

# Relationship Disclosure

**BMO SmartFolio** is a product of BMO Nesbitt Burns. Our priority is to work with you to help you manage your wealth. To be successful, it's important that we both know what to expect from each other. BMO Nesbitt Burns has prepared this Relationship Disclosure ("RD") document to provide you with an overview of BMO Nesbitt Burns and BMO SmartFolio, including: the oversight provided by our industry's regulators; how we operate; statements and confirmations provided; fees and charges; and our complaint handling process. We encourage you to keep this document in your files for future reference.

Please review this disclosure together with your BMO SmartFolio Client Account Agreement. If you have any questions about this disclosure, please contact us. To learn more about BMO SmartFolio, visit our [website](#).

## Stay Involved

Your active participation is important to ensuring a mutually successful relationship. We recommend that you:

- **Keep us up to date:** Provide full and accurate information on your financial situation, personal investment objectives and tolerance for risk.
- **Stay informed:** Ensure that you understand the potential risks and returns of your investments. Where appropriate, consult independent professionals, such as a lawyer or an accountant, for any legal or tax advice.
- **Ask us questions:** Request information from us to resolve any concerns or uncertainties you have with respect to your account(s) or investments.
- **Keep on top of your investments:** Thoroughly review all account documentation provided and keep updated on your portfolio by reviewing your account statements, and other reporting you receive about your account holdings and performance.

BMO Nesbitt Burns has prepared this Relationship Disclosure in order to provide you with a description of:

1. Our firm and how we are regulated
2. BMO SmartFolio and how it operates
3. How BMO SmartFolio works
4. **Know your client** matters and investment suitability assessments
5. Statements and confirmations provided
6. Benchmarks
7. Conflicts of interest
8. Fees and charges
9. Account documents
10. Use of trusted contact person and temporary holds
11. Our complaint handling process
12. Online availability
13. How to contact us

This disclosure is to be read together with the BMO SmartFolio Client Account Agreement. If you have any questions about this disclosure, please contact us at 1-844-895-3721.

## 1. Our Firm and how we are regulated

### About our Firm

BMO SmartFolio is a product of BMO Nesbitt Burns Inc. (BMO Nesbitt Burns). BMO Nesbitt Burns is a subsidiary of Bank of Montreal and a member of BMO Financial Group. Since 1912, BMO Nesbitt Burns has had an unwavering belief in the power of the client-advisor relationship, and building a customized wealth management plan for our clients to help them meet their financial objectives.

### Our regulators

BMO Nesbitt Burns is a regulated investment dealer and your registered representative, referred by BMO SmartFolio as your “BMO SmartFolio Advisor” is registered to provide advice and perform other services under the rules and oversight of Canadian Investment Regulatory Organization (CIRO). CIRO is the national self-regulatory organization which oversees all investment dealers and trading activity on debt and equity marketplaces in Canada. BMO Nesbitt Burns is a member of CIRO. CIRO sets high-quality regulatory and investment industry standards, protects investors and strengthens market integrity while maintaining efficient and competitive capital markets. For further information on CIRO, please visit [www.ciro.ca](http://www.ciro.ca).

The ten provinces and three territories in Canada are responsible for securities regulations of investment dealers, such as BMO Nesbitt Burns. Securities regulators from each province and territory have teamed up to form the Canadian Securities Administrators (“CSA”) and are primarily responsible for developing a harmonized approach to securities regulation across the country. For more information, please refer to the websites of the provincial and territorial securities commissions, available through the CSA website at [www.securities-administrators.ca](http://www.securities-administrators.ca).

Customers’ accounts at CIRO Dealer Members are protected by the Canadian Investor Protection Fund within specified limits. A brochure describing the nature and limits of coverage is available upon request or at [www.cipf.ca](http://www.cipf.ca).

Your BMO SmartFolio Advisor may also be registered with our affiliate, BMO InvestorLine Inc., to allow them to discuss with you the services known as “BMO InvestorLine Self-Directed” and “BMO InvestorLine adviceDirect”, along with discussing BMO SmartFolio. This is intended to allow you to understand the full range of online investing at BMO.

## 2. BMO SmartFolio and how it operates

BMO Nesbitt Burns offers BMO SmartFolio as an online investing product that provides access to portfolios currently exclusively comprised of BMO Exchange Traded Funds, managed by our affiliate, BMO Asset Management Inc. (“BMO ETFs”). BMO SmartFolio may invest in other ETFs in addition to the BMO ETFs at any time. BMO SmartFolio causing your account to invest in proprietary products may be considered a conflict of interest. For more information, please refer to the BMO Nesbitt Burns Conflicts of Interest Statement which was provided to you on account opening.

### Account types

As part of its service, BMO SmartFolio offers you a wide range of accounts, including: a non-registered investment account or registered investment accounts to meet your needs, including:

- **Retirement Savings accounts and Retirement Income accounts (for example, RRSPs, RRIFs, etc.):** for clients wanting to shelter eligible investments from immediate tax
- **Registered Education Savings Plans:** for clients to accumulate tax-free income while saving for a child’s education, and
- **Tax Free Savings accounts:** for clients wanting to earn tax-free income with the flexibility to withdraw money for emergencies or other purposes without tax consequences.

When you open an account, you are required to provide information that will give us details making up your investor profile. This is known as “know your client” information. A BMO SmartFolio Advisor will assess this information and, based on it, will assess with the BMO SmartFolio is appropriate for you and select the BMO SmartFolio ETF portfolio that is suitable for you. That is why keeping your information (including investment goals, investment knowledge, current financial situation, risk profile, and time horizon) up to date and accurate is very important.

You can always review the current “know your client” information we have about you by contacting us at 1-844-895-3721. Please contact as soon as possible to update your information when you have had a material change in your circumstances.

### 3. How BMO SmartFolio works

During the online onboarding process, your Investor Profile will be determined based on the KYC information you provide, as described below. There will be an Investor Profile for each account. Based on your Investor Profile, we will recommend the BMO SmartFolio ETF Model Portfolio that we determine is suitable for you.

We will prepare an Investment Policy Statement that will describe your Investor Profile and the objectives of your recommended BMO SmartFolio ETF Model Portfolio. The Investment Policy Statement will also define the asset allocation and the related monitoring and reporting we will provide. Below is a description of the portfolios, including target asset allocation which can be revised at our discretion.

#### Capital Preservation Portfolio

The Capital Preservation Portfolio is generally suitable for investors who have a low tolerance for risk, and would like to receive income while looking to invest for the intermediate to long term.

The objective of the Capital Preservation Portfolio is to provide safety of capital while generating income (interest, dividends and capital gains) with some exposure to investments that have the potential for better returns. While at the same time, trying to minimize the effects of inflation by investing in ETFs that invest primarily in Canadian and foreign fixed income securities, and to a lesser extent, Canadian equity securities.

The target asset allocation for this portfolio is 9.99% equity and 88.58% fixed income (remainder in cash).

#### Income Portfolio

The Income Portfolio is generally suitable for investors who have a low tolerance for risk, a need for regular income and are investing for the intermediate to long term.

The objective of the Income Portfolio is to provide some long-term capital growth by investing in ETFs that invest primarily in Canadian and foreign fixed income products, and to a lesser extent, exposure to Canadian and foreign equity securities.

The target asset allocation for this portfolio is 32.1% equity and 66.4% fixed income (remainder in cash).

#### Balanced Portfolio

The Balanced Portfolio is generally suitable for investors who have a medium tolerance for risk (that is, the investors are willing to accept some fluctuations in the market value of their investment), are investing for the intermediate to long term, and are looking for some income and long-term growth.

The objective of the Balanced Portfolio objective is to strike a balance between safety of principal and appreciation. This portfolio seeks to provide long-term capital growth with some income (interest, dividends and capital gains) by investing in ETFs that invest primarily in Canadian and foreign equity securities and Canadian and foreign fixed income securities.

The target asset allocation for this portfolio is 57.5% equity and 40.8% fixed income (remainder in cash).

#### Long Term Growth Portfolio

The Long Term Growth Portfolio is generally suitable for investors who have a higher than average tolerance for risk (that is, the investor are willing to accept fluctuations in the market value of their investment), would like some income and are looking to invest for long-term growth.

The objective of the Long Term Growth Portfolio is to maximize returns over time by investing in ETFs that invest primarily in Canadian and foreign equity securities and to a lesser extent some exposure to Canadian and foreign fixed income securities.

The target asset allocation for this portfolio is 76.3% equity and 22.3% fixed income (remainder in cash).

#### Equity Growth Portfolio

The Equity Growth Portfolio is generally suitable for investors who have a higher than average tolerance for risk (that is, the investors are willing to accept fluctuations in the market value of your investment), would like to invest primarily in equities and are looking to invest for the long term.

The objective of the Equity Growth Portfolio is to maximize returns over the long term by investing primarily in ETFs that invest in Canadian and foreign equity securities. Since the need for income (interest, dividends and capital gains) is low, the portfolio's exposure to ETFs that invest in income producing investments such as Canadian and foreign fixed income will be minimal.

The target asset allocation for this portfolio is 94% equity and 4.5% fixed income (remainder in cash).

#### 4. Know your client matters and investment suitability assessments

##### Know Your Client (KYC)

In order to conduct suitability assessments for your account(s) where applicable, securities laws require BMO Nesbitt Burns to understand, among other things, your personal and financial situation, investment needs and objectives, investment time horizon, risk profile (risk capacity and risk tolerance) and investment knowledge and experience. These can only be assessed by collecting from you accurate information about your personal and financial circumstances, including your marital status, age, occupation, income and net worth, and number of dependents. This is known as KYC, and defines your Investor Profile, and is one of the cornerstones of securities regulation. Your Investor Profile is account-specific and defines what you want to achieve from your account.

Your Risk Profile is a reflection of both Risk Tolerance and Risk Capacity. Risk Tolerance represents the amount of risk you are willing to take. Risk Capacity represents your ability to endure potential financial loss based on your personal and financial circumstances. Your Risk Profile will be determined by the lower of the two. For example, if your Risk Tolerance is Medium, and your Risk Capacity is Low, your Risk Profile will be Low. Your Risk Tolerance, Risk Capacity and Risk Profile can be characterized as Limited, Low, Medium, Medium High or High.

Your client account application incorporates all of your personal and financial information which you have provided to us. You will be provided with a copy of your client account application at the time of account opening which we encourage you to print or download and save for your files. Following a discussion with you about any significant changes to your KYC information, your BMO SmartFolio Advisor will update your KYC information, which will then govern your suitability assessments. If you make changes to your KYC client information, you will be provided with a copy of the updated information.

##### Investment Suitability Assessments

BMO Nesbitt Burns will determine that any investment action it takes or decides on for you is suitable for your Investment Policy Statement and puts your interests first, including when:

1. securities are received into or delivered out of your account, by way of deposit, withdrawal or transfer,
2. we become aware of a change in your KYC information that could result in a security or your account no longer being suitable for you,  
or
3. we become aware of a change in a security in your account that could result in the security or account no longer being suitable for you.

BMO Nesbitt Burns does not necessarily assess the suitability of the investment in your account(s) in the absence of the triggering events noted above. For example, the occurrence of a significant market fluctuation would not generally trigger a suitability assessment.

We will review your KYC information and the suitability of the ETFs held in your account at least annually.

#### 5. Statements and confirmations provided

BMO Nesbitt Burns will provide you with an account statement, but you will not receive a trade confirmation for trades executed in your account because we are responsible for each decision to buy or sell your investments. If you wish to receive trade confirmations, please contact us at 1-844-895-3721.

BMO Nesbitt Burns will provide you with account statements according to the following schedule:

- On a quarterly basis if you held any cash or investments in your account during the quarter; or
- At the end of the month if:
  - You have requested to receive statements on a monthly basis, or
  - There was activity in the account during the month (other than interest or dividend entries).

You will also be provided with an October month-end account statement each year that you maintain an account at BMO Nesbitt Burns, to coincide with the fiscal year end of BMO Financial Group.

Based on the reporting period of your account statement, it will confirm: the value of your portfolio; your current holdings; the portfolio position cost, all account activity, including purchases and sales of securities; contributions and withdrawals; dividend payments; interest earned and paid; transfers; and any other transactions that took place in your account over the reporting period.

In addition, included on each statement you receive, is a Year-to-Date Fees Summary for the current calendar year. This summary details all fees paid directly by you (for example, management fees, and operating and transaction charges), as well as any compensation we received on your behalf from third parties.

On your December month-end statement, BMO Nesbitt Burns will include a section titled “Your Performance Report”, which includes your total percentage return – on both a time-weighted and money-weighted basis.

## 6. Benchmarks

Benchmarks provide you with a means of measuring the relative performance of your portfolio against a standardized or “benchmark” portfolio over a prescribed period of time. Although a singular benchmark index may be used (for example, a broad stock market or bond index), a blend of benchmarks may be appropriate for portfolios that include different asset classes and investments. You are reminded that past performance is not necessarily an indicator of future performance. We do not currently provide benchmark comparisons in our account reporting.

## 7. Conflicts of interest

A conflict of interest may arise where (i) the interests of BMO Nesbitt Burns, including the interests of our BMO SmartFolio advisors, and the interests of its clients are inconsistent or different; (ii) clients may perceive BMO Nesbitt Burns to be influenced to put its interests ahead of its client’s interests, or (iii) monetary or non-monetary benefits available to BMO Nesbitt Burns, or potential negative consequences for BMO Nesbitt Burns, may affect the trust its clients have in BMO Nesbitt Burns.

BMO Nesbitt Burns addresses existing or reasonably foreseeable material conflicts of interest with you in your best interest. If a conflict cannot be so addressed, it is avoided.

More information about BMO Nesbitt Burns’ material conflicts of interest is set out in BMO Nesbitt Burns Conflicts of Interest Statement, previously provided to you. The current version of this Statement is available on our website by clicking the “Conflicts of interest” link found at the bottom of every page of the BMO SmartFolio [website](#).

## 8. Fees and charges

BMO Nesbitt Burns discloses to you the fees and charges associated with your account in the Fee Schedule provided to you at account opening and available at [bmo.com/main/personal/investments/online-investing/smartfolio/pricing](https://bmo.com/main/personal/investments/online-investing/smartfolio/pricing). You can request a copy of the Fee Schedule by contacting us.

Fees charged directly to your account reduce the market value of your account(s) directly, while fees embedded within certain investment instruments reduce the market value of those securities held in your account(s). The impact of fees reduces your investment returns and this impact, due to the effect of compounding, increases over time. Every dollar taken out to cover fees is one less dollar left to invest in the portfolio to compound and grow over time.

If you invest in investment funds, including ETFs and mutual funds, you should remember that funds pay management fees to their manager and are charged operating expenses and administrative fees. These fees and expenses are disclosed in the prospectus for each investment fund and are generally disclosed as a Management Expense Ratio (MER). The MER of a fund is important because the fees and expenses affect the return on your investments. Fund fees and costs vary by fund manager and product type. You should speak to your BMO SmartFolio Advisor to understand the charges and review the prospectus documents for each fund.

Fees payable in respect of your BMO SmartFolio account are based on the size of the asset holdings in your account and are subject to a minimum asset level. Please refer to the Fee Schedule for further details.

BMO SmartFolio may also charge other fees related to the ongoing maintenance of your account, including registered plan administration fees. We may also charge you for other services that we provide to you, including for foreign exchange currency conversions. If you close your account, you will be required to pay any accrued unpaid advisory fees. These fees and charges are subject to GST, QST, and/or HST where applicable. You will also be charged for any sales, use, goods and services, harmonized sales, value added, and transaction taxes that are a result of transactions made in your account. Please refer to the Fee Schedule for further details.

**Notice of price changes:** We will provide you with at least 60 days’ prior written notice of any new fee or increase in charges.

## 9. Account documents

BMO SmartFolio provides you with these documents when you open your account:

- Client Account Agreements, including BMO SmartFolio Investment Management Agreement, and documents related to registered plans
- Conflicts of Interest Statement
- A [Welcome Kit](#) that includes the following documents:
  - [Fee Schedule](#)
  - BMO Financial Group Complaint Resolution Process
  - Making a Complaint: A Guide for Investors
  - How Can I Get My Money Back? A Guide for Investors
  - Canadian Investor Protection Fund (CIPF) Brochure
  - Canadian Listed Equity Trade Execution Disclosure
  - Relationship Disclosure
  - Your Protection as an Investor
  - Our Mutual Relationship

## 10. Use of trusted contact person and temporary holds (for individuals)

Canadian securities regulations require us to ask you for the name and contact information for a person that you trust (Trusted Contact Person or TCP), so that we may contact your TCP to assist us in protecting your financial interests and assets in certain circumstances. We may contact your TCP if we notice signs of financial exploitation or if you exhibit signs of diminished mental capacity which we believe may affect your ability to make financial decisions relating to your account(s). We may also contact your TCP to confirm your contact information if we are unsuccessful in contacting you after repeated attempts, particularly if our failure to contact you is unusual. We may also ask the TCP to confirm the name and contact information of a legal guardian, executor, trustee or any other personal or legal

representative such as an attorney under a power of attorney. In providing us with the name and contact information of your TCP, you confirm to us that you have your TCP's permission to give us this information and your TCP has agreed to act in this capacity.

If we have a reasonable belief that you are being financially exploited or that you are experiencing diminished mental capacity which may affect your ability to make financial decisions relating to your account(s), we may place a temporary hold on your account or a particular transaction. We will provide you with a verbal or written notice explaining our actions, in addition to contacting your TCP, as described above.

## 11. Complaint handling

### We Can Help

Our clients are our priority and we work hard to deliver an exceptional client experience. However, if you have a complaint, we encourage you to let us know and give us the opportunity to resolve your concerns. We promise to address your complaint quickly, efficiently and professionally, because retaining your confidence and trust is of utmost importance to us.

Please see the "Investment Complaints" section of the BMO Financial Group Complaint Resolution Process brochure provided to you at account opening, which is available at [BMO Financial Group Complaint Resolution Process](#) for details on the complaint handling procedures.

We will also provide you with a copy of the CIRO brochure: An Investor's Guide to Making a Complaint, at the time you open your account(s) with us.

## 12. Online availability

You can access your account online 24 hours a day, 7 days a week to review your account positions and transaction history.

## 13. How to contact us

Have a question? That's what we're here for. You can call us Monday through Friday from 8 a.m. to 6 p.m. (ET) at **1-844-895-3721**.



Learn more  
[bmo.com/smartfolio](https://bmo.com/smartfolio)



Talk with us  
**1-844-895-3721**