

BMO Nesbitt Burns Due Diligence Team

Providing Oversight for the Architect Program®

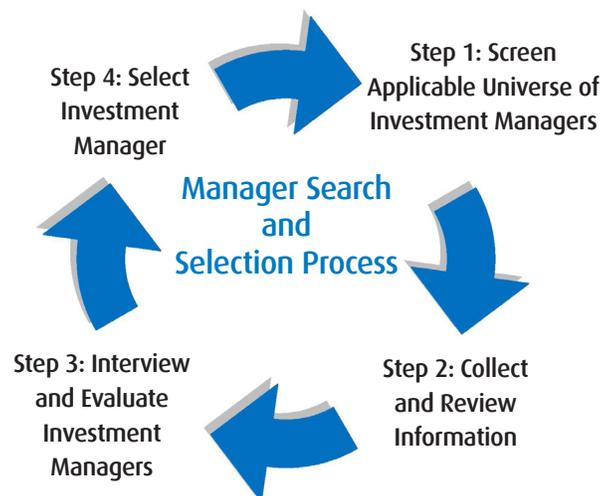
Delivering the highest level of customization and diversification, the BMO Nesbitt Burns Architect Program combines professionally managed investment portfolios with complementary Client-directed investment vehicles – all within a single solution and for a predictable, transparent fee. With Architect, your BMO Nesbitt Burns Investment Advisor works with you to develop an Investment Policy Statement (IPS) that defines your goals, investment objectives, tolerance for risk, and outlines any investment constraints you want placed on your portfolio, such as the exclusion of certain industries or companies. Your Investment Advisor uses your IPS to guide the construction of your portfolio and recommend the investment managers for your Architect portfolio. Through regular meetings and portfolio reviews, your Investment Advisor ensures your Architect portfolio is always positioned to meet your financial goals and objectives.

With the Architect Program you can be assured that the investment managers selected to manage your portfolio have been carefully selected and are continuously monitored to make certain they continue to adhere to their stated investment process in order to meet the investment objectives of your IPS. This monitoring is facilitated by BMO Nesbitt Burns' due diligence team, which is comprised of experienced investment professionals and portfolio managers who are responsible for the investment integrity of the Architect Program.

The due diligence team follows a disciplined process that includes a rigorous initial screening process and extensive, ongoing monitoring of all investment managers in the Architect Program. Their process ensures that only the most qualified investment managers are chosen and remain in the program to manage investments according to their stated objectives and process.

Investment manager selection process

The due diligence team continuously searches for investment managers who offer new and innovative strategies that will complement the existing platform of investment managers offered through Architect, to make sure we can accommodate the needs of a wide range of clients. When selecting investment managers to participate in the Architect Program, the team follows a disciplined four-step process.



- Step 1: Screen applicable universe of investment managers** – Once the due diligence team identifies the need for a new investment strategy, they develop specific criteria and parameters to screen the global universe of investment managers, and make certain they have a comprehensive list of all relevant managers.
- Step 2: Collect and review information** – After reviewing all potential investment managers who meet their selected criteria, the due diligence team conducts further detailed research to develop a more concentrated list of suitable candidates.
- Step 3: Interview and evaluate investment managers** – The due diligence team then conducts extensive and in-depth evaluations – including face-to-face meetings – with the short list of investment managers identified in **Step 2**. In addition to a thorough review of historical performance and other quantitative measurements, during the interview process, the team assesses the following with respect to each manager:

Organization	The team considers the overall investment management firm, including its size, ownership structure and how the firm is managed. A well-managed company is more likely to maintain and enhance the competitiveness of their investment strategies over time. The team considers the internal policies of the firm, as well as staff turnover, compensation, autonomy of investment managers and analysts, succession planning and key person risk (i.e., whether they rely on one person or a team to oversee the portfolio).
Investment philosophy and process	Successful investment managers must have the ability to generate value-added investment ideas. The due diligence team looks for investment managers with a defined investment philosophy and a disciplined and repeatable investment process.
Portfolio construction	The quality of an investment manager’s portfolio construction process will determine how effectively investment ideas are translated into consistent performance within the portfolio. The due diligence team looks at how the investment manager manages and mitigates risk, as well as how efficiently investment transactions are executed within the portfolio.
Sell discipline	Having a defined sell discipline ensures that securities are sold once they experience deteriorating fundamentals, hit certain price targets or a better opportunity is identified. Not only does a sell discipline ensure that securities are not held for an extended period of time based on qualitative factors only, but also helps to control risk within the portfolio.

- Step 4: Select investment manager** – After a final review of all quantitative and qualitative information collected during the interview and evaluation phase, the due diligence team convenes to make the final selection of the investment manager through a committee process.

Ongoing investment manager monitoring

The monitoring process doesn't end after a manager is selected. Investment managers that participate in the Architect Program are regularly monitored to ensure they continue to meet the due diligence team's high standards and requirements. This oversight and monitoring process includes the following regularly scheduled activities:

Quarterly	
Qualitative review	Investment managers are reviewed on a quarterly basis to ensure they continue to adopt processes that are important in generating a successful outcome. These include maintaining a well-defined investment philosophy, disciplined portfolio construction process, attention to risk management, transparency and depth of the portfolio management team and research.
Quantitative review	Investment manager performance is reviewed over the short- and mid-term to determine if an investment manager has delivered value-added performance using their stated investment philosophy and process. To do this, the due diligence team considers an investment manager's relative performance versus a benchmark index, their peer group, absolute performance, risk and volatility metrics, style, portfolio characteristics and attribution.
Adherence to policies and guidelines	Each portfolio is reviewed quarterly to ensure the investment manager is operating within stated policies and guidelines as defined by the due diligence team and agreed to by the manager.
Semi-annually	
Conference call	The call provides an opportunity for the due diligence team to review and discuss the investment manager's quarterly and six-month performance results, their outlook and strategy for the portfolio going forward, and any changes within the firm that could have a potential impact on the portfolio.
Biennially	
Onsite visit	The due diligence team conducts a thorough in-person due diligence visit at the offices of each investment manager. The investment manager is subject to an extensive and in-depth assessment – similar to the one conducted during their initial screening and evaluation.
On demand	
Periodic meetings when required	The due diligence team will request a conference call or meeting with an investment manager when they have a specific concern. For example, they may seek clarification on recent portfolio performance or the impact that a change to the investment team may have on the portfolio.

Manager replacement

When conducting their ongoing monitoring, the due diligence team may uncover information that could negatively impact the performance of an investment manager's portfolio. As a result, the due diligence team will immediately take steps to assess the situation and determine if the investment manager should be put on watch or terminated from the Architect Program. The following may lead to an investment manager's termination:

- Unexplained underperformance;
- Changes to key investment personnel;
- Change in stated investment philosophy or process; or
- Violating BMO Nesbitt Burns' policies and guidelines.

In addition, the due diligence team may terminate an investment manager if a replacement manager with superior risk/reward attributes is identified that would benefit clients. By recognizing and quickly responding to negative developments, the due diligence team can remove an investment manager before they seriously impact a portfolio's performance.

Architect Portfolio Solutions

The Architect Portfolio Solutions are predefined models that address the investment objectives of a range of investor types. The due diligence team is responsible for the construction, investment manager selection and monitoring of the Architect Portfolio Solutions.

The Portfolio Solutions are designed to provide investors with strong risk-adjusted returns, downside protection and lower volatility over the long-term. They are constructed by diversifying across various investment managers with different investment styles to lower the risk profile of each Portfolio Solution. Downside protection is further enhanced by including investment managers who position their portfolios more defensively during adverse markets. The asset mix within the portfolios is automatically rebalanced and strategy shifts are implemented when needed by the due diligence team.

By investing in the Architect Portfolio Solutions, you benefit from the due diligence team's expertise in portfolio construction and management.

Extensive backgrounds in portfolio management

The investment professionals within the due diligence team have extensive backgrounds in investment and portfolio management, including private client accounts, endowments, foundations, mutual funds and trustee accounts. They draw on this expertise when selecting managers for BMO Nesbitt Burns' Architect Program and when monitoring investment managers on an ongoing basis.

Active portfolio monitoring

With the BMO Nesbitt Burns Architect Program, you can be certain that the due diligence team is monitoring the performance of each investment manager to ensure they continue to seek returns and manage risk in accordance with the goals defined by your Investment Policy Statement.

As your partner in this process, your BMO Nesbitt Burns Investment Advisor is committed to providing superior advice and personalized solutions to help you reach your financial goals and objectives. Please contact your Investment Advisor if you have any questions about the due diligence team or would like more information about the Architect Program.

Consulting with Investment Advisors

Your BMO Nesbitt Burns Investment Advisor has access to the expertise and experience of the due diligence team to design and construct your Architect portfolio. Together, they work to establish an appropriate asset mix based on your unique needs and circumstances, and then recommend an appropriate investment manager(s) for your portfolio. The due diligence team also works closely with Investment Advisors to review existing client portfolios, making recommendations to add value or reduce risk where they find gaps.

With the support of your Investment Advisor and the additional expertise provided by the due diligence team, your portfolio will be well positioned to address your personal situation and meet your financial goals.

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