

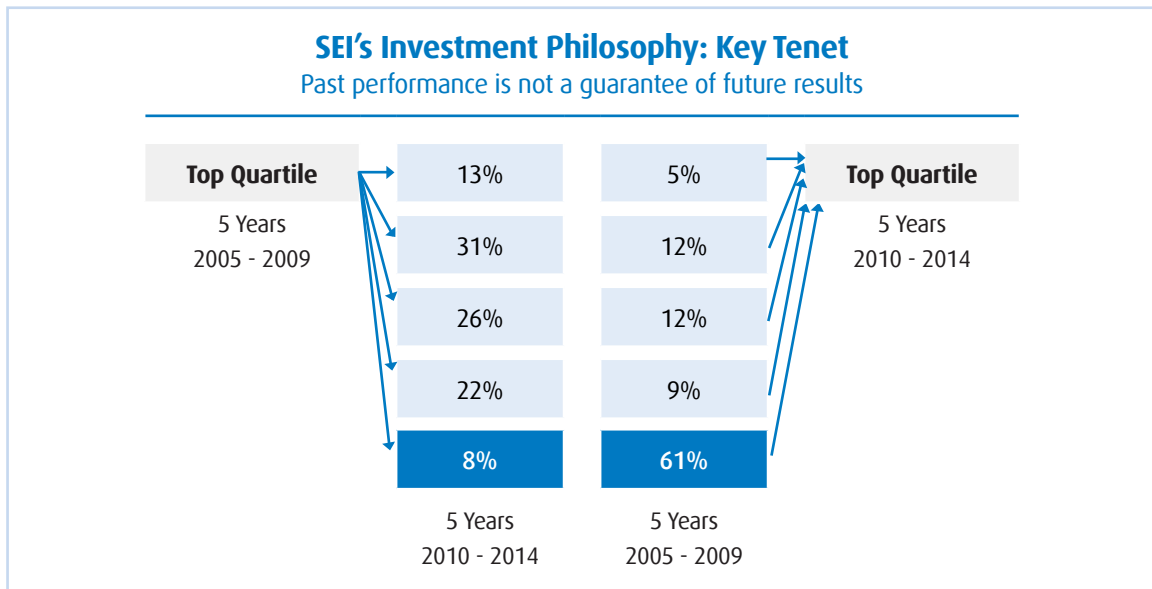
Quadrant’s Manager-of-Managers Structure

The BMO Nesbitt Burns Quadrant Program® (Quadrant) provides a professionally managed investment solution aligned to your financial goals and risk profile. Through Quadrant, investors benefit from a diversified portfolio managed by SEI Investments (SEI), a world leader in portfolio construction and asset allocation. Respected for their disciplined and comprehensive approach to managing investments, SEI determines the ongoing optimal strategic asset allocation for each Quadrant portfolio, using their broad range of SEI funds, and then selects investment managers from around the globe to participate in the management of each of these funds.

SEI’s manager selection process

It’s important to note that SEI does not select managers based purely on performance. According to SEI, looking at past performance provides limited insight into the future performance of a manager. In fact, a study by SEI found that only 5% of the top-quartile Canadian equity managers over the five-year period 2005 to 2009, were top-quartile performers for the subsequent five-year period, 2010 to 2014. And, 61% of the top-quartile Canadian equity managers from 2010 to 2014 were not even included among the previous group of managers, as they didn’t have a full five-year track record during the previous five-year period (**Figure 1**).

Figure 1 – Past performance is not a guarantee of future results

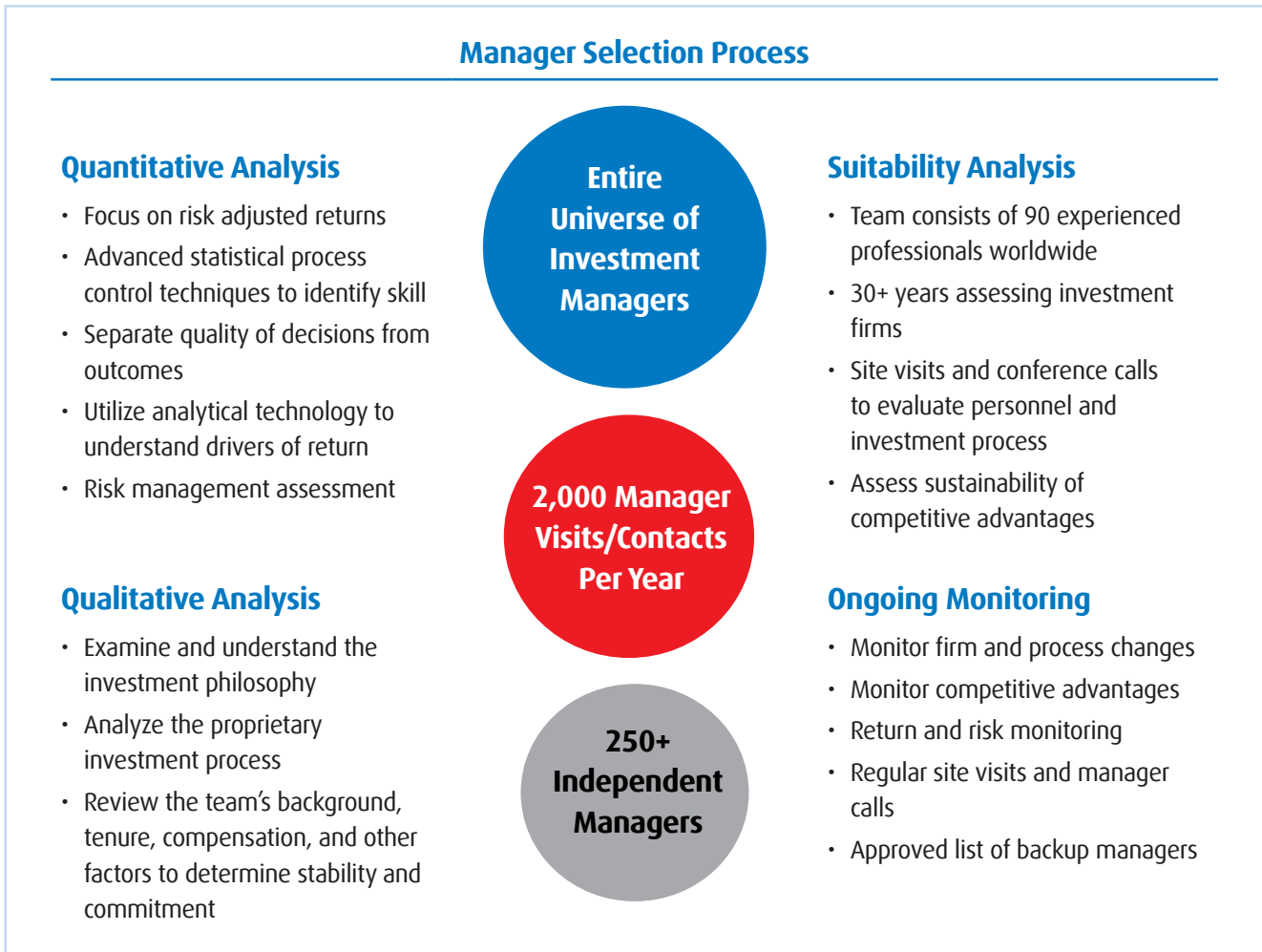


Source: SEI, Morningstar Direct, Canadian Equity Large-Cap Category. Based on the Morningstar universe of 2,277 Canadian Equity Large-Cap managers.

In their assessment of investment managers, SEI focuses on qualitative, as well as quantitative factors in order to identify and monitor the best managers for their portfolios. Their assessment of an investment manager includes evaluating their people, process and adherence to their mandate’s objective and strategy. This helps to ensure that each manager’s investment style remains consistent with their assigned objective.

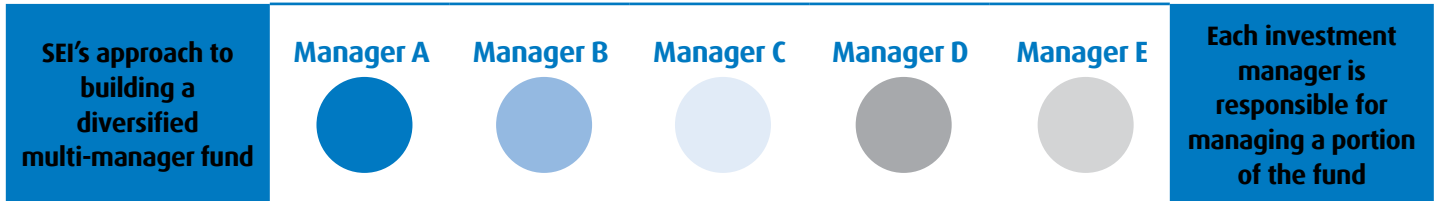
Consequently, SEI looks for investment managers who have demonstrated the ability to deliver consistent results in their respective areas of expertise. Their selection process focuses on differentiating manager “skill” from “luck.” They begin their manager selection process with the entire universe of investment managers, which is then filtered down to a much smaller pool of managers that meet their demanding criteria (**Figure 2**) and will be considered for the Quadrant portfolios.

Figure 2 – SEI’s Manager Selection Process



The benefits of manager diversification

As a multi-manager solution Quadrant provides diversification through asset allocation, as well as diversification at the manager level. A combination of skilled managers with limited or no relationship between their investment processes can provide important diversification benefits. Diversifying managers allows SEI to dilute the volatility within their funds, while maintaining the potential for returns, because they are not only multi-manager by asset class, but also multi-manager by risk. SEI's multi-manager funds are used to construct the individual Quadrant portfolios; providing a highly diversified investment solution and managing risk within your Quadrant portfolio.



The Quadrant Program is not a 'fund-of-funds'

Unlike a traditional mutual fund investment manager, who picks stocks and bonds for their portfolios, SEI's manager-of-managers approach selects individual investment managers and gives them a portion of the overall SEI fund to invest according to set specifications. SEI's active allocation among managers means they have the ability to reduce allocation to certain managers, and increase allocation to other managers in response to market and economic conditions. This reallocation within the funds is done at a lower cost than a fund-of-funds product, because SEI controls the cash allocations to managers. They use cash inflows to add to managers that they want to overweight, and leverage cash outflows to take away from managers they want to underweight. With a fund-of-funds structure, the underlying funds must be bought and sold, resulting in additional transaction costs to facilitate the same sort of reallocation.

Further, all securities are held at SEI and not with the individual money managers, providing the following benefits:

- Reduced portfolio operating expenses, as the custodial services are provided by SEI and not the individual investment managers; and
- Full transparency over each investment managers' holdings, giving SEI a consolidated view of all securities within the portfolio, which helps to prevent security over-concentration and reduces risk.

Through the Quadrant Program and SEI's disciplined investment process, you have access to a highly diversified, multi-manager solution that reduces risk while increasing the potential for enhanced investment returns to help you meet your financial goals.

 For more information about the benefits of the Quadrant Program, please contact your BMO Nesbitt Burns Investment Advisor.

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