's Gains only to the extent such designated amount does not exceed the gain that would otherwise be realized by the Unitholder on the redemption of such Units.

The Fund will be required to include in its income for each taxation year any dividends received (or deemed to be received) by it in such year on a security held in its portfolio.

In general, the Fund will realize a capital gain (or capital loss) upon the actual or deemed disposition of a security included in its portfolio to the extent the proceeds of disposition net of any reasonable costs of disposition exceed (or are less than) the adjusted cost base of such security unless the Fund were considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Fund has acquired the security in a transaction or transactions considered to be an adventure or concern in the nature of trade. The Fund purchases the securities in its portfolio with the objective of receiving dividends and other distributions thereon and takes the position that gains and losses realized on the disposition of its securities are capital gains and capital losses.

The Fund will be entitled for each taxation year throughout which it is a mutual fund trust for purposes of the Tax Act to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Units during the year (the "**Capital Gains Refund**"). The Capital Gains Refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the sale or other disposition of securities included in the portfolio in connection with the redemption of Units of the Fund.

Generally, the Fund will include gains and deduct losses on income account in connection with investments made through certain derivatives, except where such derivatives are used to hedge portfolio securities held on capital account provided there is sufficient linkage, subject to the DFA Rules discussed below, and will recognize such gains or losses for tax purposes at the time they are realized by the Fund.

A loss realized by the Fund on a disposition of capital property will be a suspended loss for purposes of the Tax Act if the Fund, or a person affiliated with the Fund, acquires a property (a "**Substituted Property**") that is the same as or identical to the property disposed of, within 30 days before and 30 days after the disposition and the Fund, or a person affiliated with the Fund, owns the Substituted Property 30 days after the original disposition. If a loss is suspended, the Fund cannot deduct the loss from the Fund's capital gains until the Substituted Property is disposed of and is not reacquired by the Fund, or a person affiliated with the Fund, within 30 days before and after the disposition.

The Fund will enter into transactions denominated in currencies other than the Canadian dollar. The cost and proceeds of disposition of securities, dividends, and all other amounts will be determined for the purposes of the Tax Act in Canadian dollars using the appropriate exchange rates determined in accordance with the detailed rules in the Tax Act in that regard. The amount of income, gains and losses realized by the Fund may be affected by fluctuations in the value of other currencies relative to the Canadian dollar. Gains or losses in respect of currency hedges entered into in respect of amounts invested in the portfolio of the Fund will constitute capital gains and capital losses to the Fund if the securities in the Fund's portfolio are capital property to the Fund and provided there is sufficient linkage.

The Tax Act contains rules (the "**DFA Rules**") that target certain financial arrangements (described in the DFA Rules as "derivative forward agreements") that seek to deliver a return based on an "underlying interest" (other than certain excluded underlying interests) for purposes of the DFA Rules. The DFA Rules are broad in scope and could apply to other agreements or transactions. If the DFA Rules were to apply in respect of any derivatives utilized by the Fund, gains realized in respect of the property underlying such derivatives could be treated as ordinary income rather than capital gains.

The Fund will derive income or gains from investments in countries other than Canada, and as a result, may be liable to pay income or profits tax to such countries. To the extent that such foreign tax paid by the Fund exceeds 15% of the amount included in the Fund's income from such investments, such excess may generally be deducted by the Fund in computing its net income for the purposes of the Tax Act. To the extent that such foreign tax paid does not exceed 15% of the amount included in the Fund's income from such investments and has not been deducted in computing the Fund's income, the Fund may designate in respect of a Holder a portion of its foreign source income that can reasonably be considered to be part of the Fund's income distributed to such Holder so that such income and a portion of the foreign tax paid by the Fund may be regarded as foreign source income of, and foreign tax paid by, the Holder for the purposes of the foreign tax credit provisions of the Tax Act.

The Fund will be entitled to deduct an amount equal to the reasonable expenses that it incurs in the course of issuing Units. Such issue expenses paid by the Fund and not reimbursed will be deductible by the Fund rateably over a five-year period subject to reduction in any taxation year which is less than 365 days. In computing its income under the Tax Act, the Fund may deduct reasonable administrative and other expenses incurred to earn income.

Losses incurred by the Fund in a taxation year cannot be allocated to Holders, but may be deducted by the Fund in future years in accordance with the Tax Act.

### **(c) Taxation of Holders**

A Holder will generally be required to include in computing income for a particular taxation year of the Holder such portion of the net income of the Fund, including the taxable portion of any net realized capital gains, as is paid or becomes payable to the Holder in that particular taxation year (whether in cash or in Units, whether such amount is reinvested in additional Units or whether as a management fee distribution). Where a taxation year of the Fund ends on December 15, amounts paid or payable by the Fund to a Holder after December 15 and before the end of the calendar year are deemed to have been paid or become payable to the Holder on December 15.

Provided that appropriate designations are made by the Fund, such portion of the net realized taxable capital gains of the Fund, the taxable dividends received or deemed to be received by the Fund on shares of taxable Canadian corporations and foreign source income of the Fund as is paid or becomes payable to a Holder will effectively retain its character and be treated as such in the hands of the Holder for purposes of the Tax Act. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the gross-up and dividend tax credit rules will apply.

Any loss of the Fund for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, a Holder.

On the disposition or deemed disposition of a Unit of the Fund, including on a redemption, a Holder will realize a capital gain (or capital loss) to the extent that the Holder's proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Unit. Any Redeemer's Gain payable to a Unitholder on a redemption of Units will be excluded from the proceeds of disposition of the Units. For the purpose of determining the adjusted cost base of a Holder's Units of a Class of the Fund, when additional Units of that Class of the Fund are acquired by the Holder (as a result of a distribution by the Fund in the form of Units, a reinvestment in Units of the Fund or otherwise), the cost of the newly acquired Units of the Fund will be averaged with the adjusted cost base of all identical Units of the same Class of the Fund owned by the Holder as capital property immediately before that time. For this purpose, the cost of Units that have been issued on a distribution will generally be equal to the amount of the distribution. A consolidation of Units of the Fund following a reinvestment in Units or a distribution paid in the form of additional Units of the Fund will not be regarded as a disposition of Units of the Fund and will not affect the aggregate adjusted cost base to a Holder. Any additional Units acquired by a Holder on the reinvestment of distributions will generally have a cost equal to the amount reinvested.

Based on the current published administrative policies and assessing practices of the CRA, a switch of Units of a Class into Units of another Class of the Fund will not constitute a disposition of Units for purposes of the Tax Act.

In general, one-half of any capital gain (a "**taxable capital gain**") realized by a Holder on the disposition of Units of the Fund or a taxable capital gain designated by the Fund in respect of the Holder in a taxation year of the Holder

will be included in computing the Holder's income for that year and one-half of any capital loss (an "**allowable capital loss**") realized by the Holder in a taxation year of the Holder generally must be deducted from taxable capital gains realized by the Holder in the taxation year or designated by the Fund in respect of the Holder for the taxation year in accordance with the detailed provisions of the Tax Act. Allowable capital losses for a taxation year in excess of taxable capital gains for that taxation year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against taxable capital gains in accordance with the provisions of the Tax Act.

Amounts designated as payable by the Fund to a Holder as taxable capital gains or dividends from taxable Canadian corporations, and taxable capital gains realized on the disposition of Units of the Fund may increase the Holder's liability for alternative minimum tax.

**(d) Taxation of Registered Plans**

Amounts of income and capital gains included in a Registered Plan's (as defined below) income are generally not taxable under Part I of the Tax Act provided the Units are "qualified investments" for the Registered Plan for purposes of the Tax Act. See "*Income Tax Considerations – Eligibility for Investment*".

Holders should consult with their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a Registered Plan.

**(e) Tax Implications of the Fund's Distribution Policy**

The NAV per Unit of the Fund will, in part, reflect any income and gains of the Fund that have accrued or have been realized, but have not been made payable, at the time Units of the Fund are acquired. Accordingly, a Holder of the Fund who acquires Units of the Fund, including on a reinvestment of distributions or a distribution of Units of the Fund, may become taxable on the Holder's share of such income and gains of the Fund. In particular, an investor who acquires Units of the Fund at any time in the year but prior to a distribution being paid or made payable will have to pay tax on the entire distribution (to the extent it is a taxable distribution) notwithstanding that such amounts may have been reflected in the price paid by the Holder for the Units. Further, where a Holder acquires Units of the Fund in a calendar year after December 15 of such year such Holder may become taxable on income earned or capital gains realized in the taxation year ending on December 15 of such calendar year but that had not been made payable before the Units were acquired.

**(f) Eligibility for Investment**

Provided that the Fund qualifies as a "mutual fund trust" within the meaning of the Tax Act, Units of the Fund will be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan ("**RRSP**"), registered retirement income fund ("**RRIF**"), deferred profit sharing plan, registered disability savings plan ("**RDSP**"), registered education savings plan ("**RESP**") or a tax-free savings account ("**TFSA**"), each as defined in the Tax Act (each a "**Registered Plan**" and collectively, the "**Registered Plans**").

Notwithstanding the foregoing, the holder of a TFSA or RDSP, the annuitant of an RRSP or RRIF or the subscriber of an RESP will be subject to a penalty tax in respect of Units held by such Registered Plan if such Units are a "prohibited investment" for such Registered Plan for the purposes of the Tax Act. The Units of the Fund will not be a "prohibited investment" for a trust governed by such a Registered Plan unless the holder of the TFSA or RDSP, the annuitant of the RRSP or RRIF or the subscriber of the RESP, as applicable, (i) does not deal at arm's length with the Fund for purposes of the Tax Act, or (ii) has a "significant interest" as defined in the Tax Act in the Fund. Generally, a holder, annuitant or subscriber, as the case may be, will not have a significant interest in the Fund unless the holder, annuitant or subscriber, as the case may be, owns Units of the Fund that have a fair market value of 10% or more of the fair market value of all Units of the Fund, either alone or together with persons and partnerships with which the holder, annuitant or subscriber, as the case may be, does not deal at arm's length. In addition, the Units of the Fund will not be a prohibited investment if such Units are "excluded property" as defined in the Tax Act for trusts governed by such a Registered Plan.

Holders, annuitants and subscribers should consult their own tax advisors with respect to whether Units of the Fund would be prohibited investments, including with respect to whether such Units would be excluded property.

### **13. REMUNERATION OF DIRECTORS, OFFICERS AND TRUSTEE**

No remuneration, fees or reimbursement of expenses are paid by the Fund to the directors or officers of the Manager.

Each IRC member receives compensation for the duties he or she performs as an IRC member. During the most recently completed financial year of the Fund ended December 31, 2019, each IRC member (Douglas Derry and Thomas Pippy) received from the Fund annual fees and meeting fees in the amount of \$1,766.75 (\$2,357.75 for the Chair, Allen Clarke), in connection with performing their duties for the Fund. In addition, each IRC member is entitled to the reimbursement of all reasonable expenses in connection with his or her duties as an IRC member. The fees and expenses, plus associated legal and insurance costs, in respect of all of the funds managed by the Manager for which the IRC reviews conflict of interest matters, including the Fund, are allocated among such funds in a manner that is considered by the Manager to be fair and reasonable.

### **14. MATERIAL CONTRACTS**

The material agreements of the Fund are listed below:

- (a) Amended and Restated Master Declaration of Trust of the Fund between the Manager and the Trustee dated as of December 7, 2018. Please refer to “*Name, Formation and History of the Fund and Trustee*” for details concerning this agreement.
- (b) Master Amended and Restated Management Agreement between the Fund and the Manager, dated December 7, 2018. Please refer to “*Responsibility for Operations of the Fund – Manager, Principal Distributor, Registrar and Prime Broker*” for details concerning this agreement.
- (c) Portfolio Management Agreement between the Fund, the Manager and PineBridge Investments LLC, dated December 7, 2018. Please refer to “*Responsibility for Operations of the Fund – Portfolio Manager*” for details concerning this agreement.
- (d) Master Amended and Restated Custodial Services Agreement between the Fund, the Manager and CIBC Mellon Trust Company (and certain of its affiliates) dated as of December 7, 2018. Please refer to “*Responsibility for Operations of the Fund – Custodian*” for details concerning this agreement.

Copies of the material contracts listed above may be examined by prospective or existing Unitholders at the principal office of the Fund during ordinary business hours.

### **15. LEGAL PROCEEDINGS**

There are currently no legal proceedings material to the Fund, nor are there any such proceedings known to be contemplated, as of the date of this annual information form.

**Certificate of BMO PineBridge Preferred Securities TACTIC™ Fund (the “Fund”) and the Manager and Promoter of the Fund**

Dated: June 11, 2020

This annual information form, together with the simplified prospectus and the documents incorporated by reference into the simplified prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus, as required by the securities legislation of each of the provinces and territories of Canada and do not contain any misrepresentations.

**BMO Nesbitt Burns Inc. as manager and promoter of the Fund and on behalf of the trustee of the Fund:**

(signed) “Daniel Barclay”

DANIEL BARCLAY  
Chief Executive Officer

(signed) “B. Robert Markovski”

B. ROBERT MARKOVSKI  
Chief Financial Officer

**On behalf of the Board of Directors of BMO Nesbitt Burns Inc. as manager and promoter of the Fund:**

(signed) “Peter Hinman”

Peter Hinman  
Director

(signed) “Andrew Auerbach”

Andrew Auerbach  
Director

**Certificate of the Principal Distributor of BMO PineBridge Preferred Securities TACTIC™ Fund (the “Fund”)**

Dated: June 11, 2020

To the best of our knowledge, information and belief, this annual information form, together with the simplified prospectus and the documents incorporated by reference into the simplified prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus, as required by the securities legislation of each of the provinces and territories of Canada and do not contain any misrepresentations.

**BMO Nesbitt Burns Inc. as principal distributor of the Fund:**

*(signed) “Robin Tessier”*

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ROBIN TESSIER  
Managing Director

**BMO PINEBRIDGE PREFERRED SECURITIES TACTIC™ FUND**



- ADDITIONAL INFORMATION ABOUT BMO PINEBRIDGE PREFERRED SECURITIES TACTIC™ FUND IS AVAILABLE IN THE FUND'S SIMPLIFIED PROSPECTUS, FUND FACTS, MANAGEMENT REPORTS OF FUND PERFORMANCE AND FINANCIAL STATEMENTS.
- YOU CAN GET A COPY OF THESE DOCUMENTS AT NO COST, BY CALLING TOLL FREE 1-866-864-7760 (ENGLISH) OR 1-866-529-0017 (FRENCH) OR FROM YOUR DEALER OR BY E-MAIL AT [ADMIN.DEALERSERVICES@BMONB.COM](mailto:ADMIN.DEALERSERVICES@BMONB.COM).
- THESE DOCUMENTS AND OTHER INFORMATION ABOUT BMO PINEBRIDGE PREFERRED SECURITIES TACTIC™ FUND, SUCH AS INFORMATION CIRCULARS AND MATERIAL CONTRACTS, ARE ALSO AVAILABLE ON OUR WEBSITE AT [WWW.BMONOTES.COM](http://WWW.BMONOTES.COM) OR AT [WWW.SEDAR.COM](http://WWW.SEDAR.COM).

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