

BMO Mutual Funds 2018

Annual Financial Statements

September 30, 2018

BMO U.S. Equity Fund

Independent Auditor's Report

To the Unitholders and Trustee of:

BMO Canadian Equity Fund
BMO Canadian Small Cap Equity Fund
BMO Resource Fund
BMO Mortgage and Short-Term Income Fund
BMO Money Market Fund
BMO Bond Fund
BMO Canadian Equity ETF Fund
BMO Asset Allocation Fund
BMO Dividend Fund
BMO Precious Metals Fund
BMO Monthly Income Fund
BMO Diversified Income Portfolio
BMO Global Infrastructure Fund
BMO Laddered Corporate Bond Fund
BMO Emerging Markets Bond Fund
BMO Core Plus Bond Fund
BMO Core Bond Fund
BMO Target Education Income Portfolio
BMO Target Education 2020 Portfolio
BMO Target Education 2025 Portfolio
BMO Target Education 2030 Portfolio
BMO Target Education 2035 Portfolio
BMO Tactical Global Bond ETF Fund
BMO Tactical Global Equity ETF Fund
BMO Global Balanced Fund
BMO U.S. Dividend Fund
BMO Retirement Income Portfolio
BMO Retirement Conservative Portfolio
BMO Retirement Balanced Portfolio
BMO Ascent Income Portfolio
BMO Ascent Conservative Portfolio
BMO Ascent Balanced Portfolio
BMO Ascent Growth Portfolio
BMO Ascent Equity Growth Portfolio
BMO LifeStage Plus 2020 Fund
BMO LifeStage Plus 2025 Fund
BMO LifeStage Plus 2030 Fund
BMO LifeStage Plus 2022 Fund
BMO LifeStage Plus 2026 Fund
BMO SelectTrust Fixed Income Portfolio
BMO FundSelect Income Portfolio
BMO FundSelect Balanced Portfolio
BMO FundSelect Growth Portfolio
BMO FundSelect Equity Growth Portfolio

BMO Fixed Income Yield Plus ETF Portfolio
BMO Balanced Yield Plus ETF Portfolio
BMO Fixed Income ETF Portfolio
BMO Income ETF Portfolio
BMO Conservative ETF Portfolio
BMO Balanced ETF Portfolio
BMO Growth ETF Portfolio
BMO Equity Growth ETF Portfolio
BMO World Bond Fund
BMO Emerging Markets Fund
BMO European Fund
BMO North American Dividend Fund
BMO U.S. Equity ETF Fund
BMO U.S. Equity Fund
BMO Global Dividend Fund
BMO International Equity ETF Fund
BMO Global Monthly Income Fund
BMO Preferred Share Fund
BMO Tactical Dividend ETF Fund
BMO Global Strategic Bond Fund
BMO U.S. High Yield Bond Fund
BMO Tactical Balanced ETF Fund
BMO Growth Opportunities Fund
BMO Global Equity Fund
BMO U.S. Equity Plus Fund
BMO U.S. Dollar Money Market Fund
BMO U.S. Dollar Equity Index Fund
BMO U.S. Dollar Monthly Income Fund
BMO U.S. Dollar Dividend Fund
BMO U.S. Dollar Balanced Fund
BMO Risk Reduction Equity Fund
BMO Risk Reduction Fixed Income Fund
BMO Covered Call Canadian Banks ETF Fund
BMO Covered Call Europe High Dividend
ETF Fund
BMO Fossil Fuel Free Fund
BMO Tactical Global Asset Allocation ETF Fund
BMO Tactical Global Growth ETF Fund
BMO Covered Call U.S. High Dividend
ETF Fund
BMO Women in Leadership Fund
BMO International Equity Fund
BMO Japan Fund
BMO Covered Call Canada High Dividend ETF
Fund
BMO Concentrated Global Equity Fund
BMO Crossover Bond Fund
BMO Global Multi-Sector Bond Fund
BMO U.S. Small Cap Fund
BMO Multi-Factor Equity Fund

To the Shareholders of BMO Corporate Class Inc.:

BMO Global Dividend Class
BMO Canadian Equity Class
BMO Global Equity Class
BMO Global Energy Class
BMO Dividend Class
BMO Greater China Class
BMO International Value Class
BMO Global Low Volatility ETF Class
BMO SelectClass Income Portfolio
BMO SelectClass Balanced Portfolio
BMO SelectClass Growth Portfolio
BMO SelectClass Equity Growth Portfolio
BMO Income ETF Portfolio Class
BMO Balanced ETF Portfolio Class
BMO Growth ETF Portfolio Class
BMO Equity Growth ETF Portfolio Class
BMO U.S. Equity Class
BMO Asian Growth and Income Class

(collectively, the Funds or individually the Fund)

Independent Auditor's Report

We have audited the accompanying 2018 annual financial statements of each of the Funds, which comprise the statements of financial position, comprehensive income, changes in net assets attributable to holders of redeemable units/shares and cash flows as at and for the periods indicated in note 1, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of each of the Funds in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements of each of the Funds based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in each of our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of each of the Funds present fairly, in all material respects, the financial position, financial performance and cash flows of each of the Funds as at and for the periods indicated in note 1 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario
December 18, 2018

BMO U.S. Equity Fund

STATEMENT OF FINANCIAL POSITION

(All amounts in thousands of Canadian dollars, except per unit data)

As at	September 30 2018	September 30 2017
ASSETS		
CURRENT ASSETS		
Cash	25,401	28,395
Investments		
Non-derivative financial assets	2,245,742	2,747,573
Derivative assets	54	—
Subscriptions receivable	433	279
Dividends receivable	1,117	1,510
Total assets	2,272,747	2,777,757
LIABILITIES		
CURRENT LIABILITIES		
Redemptions payable	6,038	3,151
Derivative liabilities	—	13
Accrued expenses	116	109
Total liabilities	6,154	3,273
Net assets attributable to holders of redeemable units	2,266,593	2,774,484
Net assets attributable to holders of redeemable units		
Series A Units	803,055	764,405
Series A Hedged Units	12,893	6,035
Advisor Series Units	21,338	14,411
Advisor Series Hedged Units	672	243
Series F Units	44,326	29,027
Series F Hedged Units	1,194	585
Series D Units	9,560	4,850
Series I Units	1,332,376	1,914,996
Series N Units	41,179	39,932
Net assets attributable to holders of redeemable units per unit		
Series A Units	\$ 27.64	\$ 25.22
Series A Hedged Units	\$ 12.75	\$ 11.82
Advisor Series Units	\$ 18.23	\$ 16.69
Advisor Series Hedged Units	\$ 12.83	\$ 11.82
Series F Units	\$ 27.89	\$ 24.68
Series F Hedged Units	\$ 13.54	\$ 12.13
Series D Units	\$ 15.49	\$ 13.79
Series I Units	\$ 22.62	\$ 21.33
Series N Units	\$ 12.23	\$ 11.03

STATEMENT OF COMPREHENSIVE INCOME

(All amounts in thousands of Canadian dollars, except per unit data)

For the periods ended	September 30 2018	September 30 2017
INCOME		
Interest income	1	0
Dividend income	48,726	44,865
Other changes in fair value of investments and derivatives		
Net realized gain	391,201	336,376
Change in unrealized appreciation	24,822	46,820
Net gain in fair value of investments and derivatives	464,750	428,061
Securities lending revenue (note 8)	37	111
Foreign exchange gain	1,446	864
Total other income	1,483	975
Total income	466,233	429,036
EXPENSES		
Management fees (note 6)	18,886	17,413
Variable administration fees (note 6)	—	0
Fixed administration fees (note 6)	2,568	2,352
Audit fees	—	0
Independent review committee fees (note 6)	2	3
Withholding taxes	7,252	6,594
Custodian fees	—	0
Legal and filing fees	—	0
Fund Facts fees	1	1
Unitholder reporting costs	—	2
Commissions and other portfolio transaction costs (note 6)	1,470	1,615
Operating expenses absorbed by the Manager (note 6)	(4)	(8)
Total expenses	30,175	27,972
Increase in net assets attributable to holders of redeemable units	436,058	401,064

The accompanying notes are an integral part of these financial statements.

BMO U.S. Equity Fund

STATEMENT OF COMPREHENSIVE INCOME (cont'd)
 (All amounts in thousands of Canadian dollars, except per unit data)

For the periods ended	September 30 2018	September 30 2017
Increase in net assets attributable to holders of redeemable units		
Series A Units	120,470	96,793
Series A Hedged Units	1,003	575
Advisor Series Units	2,587	2,048
Advisor Series Hedged Units	58	64
Series F Units	6,293	3,195
Series F Hedged Units	90	41
Series D Units	1,131	619
Series I Units	297,387	290,645
Series N Units	7,039	7,066
Series NBA Units	—	11
Series NBF Units	—	7
Increase in net assets attributable to holders of redeemable units per unit (note 8)		
Series A Units	3.92	3.11
Series A Hedged Units	1.13	1.69
Advisor Series Units	2.55	2.16
Advisor Series Hedged Units	1.25	2.38
Series F Units	4.21	3.20
Series F Hedged Units	1.13	2.13
Series D Units	2.08	1.94
Series I Units	3.82	3.66
Series N Units	2.05	1.70
Series NBA Units	—	0.02
Series NBF Units	—	0.03

The accompanying notes are an integral part of these financial statements.

BMO U.S. Equity Fund

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

(All amounts in thousands of Canadian dollars)

For the periods ended	September 30 2018	September 30 2017	For the periods ended	September 30 2018	September 30 2017
Series A Units			Advisor Series Units		
Net assets attributable to holders of redeemable units at beginning of period	764,405	703,507	Net assets attributable to holders of redeemable units at beginning of period	14,411	14,104
Increase in net assets attributable to holders of redeemable units	120,470	96,793	Increase in net assets attributable to holders of redeemable units	2,587	2,048
Distributions to holders of redeemable units from:			Distributions to holders of redeemable units from:		
Net realized gains on investments and derivatives	(46,986)	(16,149)	Net realized gains on investments and derivatives	(938)	(319)
Total distributions to holders of redeemable units	(46,986)	(16,149)	Total distributions to holders of redeemable units	(938)	(319)
Redeemable unit transactions			Redeemable unit transactions		
Proceeds from redeemable units issued	100,508	146,204	Proceeds from redeemable units issued	9,231	4,975
Reinvestments of distributions to holders of redeemable units	46,535	15,976	Reinvestments of distributions to holders of redeemable units	902	306
Redemption of redeemable units	(181,877)	(181,926)	Redemption of redeemable units	(4,855)	(6,703)
Net decrease from redeemable unit transactions	(34,834)	(19,746)	Net increase (decrease) from redeemable unit transactions	5,278	(1,422)
Net increase in net assets attributable to holders of redeemable units	38,650	60,898	Net increase in net assets attributable to holders of redeemable units	6,927	307
Net assets attributable to holders of redeemable units at end of period	803,055	764,405	Net assets attributable to holders of redeemable units at end of period	21,338	14,411
Series A Hedged Units			Advisor Series Hedged Units		
Net assets attributable to holders of redeemable units at beginning of period	6,035	1,040	Net assets attributable to holders of redeemable units at beginning of period	243	287
Increase in net assets attributable to holders of redeemable units	1,003	575	Increase in net assets attributable to holders of redeemable units	58	64
Distributions to holders of redeemable units from:			Distributions to holders of redeemable units from:		
Net realized gains on investments and derivatives	(328)	(4)	Net realized gains on investments and derivatives	(15)	(1)
Total distributions to holders of redeemable units	(328)	(4)	Total distributions to holders of redeemable units	(15)	(1)
Redeemable unit transactions			Redeemable unit transactions		
Proceeds from redeemable units issued	10,150	6,464	Proceeds from redeemable units issued	456	568
Reinvestments of distributions to holders of redeemable units	313	4	Reinvestments of distributions to holders of redeemable units	7	1
Redemption of redeemable units	(4,280)	(2,044)	Redemption of redeemable units	(77)	(676)
Net increase from redeemable unit transactions	6,183	4,424	Net increase (decrease) from redeemable unit transactions	386	(107)
Net increase in net assets attributable to holders of redeemable units	6,858	4,995	Net increase (decrease) in net assets attributable to holders of redeemable units	429	(44)
Net assets attributable to holders of redeemable units at end of period	12,893	6,035	Net assets attributable to holders of redeemable units at end of period	672	243

The accompanying notes are an integral part of these financial statements.

BMO U.S. Equity Fund

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (cont'd)

(All amounts in thousands of Canadian dollars)

For the periods ended	September 30 2018	September 30 2017	For the periods ended	September 30 2018	September 30 2017
Series F Units			Series D Units		
Net assets attributable to holders of redeemable units at beginning of period	29,027	15,337	Net assets attributable to holders of redeemable units at beginning of period	4,850	4,542
Increase in net assets attributable to holders of redeemable units	6,293	3,195	Increase in net assets attributable to holders of redeemable units	1,131	619
Distributions to holders of redeemable units from:			Distributions to holders of redeemable units from:		
Net realized gains on investments and derivatives	(1,611)	(291)	Net realized gains on investments and derivatives	(267)	(100)
Total distributions to holders of redeemable units	(1,611)	(291)	Total distributions to holders of redeemable units	(267)	(100)
Redeemable unit transactions			Redeemable unit transactions		
Proceeds from redeemable units issued	19,228	15,163	Proceeds from redeemable units issued	5,358	1,730
Reinvestments of distributions to holders of redeemable units	1,297	282	Reinvestments of distributions to holders of redeemable units	254	95
Redemption of redeemable units	(9,908)	(4,659)	Redemption of redeemable units	(1,766)	(2,036)
Net increase from redeemable unit transactions	10,617	10,786	Net increase (decrease) from redeemable unit transactions	3,846	(211)
Net increase in net assets attributable to holders of redeemable units	15,299	13,690	Net increase in net assets attributable to holders of redeemable units	4,710	308
Net assets attributable to holders of redeemable units at end of period	44,326	29,027	Net assets attributable to holders of redeemable units at end of period	9,560	4,850
Series F Hedged Units			Series I Units		
Net assets attributable to holders of redeemable units at beginning of period	585	100	Net assets attributable to holders of redeemable units at beginning of period	1,914,996	1,704,809
Increase in net assets attributable to holders of redeemable units	90	41	Increase in net assets attributable to holders of redeemable units	297,387	290,645
Distributions to holders of redeemable units from:			Distributions to holders of redeemable units from:		
Net realized gains on investments and derivatives	(17)	(0)	Net investment income	(40,285)	(0)
Total distributions to holders of redeemable units	(17)	(0)	Net realized gains on investments and derivatives	(181,351)	—
Redeemable unit transactions			Return of capital	(144)	—
Proceeds from redeemable units issued	975	444	Total distributions to holders of redeemable units	(221,780)	(0)
Reinvestments of distributions to holders of redeemable units	17	0	Redeemable unit transactions		
Redemption of redeemable units	(456)	—	Proceeds from redeemable units issued	44,373	513,177
Net increase from redeemable unit transactions	536	444	Reinvestments of distributions to holders of redeemable units	221,780	—
Net increase in net assets attributable to holders of redeemable units	609	485	Redemption of redeemable units	(924,380)	(593,635)
Net assets attributable to holders of redeemable units at end of period	1,194	585	Net decrease from redeemable unit transactions	(658,227)	(80,458)
			Net (decrease) increase in net assets attributable to holders of redeemable units	(582,620)	210,187
			Net assets attributable to holders of redeemable units at end of period	1,332,376	1,914,996

The accompanying notes are an integral part of these financial statements.

BMO U.S. Equity Fund

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (cont'd)

(All amounts in thousands of Canadian dollars)

For the periods ended	September 30 2018	September 30 2017	For the periods ended	September 30 2018	September 30 2017
Series N Units			Series NBF Units		
Net assets attributable to holders of redeemable units at beginning of period	39,932	44,122	Net assets attributable to holders of redeemable units at beginning of period	—	4,828
Increase in net assets attributable to holders of redeemable units	7,039	7,066	Increase in net assets attributable to holders of redeemable units	—	7
Distributions to holders of redeemable units from:			Distributions to holders of redeemable units from:		
Net realized gains on investments and derivatives	(2,588)	(1,023)	Net investment income	—	(86)
Total distributions to holders of redeemable units	(2,588)	(1,023)	Net realized gains on investments and derivatives	—	(109)
Redeemable unit transactions			Return of capital	—	(33)
Proceeds from redeemable units issued	5,818	2,193	Total distributions to holders of redeemable units	—	(228)
Reinvestments of distributions to holders of redeemable units	2,571	1,021	Redeemable unit transactions		
Redemption of redeemable units	(11,593)	(13,447)	Proceeds from redeemable units issued	—	3
Net decrease from redeemable unit transactions	(3,204)	(10,233)	Reinvestments of distributions to holders of redeemable units	—	224
Net increase (decrease) in net assets attributable to holders of redeemable units	1,247	(4,190)	Redemption of redeemable units	—	(4,834)
Net assets attributable to holders of redeemable units at end of period	41,179	39,932	Net decrease from redeemable unit transactions	—	(4,607)
			Net decrease in net assets attributable to holders of redeemable units	—	(4,828)
			Net assets attributable to holders of redeemable units at end of period	—	—
Series NBA Units			Total Fund		
Net assets attributable to holders of redeemable units at beginning of period	—	8,491	Net assets attributable to holders of redeemable units at beginning of period	2,774,484	2,501,167
Increase in net assets attributable to holders of redeemable units	—	11	Increase in net assets attributable to holders of redeemable units	436,058	401,064
Distributions to holders of redeemable units from:			Distributions to holders of redeemable units from:		
Net investment income	—	(18)	Net investment income	(40,285)	(104)
Net realized gains on investments and derivatives	—	(206)	Net realized gains on investments and derivatives	(234,101)	(18,202)
Return of capital	—	(205)	Return of capital	(144)	(238)
Total distributions to holders of redeemable units	—	(429)	Total distributions paid to holders of redeemable units	(274,530)	(18,544)
Redeemable unit transactions			Redeemable unit transactions		
Proceeds from redeemable units issued	—	3	Proceeds from redeemable units issued	196,097	690,924
Reinvestments of distributions to holders of redeemable units	—	422	Reinvestments of distributions to holders of redeemable units	273,676	18,331
Redemption of redeemable units	—	(8,498)	Redemption of redeemable units	(1,139,192)	(818,458)
Net decrease from redeemable unit transactions	—	(8,073)	Net decrease from redeemable unit transactions	(669,419)	(109,203)
Net decrease in net assets attributable to holders of redeemable units	—	(8,491)	Net (decrease) increase in net assets attributable to holders of redeemable units	(507,891)	273,317
Net assets attributable to holders of redeemable units at end of period	—	—	Net assets attributable to holders of redeemable units at end of period	2,266,593	2,774,484

The accompanying notes are an integral part of these financial statements.

BMO U.S. Equity Fund

STATEMENT OF CASH FLOWS

(All amounts in thousands of Canadian dollars)

For the periods ended	September 30 2018	September 30 2017
Cash flows from operating activities		
Increase in net assets attributable to holders of redeemable units	436,058	401,064
Adjustments for:		
Foreign exchange loss (gain) on cash	263	(237)
Net realized gain on sale of investments and derivatives	(391,201)	(336,376)
Change in unrealized appreciation of investments and derivatives	(24,822)	(46,820)
Decrease (increase) in dividends receivable	393	(447)
Increase in accrued expenses	7	6
Purchases of investments	(1,533,036)	(1,886,542)
Proceeds from sale and maturity of investments	2,451,335	1,989,323
Cash (outflows) inflows on derivatives	(512)	462
Net cash from operating activities	938,485	120,433
Cash flows from financing activities		
Distributions paid to holders of redeemable units, net of reinvested distributions	(854)	(213)
Proceeds from issuances of redeemable units	188,163	685,262
Amounts paid on redemption of redeemable units	(1,128,525)	(811,253)
Net cash from financing activities	(941,216)	(126,204)
Foreign exchange (loss) gain on cash	(263)	237
Net decrease in cash	(2,731)	(5,771)
Cash at beginning of period	28,395	33,929
Cash at end of period	25,401	28,395
Supplementary Information		
Interest received, net of withholding taxes*	1	0
Dividends received, net of withholding taxes*	41,867	37,833

*These items are from operating activities

The accompanying notes are an integral part of these financial statements.

BMO U.S. Equity Fund

SCHEDULE OF INVESTMENT PORTFOLIO

As at September 30, 2018 (All amounts in thousands of Canadian dollars, unless otherwise noted)

	Number of Shares or Units	Cost* (\$)	Fair Value (\$)		Number of Shares or Units	Cost* (\$)	Fair Value (\$)
EQUITIES							
Communication Services — 5.7%							
Alphabet Inc., Class C	47,047	47,907	72,525	Humana Inc.	38,878	15,314	16,999
Comcast Corporation, Class A	1,214,454	40,483	55,546	Mylan N.V.	326,149	16,722	15,418
		88,390	128,071	Pfizer Inc.	1,121,027	46,233	63,812
				Zoetis Inc.	185,921	19,951	21,988
						291,570	333,818
Consumer Discretionary — 7.4%				Industrials — 8.5%			
Amazon.com, Inc.	16,410	15,641	42,456	Boeing Company, The	79,424	15,950	38,152
Dollar General Corporation	192,987	24,535	27,245	Caterpillar Inc.	63,522	12,723	12,512
Gap, Inc., The	276,770	9,370	10,314	FedEx Corporation	42,234	10,959	13,135
Lear Corporation	134,473	15,064	25,185	Huntington Ingalls Industries, Inc.	66,870	10,224	22,118
Lowe's Companies, Inc.	369,331	36,334	54,774	Masco Corporation	261,886	13,650	12,381
Nordstrom, Inc.	82,284	5,197	6,357	Southwest Airlines Co.	563,853	21,745	45,482
		106,141	166,331	Terex Corporation	194,064	10,960	10,004
				United Continental Holdings, Inc.	136,998	15,666	15,760
				W.W. Grainger, Inc.	51,409	21,952	23,733
						133,829	193,277
Consumer Staples — 5.6%				Information Technology — 22.8%			
Campbell Soup Company	196,187	10,414	9,282	Akamai Technologies, Inc.	129,922	13,577	12,276
J.M. Smucker Co., The	146,307	20,716	19,391	Alliance Data Systems Corporation	52,801	15,270	16,106
Kroger Co., The	583,277	22,559	21,931	Apple Inc.	436,993	47,000	127,417
Sysco Corporation	297,072	22,867	28,107	Applied Materials, Inc.	496,264	25,204	24,775
Wal-Mart Stores, Inc.	392,245	35,541	47,579	Cisco Systems, Inc.	151,405	6,142	9,514
		112,097	126,290	DXC Technology Company	198,804	23,356	24,014
				F5 Networks, Inc.	175,206	27,024	45,130
				Fortinet, Inc.	231,619	17,608	27,604
				Intel Corporation	775,771	53,848	47,386
				Microsoft Corporation	471,903	30,337	69,712
				NetApp, Inc.	162,901	13,410	18,072
				ON Semiconductor Corporation	430,067	13,236	10,238
				Salesforce.com, Inc.	152,483	27,713	31,322
				Visa Inc., Class A	272,394	40,980	52,807
						354,705	516,373
Energy — 8.1%				Materials — 1.6%			
Chevron Corporation	370,448	51,070	58,510	Berry Plastics Group, Inc.	383,488	23,770	23,969
ConocoPhillips	492,855	46,164	49,273	Steel Dynamics, Inc.	224,698	6,907	13,116
Marathon Petroleum Corporation	245,713	20,873	25,380			30,677	37,085
Pioneer Natural Resources Company	79,180	14,388	17,815				
Valero Energy Corporation	223,619	22,954	32,855				
		155,449	183,833				
Financials — 15.0%				Real Estate — 5.0%			
Allstate Corporation, The	192,293	18,216	24,515	Boston Properties, Inc.	216,099	34,913	34,357
American Express Company	250,047	31,281	34,393	Equinix, Inc.	20,730	11,132	11,591
Capital One Financial Corporation	40,944	5,159	5,021	Essex Property Trust, Inc.	106,572	32,302	33,961
Citigroup Inc.	611,714	44,272	56,683	Host Hotels & Resorts, Inc.	691,389	19,483	18,843
Citizens Financial Group, Inc.	541,862	29,184	26,995	UDR, Inc.	272,803	11,636	14,246
Prudential Financial, Inc.	71,810	9,418	9,398			109,466	112,998
Regions Financial Corporation	1,701,831	41,806	40,336				
S&P Global Inc.	121,983	23,927	30,786				
SunTrust Banks, Inc.	380,058	34,023	32,787				
Synchrony Financial	875,989	36,546	35,166				
Unum Group	333,088	20,570	16,809				
Wells Fargo & Company	409,965	24,756	27,832				
		319,158	340,721				
Health Care — 14.7%				Utilities — 4.7%			
AbbVie Inc.	382,090	35,354	46,678	AES Corporation, The	1,168,401	20,195	21,128
Amgen Inc.	41,221	8,296	11,037	Ameren Corporation	503,662	32,882	41,128
Bristol-Myers Squibb Company	323,407	25,437	25,932				
Celgene Corporation	348,309	52,536	40,261				
Cigna Corporation	79,873	18,114	21,485				
Eli Lilly and Company	359,333	36,565	49,806				
Hill-Rom Holdings, Inc.	167,320	17,048	20,402				

BMO U.S. Equity Fund

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at September 30, 2018 (All amounts in thousands of Canadian dollars, unless otherwise noted)

	Number of Shares or Units	Cost ⁺ (\$)	Fair Value (\$)
Exelon Corporation	792,444.....	38,246.....	44,689
.....	91,323.....	106,945
Total Investment Portfolio — 99.1%	1,792,805..	2,245,742	
Total Unrealized Gain on Forward Currency Contracts — 0.0%			54
Other Assets Less Liabilities — 0.9%			20,797
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS - 100.0%			2,266,593

+ Where applicable, distributions received from holdings as a return of capital are used to reduce the adjusted cost base of the securities in the portfolio.

BMO U.S. Equity Fund

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at September 30, 2018 (All amounts in thousands of Canadian dollars, unless otherwise noted)

UNREALIZED GAIN ON FORWARD CURRENCY CONTRACTS

Settlement Date	Currency Buy	Position (000s)	Currency Sell	Position (000s)	Contract Rate	Counterparty	Credit Rating**	Unrealized Gain
31-Oct-18	CAD	684	USD	(528)	1.2946	Bank of New York Mellon Trust Co. N.A. (The)	A-1+	2
31-Oct-18	CAD	1,210	USD	(934)	1.2955	Bank of New York Mellon Trust Co. N.A. (The)	A-1+	5
31-Oct-18	CAD	13,067	USD	(10,087)	1.2955	Bank of New York Mellon Trust Co. N.A. (The)	A-1+	47
Total Unrealized Gain on Forward Currency Contracts								54

** Credit Rating provided by Standard & Poor's.

BMO U.S. Equity Fund

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in thousands of Canadian dollars, except per unit data)

September 30, 2018

1. The Mutual Fund

BMO U.S. Equity Fund (the “Fund”) is an open-ended mutual fund established under the laws of the province of Ontario by Declaration of Trust. The Master Declaration of Trust was amended on October 23, 2008 and November 3, 2009 to permit certain Funds to offer a multi-series structure. In addition to the existing Series A Units, certain Funds are permitted to offer Series A Hedged Units, Advisor Series Units, Advisor Series Hedged Units, ETF Series Units, Series T4 Units, Series T5 Units, Series T6 Units, Series T8 Units, Series M Units, Series F Units, Series F Hedged Units, Series F2 Units, Series F4 Units, Series F6 Units, Series D Units, Series G Units, Series I Units, Series N Units, Series NBA Units, Series NBF Units, Series O Units, Series L Units, Series R Units, Series S Units and/or Classic Series Units. Each series is intended for different kinds of investors and has different management fees and fixed administration fees. Refer to Note 8 for the series issued for this Fund as well as the management and administration fee rates for each series.

BMO Investments Inc. (the “Manager”) is the Manager and Trustee of the Fund. The Manager is a wholly owned subsidiary of Bank of Montreal. The address of the Fund’s registered office is 100 King Street West, Toronto, Ontario, M5X 1A1.

The Statement of Financial Position and related notes of each of the Funds are as at September 30, 2018 and September 30, 2017, as applicable. The Statement of Comprehensive Income, Statement of Changes in Net Assets Attributable to Holders of Redeemable Units, Statement of Cash Flows and related notes are for the period(s) ended September 30, 2018 and September 30, 2017, except for a Fund established during the period(s) which the financial information is presented from the date of inception as noted in Note 8 to September 30 of the applicable period. Financial information provided for a series established during the period(s) is presented from the inception date as noted in Note 8 to September 30 of the applicable period.

These financial statements were authorized for issuance by the Board of Directors of the Manager on December 6, 2018.

2. Basis of preparation and presentation

These audited financial statements have been prepared in accordance with International Financial Reporting

Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

3. Summary of significant accounting policies

Financial instruments

The Fund records financial instruments at fair value. Investment transactions are accounted for on the trade date. The Fund’s investments are either designated at fair value through profit or loss (“FVTPL”) at inception or classified as held for trading. The changes in the investment fair values and related transaction costs are recorded in the Fund’s Statement of Comprehensive Income.

Financial assets and financial liabilities held for trading are those acquired or incurred principally for the purpose of selling or repurchasing in the near future, or on initial recognition, are part of a portfolio of identified financial instruments that the Fund manages together and that have a recent actual pattern of short-term profit taking. The Fund classifies all derivatives and short positions as held for trading. The Fund does not designate any derivatives as hedges in a hedging relationship.

The Fund designates all other investments at FVTPL at inception, as they have reliably measurable fair values and are part of a group of financial assets or financial liabilities that are managed and have their performance evaluated on a fair value basis in accordance with the Fund’s investment strategy.

The Fund’s outstanding redeemable units, which are puttable instruments, are entitled to a contractual obligation of annual distribution of any net income and net realized capital gains by the Fund. This annual distribution can be in cash at the option of the unitholders, and therefore the ongoing redemption feature is not the redeemable units’ only contractual obligation. Also, the Fund has issued multiple series of redeemable units, which are equally subordinated but are not identical. As a result, the Fund’s obligations for net assets attributable to holders of redeemable units (“Net Assets”) do not meet the conditions to be classified as equity and are classified as financial liabilities and presented at the redemption amounts.

All other financial assets and financial liabilities are measured at amortized cost. Under this method, financial assets and financial liabilities reflect the amount required to be received, paid or discounted, when appropriate, at the contract’s effective interest rate.

BMO U.S. Equity Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)

September 30, 2018

The Manager has determined that the Fund meets the definition of “investment entity” and as a result, the Fund measures subsidiaries, if any, at FVTPL.

Cost of investments

The cost of investments represents the amount paid for each security and is determined on an average cost basis, and excludes commissions and other portfolio transaction costs, which are reported separately on the Statement of Comprehensive Income. Realized gains and losses on disposition are determined based on the average cost of investments.

Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For exchange-traded securities, close prices are considered to be fair value if they fall within the bid-ask spread. In circumstances where the close 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.

Procedures are in place to fair value equities traded in countries outside of North America daily, to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market.

For bonds, debentures, asset-backed securities and other debt securities, fair value is represented by bid prices provided by independent security pricing services. Short-term investments, if any, are held at amortized cost which approximates fair value due to their short-term nature.

Mutual fund units held as investments are valued at their respective Net Asset Value (“NAV”) on each Valuation Date (the “Valuation Date” is each day on which the Toronto Stock Exchange is open for trading), as these values are the most readily and regularly available.

The Fund may enter into forward currency contracts for hedging purposes either directly or indirectly or for non-hedging purposes. The fair value of forward currency contracts entered into by the Fund is recorded as the difference between the fair value of the contract on the Valuation Date and the fair value on the date the contract originated.

For the Series A Hedged Units, Advisor Series Hedged Units and Series F Hedged Units (the “Hedged Series”), the Fund enters into forward currency contracts to hedge against foreign currency exposure and as a result the Hedged Series will be subject to less currency risk than the other series of the Fund because their foreign currency exposure is hedged. However, the hedging strategy may not achieve a perfect hedge of the foreign currency exposure for the Hedged Series.

The Fund may engage in option contract transactions by purchasing (long positions) or writing (short positions) call or put option contracts. These contracts have different risk exposures for the Fund, whereas the risk for long positions will be limited to the premium paid to purchase the option contracts, the risk exposure for the short positions are potentially unlimited until closed or expired.

The premium paid for purchasing an option is recorded as an asset in the Statement of Financial Position. The option contract is valued on each Valuation Date at an amount equal to the fair value of the option that would have the effect of closing the position. The change in the difference between the premium and the fair value is shown as “Change in unrealized appreciation (depreciation)” in the Statement of Comprehensive Income.

When a purchased option expires, the Fund will realize a loss equal to the premium paid. When a purchased option is closed, the gain or loss the Fund will realize will be the difference between the proceeds and the premium paid. When a purchased call option is exercised, the premium paid is added to the cost of acquiring the underlying security. When a purchased put option is exercised, the premium paid is subtracted from the proceeds from the sale of the underlying security that had to be sold.

The premium received from writing a call or put option is recorded as a liability in the Statement of Financial Position.

When a written option expires, the Fund will realize a gain equal to the premium received. When a written option is closed, the Fund will realize a gain or loss equal to the difference between the cost at which the contract was closed and the premium received. When a written call option is exercised, the premium received is added to the proceeds from the sale of the underlying investments to determine the realized gain or loss. When a written put option is exercised, the

BMO U.S. Equity Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)

September 30, 2018

premium received will be subtracted from the cost of the underlying investment the Fund had to purchase.

The gain or loss that the Fund realizes when a purchased or written option is expired or closed is recorded as "Net realized gain (loss)" in the Statement of Comprehensive Income.

Futures contracts are financial agreements to purchase or sell a financial instrument at a contracted price on a specified future date. Futures contracts are valued at the gain or loss that would arise as a result of closing the position at the Valuation date. Any difference between the notional value on each Valuation Date is recorded as "Net realized gain (loss)" in the Statement of Comprehensive Income. Treasury bills or cash are held as margin against futures contracts.

A credit default swap contract is an agreement to transfer credit risk from one party, a buyer of protection, to another party, a seller of protection. The Fund, as a seller of protection, would be required to pay a notional or other agreed upon value to the buyer of protection in the event of a default by a third-party. In return, the Fund would receive from the counterparty a periodic stream of payments over the term of the contract provided that no event of default occurs. If no default occurs, the Fund would keep the stream of payments and would have no payment obligations.

In connection with the agreement, securities or cash may be identified as collateral or margin in accordance with the terms of the agreement to provide assets of value in the event of default or bankruptcy/insolvency.

The Fund, as a buyer of protection, would receive a notional or other agreed upon value from the seller of protection in the event of a default by a third-party. In return, the Fund would be required to pay to the counterparty a periodic stream of payments over the term of the contract provided that no event of default occurs.

Credit default swap contracts are fair valued daily based upon quotations from independent security pricing sources. Premiums paid or received, if any, are included in "Net realized gain (loss)" in the Statement of Comprehensive Income. Net periodic payments are accrued daily and recorded as "Interest income" in the Statement of Comprehensive Income. When credit default swap contracts expire or are closed out, gains or losses are recorded as "Net realized gain (loss)" in the Statement of Comprehensive Income.

Interest rate swap contracts are agreements between two parties to exchange periodic interest payments based on a notional principal amount. The net periodic payments received or paid from interest rate swap contracts are recorded as "Interest income" in the Statement of Comprehensive Income. Payments received or paid when the Fund enters into the contract are recorded as a liability or asset in the Statement of Financial Position. When the contract is terminated or expires, the payments received or paid are recorded as "Net realized gain (loss)" in the Statement of Comprehensive Income. Payments received or paid upon early termination are recorded as "Net realized gain (loss)" in the Statement of Comprehensive Income.

Interest rate swap agreements are valued based upon quotations from independent sources. The change in value is included in "Change in unrealized appreciation (depreciation)" in the Statement of Comprehensive Income.

The Fund enters into interest rate swap agreements to manage the exposure to interest rates.

Unlisted warrants, if any, are valued based on a pricing model which considers factors such as the market value of the underlying security, strike price and terms of the warrant.

For securities where market quotes are not available, unreliable or not considered to reflect the current value, the Manager may determine another value which it considers to be fair and reasonable, or use a valuation technique that, to the extent possible, makes maximum use of inputs and assumptions based on observable market data including volatility, comparable companies, NAV (for exchange-traded funds) and other applicable rates or prices. These estimation techniques include discounted cash flows, internal models that utilize observable data or comparisons with other securities that are substantially similar. In limited circumstances, the Manager may use internal models where the inputs are not based on observable market data.

Cash

Cash is comprised of cash and deposits with banks which include bankers' acceptances and overnight demand deposits. The carrying amount of cash approximates its fair value because it is short-term in nature.

BMO U.S. Equity Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
(All amounts in thousands of Canadian dollars, except per unit data)
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Other assets and other liabilities

Other assets and other liabilities generally include receivables and payables relating to investment transactions, unitholder subscriptions and redemptions, and other assets and other liabilities that are initially recorded at fair value. These financial assets and financial liabilities are short-term in nature and are subsequently measured at amortized cost, which approximates their fair value.

Investments in subsidiaries, joint ventures and associates

Subsidiaries are entities over which the Fund has control through its exposure or rights to variable returns from its investment and has the ability to affect those returns through its power over the entity. The Manager has determined that the Fund is an investment entity and as such, it accounts for subsidiaries, if any, at fair value. Joint ventures are those where the Fund exercises joint control through an agreement with other shareholders, and associates are investments in which the Fund exerts significant influence over operating, investing, and financing decisions (such as entities in which the Fund owns 20% - 50% of voting shares), all of which, if any, have been designated at FVTPL.

Unconsolidated structured entities

During the periods, the Fund had no unconsolidated structured entities. The Manager has determined that the underlying funds in which the Fund may invest in are unconsolidated structured entities. This determination is based on the fact that decision making about the underlying funds is not governed by the voting right or other similar right held by the Fund. Similarly, investments in securitizations, asset-backed securities and mortgage-backed securities are determined to be interests in unconsolidated structured entities.

The Fund may invest in underlying funds whose investment objectives range from achieving short-term to long-term income and capital growth potential. Underlying funds may use leverage in a manner consistent with their respective investment objectives and as permitted by Canadian securities regulatory authorities. Underlying funds finance their operations by issuing redeemable units which are puttable at the holders' option and entitles the holder to a proportionate stake in the respective fund's Net Assets. The change in fair value of each of the underlying funds during the periods is included in

"Change in unrealized appreciation (depreciation)" in the Statement of Comprehensive Income.

Mortgage-related securities are created from pools of residential or commercial mortgage loans, including mortgage loans made by savings and loan institutions, mortgage bankers, commercial banks and others. Asset-backed securities are created from many types of assets, including auto loans, credit card receivables, home equity loans and student loans.

The Fund does not provide and has not committed to providing any additional significant financial or other support to the unconsolidated structured entities other than its investment in the unconsolidated structured entities.

Additional information on the Fund's interest in unconsolidated structured entities, where applicable, is provided in Note 8.

Offsetting of financial assets and financial liabilities

Financial instruments are presented at net or gross amounts in the Statement of Financial Position depending on the existence of intention and legal right to offset opposite positions of such instruments held with the same counterparties. Amounts offset in the Statement of Financial Position are transactions for which the Fund has legally enforceable rights to offset and intends to settle the positions on a net basis. Amounts not offset in the Statement of Financial Position relate to transactions where a master netting arrangement or similar agreement is in place with a right to offset only in the event of default, insolvency or bankruptcy, or where the Fund has no intention of settling on a net basis.

Income recognition

Dividend income and distributions received from investment trusts are recognized on the ex-dividend and ex-distribution date, respectively.

Interest income from interest bearing investments is recognized in the Statement of Comprehensive Income using the effective interest rate method. Interest receivable shown in the Statement of Financial Position is accrued based on the interest bearing investments' stated rates of interest.

Interest on inflation-indexed bonds is paid based on a principal value, which is adjusted for inflation. The inflation adjustment of the principal value is recognized as part of interest income in the Statement of Comprehensive Income. If held to maturity, the

BMO U.S. Equity Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
(All amounts in thousands of Canadian dollars, except per unit data)
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Fund will receive, in addition to a coupon interest payment, a final payment equal to the sum of the par value and the inflation compensation accrued from the original issue date. Interest is accrued on each Valuation Date based on the inflation adjusted par value at that time and is included in "Interest income" in the Statement of Comprehensive Income.

Foreign currency translation

The fair value of investments and other assets and liabilities in foreign currencies are translated into the Fund's functional currency at the rates of exchange prevailing at the period-end date. Purchases and sales of investments, and income and expenses are translated at the rates of exchange prevailing on the respective dates of such transactions. Foreign exchange gains (losses) on investment transactions are included in "Net realized gain (loss)" in the Statement of Comprehensive Income and unrealized foreign exchange gains (losses) are included in "Change in unrealized appreciation (depreciation)" in the Statement of Comprehensive Income. Foreign exchange gains (losses) relating to cash, receivables and payables are included in "Foreign exchange gain (loss)" in the Statement of Comprehensive Income.

Securities lending

A Fund may engage in securities lending pursuant to the terms of an agreement with BNY Mellon (the "security lending agent"). The aggregate market value of all securities loaned by the Fund cannot exceed 50% of the NAV of the Fund. The Fund will receive collateral of at least 102% of the value of securities on loan. Collateral will generally be comprised of obligations of or guarantee by the Government of Canada or a province thereof, or by the United States government or its agencies, but it may include obligations of other governments with appropriate credit ratings. Further, the program entered into provides for 100% indemnification by the securities lending agent and parties related to the Fund's custodian, to the Fund for any defaults by borrowers.

For those Funds participating in the program, aggregate values of securities on loan, the collateral held as at September 30, 2018 and September 30, 2017, where applicable, and information about the security lending income earned by the Fund are disclosed in Note 8.

Income from securities lending, where applicable, is included in the Statement of Comprehensive Income

and is recognized when earned. The breakdown of the securities lending income is disclosed in Note 8, where applicable.

Short-term trading penalty

To discourage excessive trading, the Fund may, at the Manager's sole discretion, charge a short-term trading penalty. This penalty is paid directly to the Fund and is included in "Short-term penalty fees" in the Statement of Comprehensive Income.

Increase or decrease in net assets attributable to holders of redeemable units per unit

"Increase (decrease) in net assets attributable to holders of redeemable units per unit" of a series in the Statement of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of redeemable units of the series divided by the weighted average number of units of the series outstanding during the period. Refer to Note 8 for details.

Taxation

The Fund qualifies as a unit trust under the provisions of the Income Tax Act (Canada). Distributions of all net taxable income and sufficient amounts of net realized capital gains for each taxation year will be paid to unitholders so that the Fund will not be subject to income tax. As a result, the Fund has determined that it is in substance not taxable and therefore does not record income taxes in the Statement of Comprehensive Income nor does it recognize any deferred tax assets or liabilities in the Statement of Financial Position.

The Fund may incur withholding taxes imposed by certain countries on investment income and capital gains. Such income and capital gains are recorded on a gross basis with the related withholding taxes shown as a separate expense in the Statement of Comprehensive Income.

Fund mergers

The Manager has adopted the purchase method of accounting for certain fund mergers which occurred during the periods. Under this method, one of the Funds in each merger is identified as the acquiring fund, and is referred to as the "Continuing Fund", and the other Fund involved in the merger is referred to as the "Terminated Fund". This identification is based on the comparison of the relative NAV of the funds as well as consideration of the continuation of such aspects of the Continuing Fund as: investment advisors,

BMO U.S. Equity Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)
September 30, 2018

investment objectives and practices, type of portfolio securities, and management fees and expenses. Where applicable, refer to Note 8 for the details of the merger transactions.

Accounting standards issued but not yet adopted

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which addresses classification and measurement, impairment and hedge accounting.

The new standard requires assets to be carried at amortized cost, FVTPL or fair value through other comprehensive income based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset. The classification and measurement of liabilities remains generally unchanged with the exception of liabilities recorded at FVTPL. For these liabilities, fair value changes attributable to changes in the entity's own credit risk are to be presented in other comprehensive income unless they affect amounts recorded in income.

The new standard is effective for annual periods beginning on or after January 1, 2018. The Fund is impacted for the fiscal period beginning October 1, 2018. The Fund's financial assets and financial liabilities are managed, and the performance of the Fund is evaluated on a fair value basis. Accordingly, the Manager has reached the preliminary conclusion that while FVTPL in accordance with IFRS 9 provides the most appropriate measurement and presentation of the Fund's investment securities, other financial assets will be classified as amortized costs from their current classification as loans and receivables. Also, derivatives and other investment securities currently classified as held for trading will be classified as FVTPL. There will be no changes in the valuation approaches or valuation attributes, and therefore these changes in classifications will not have impact on the NAV of the Funds.

4. Critical accounting judgements and estimates

The preparation of financial statements requires the use of judgement in applying the Fund's accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgements and estimates that the Manager has made in preparing the Fund's financial statements:

Accounting judgements:

Functional and presentation currency

The Fund's unitholders are mainly Canadian residents, with the subscriptions and redemptions of the redeemable units denominated in Canadian dollars. The Fund invests in Canadian and U.S. dollars and other foreign denominated securities, as applicable. The performance of the Fund is measured and reported to the investors in Canadian dollars. The Manager considers the Canadian dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Canadian dollars, which is the Fund's functional and presentation currency.

Classification and measurement of financial instruments and application of fair value option

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgements about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for financial assets and financial liabilities.

Accounting estimates:

Fair value measurement of securities not quoted in an active market

The Fund has established policies and control procedures that are intended to ensure these estimates are well controlled, independently reviewed, and consistently applied from period to period. The estimates of the value of the Fund's assets and liabilities are believed to be appropriate as at the reporting date.

The Fund may hold financial instruments that are not quoted in active markets. Note 3 discusses the policies used by the Fund for the estimates used in determining fair value.

5. Units and unit transactions

The redeemable units of the Fund are classified as liabilities. The units have no par value and are entitled to distributions, if any. Upon redemption, a unit is entitled to a proportionate share of the Fund's NAV. The Fund is required to pay distributions in an amount not less than the amount necessary to ensure the Fund will not be liable for income taxes on realized capital gains, dividends and interest. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of units except

BMO U.S. Equity Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)

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as disclosed in Note 8. The relevant movements in redeemable units are shown in the Statement of Changes in Net Assets Attributable to Holders of Redeemable Units.

In accordance with its investment objectives and strategies, and the risk management practices outlined in Note 7, the Fund endeavours to invest the subscriptions received in appropriate investments, while maintaining sufficient liquidity to meet redemptions, with such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

Redeemable units of the Fund are offered for sale on a continuous basis and may be purchased or redeemed on any Valuation Date at the NAV per unit of a particular series. The NAV per unit of a series for the purposes of subscription or redemption is computed by dividing the NAV of the Fund attributable to the series (that is, the total fair value of the assets attributable to the series less the liabilities attributable to the series) by the total number of units of the series of the Fund outstanding at such time on each Valuation Date, in accordance with Part 14 of National Instrument ("NI") 81-106 Investment Fund Continuous Disclosure for the purpose of processing unitholder transactions. Net Assets are determined in accordance with IFRS and may differ to the Funds' NAV. Where a Funds' NAV is not equal to its Net Assets, a reconciliation is shown in Note 8.

Expenses directly attributable to a series are charged to that series. Other expenses, income, realized and unrealized gains and losses from investment transactions are allocated proportionately to each series based upon the relative NAV of each series. The gain (loss) of certain forwards in Funds with Hedged Series is allocated only to the hedged series.

6. Related party transactions

(a) Management fees

The Manager is responsible for the day-to-day management of the Fund and its investment portfolio in compliance with the Fund's constating documents. The Manager provides key management personnel to the Fund, monitors and evaluates the performance of the Fund, pays for the investment management services of the investment advisors and provides all related administrative services required by the Fund.

The management fees for the ETF Series includes costs related to the administration expenses and other operating expenses, other than the fund expenses.

As compensation for its services, the Manager is entitled to receive a fee payable monthly, calculated at the maximum annual rates included in Note 8.

(b) Fixed administration fees

The Manager pays certain operating expenses of each Fund except for BMO Bond Fund (Series NBA and Series NBF only), BMO Asset Allocation Fund (Series NBA and Series NBF only), BMO Ascent Income Portfolio, BMO Ascent Conservative Portfolio, BMO Ascent Balanced Portfolio, BMO Ascent Growth Portfolio, BMO Ascent Equity Growth Portfolio, BMO FundSelect Balanced Portfolio (Series NBA only), BMO FundSelect Growth Portfolio (Series NBA only), BMO FundSelect Equity Growth Portfolio (Series NBA only), BMO U.S. Equity Fund (Series NBA and Series NBF only), BMO Covered Call Canadian Banks ETF Fund, BMO Covered Call U.S. High Dividend ETF Fund, BMO Covered Call Europe High Dividend ETF Fund, BMO Fossil Fuel Free Fund, BMO Tactical Global Asset Allocation ETF Fund, BMO Tactical Global Growth ETF Fund, BMO Women in Leadership Fund, BMO International Equity Fund, BMO Japan Fund, BMO Covered Call Canada High Dividend ETF Fund, BMO Concentrated Global Equity Fund, BMO Crossover Bond Fund, BMO Global Multi-Sector Bond Fund, BMO U.S. Small Cap Fund and BMO Multi-Factor Equity Fund (the "Variable Operating Expense Series"), including audit and legal fees and expenses; custodian and transfer agency fees; costs attributable to the issue, redemption and change of securities, including the cost of the securityholder record keeping system; expenses incurred in respect of preparing and distributing prospectuses, financial reports and other types of reports, statements and communications to securityholders; fund accounting and valuation costs; filing fees, including those incurred by the Manager (collectively the "Administration Expenses"). In return, the Fund pays a fixed administration fee to the Manager. The fixed administration fee is calculated daily as a fixed annual percentage of the average NAV of the Fund. Refer to Note 8 for the fixed administration fee rates charged to the Fund, where applicable.

(c) Fund expenses

The Fund also pays certain operating expenses directly ("Fund Expenses"), including expenses incurred in respect of preparing and distributing fund facts;

BMO U.S. Equity Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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interest or other borrowing expenses; all reasonable costs and expenses incurred in relation to compliance with NI 81-107, including compensation and expenses payable to Independent Review Committee ("IRC") members and any independent counsel or other advisors employed by the IRC, the costs of the orientation and continuing education of IRC members and the costs and expenses associated with IRC meetings; taxes of all kinds to which the Fund is or might be subject; and costs associated with compliance with any new governmental or regulatory requirement introduced after December 1, 2007.

The Manager may, in some years and in certain cases, absorb a portion of management fees, fixed administration fees or certain specified expenses of the Fund or series of the Fund. The decision to absorb these expenses is reviewed periodically and determined at the discretion of the Manager, without notice to unitholders.

(d) Variable administration fees

The Variable Operating Expense Series pay all of its operating expenses directly. These expenses include Administration Expenses and Fund Expenses.

(e) Commissions and other portfolio transaction costs

The Fund may execute trades with and through BMO Nesbitt Burns Inc., an affiliate of the Manager, based on established standard brokerage agreements at market prices. These fees are included in "Commissions and other portfolio transaction costs" in the Statement of Comprehensive Income. Refer to Note 8 for related party fees charged to the Fund during the period(s) ended September 30, 2018 and September 30, 2017, where applicable.

(f) Initial investments

In order to establish a new Fund, the Manager makes an initial investment in the Fund. Pursuant to the policies of the Canadian Securities Administrators, an initial investor cannot redeem its investments until an additional \$500 has been received from other investors with respect to the same class of units. Refer to Note 8 for the investment in units of the Fund held by the Manager as at September 30, 2018 and September 30, 2017, where applicable.

(g) Other related party transactions

From time to time, the Manager may on behalf of the Fund enter into transactions or arrangements with or involving subsidiaries and affiliates of Bank of Montreal or certain other persons or companies that

are related or connected to the Manager of the Fund. These transactions or arrangements may include transactions or arrangements with or involving subsidiaries and affiliates of Bank of Montreal, BMO Investments Inc., BMO Nesbitt Burns Inc., BMO Asset Management Corp., BMO Private Investment Counsel Inc., BMO Asset Management Inc., BMO InvestorLine Inc., Pyrford International Limited, LGM Investments Limited, BMO Trust Company, F&C Management Limited, BMO Global Asset Management (Asia) Limited, Taplin, Canida & Habacht LLC, BMO Capital Markets Corp., or other investment funds offered by Bank of Montreal, and may involve the purchase or sale of portfolio securities through or from a subsidiary or affiliates of Bank of Montreal, the purchase or sale of securities issued or guaranteed by a subsidiary or affiliates of Bank of Montreal, the purchase or redemption of units or shares of other Bank of Montreal investment funds or the provision of services to the Manager.

7. Financial instruments risks

The Fund's activities expose it to a variety of risks associated with the financial instruments, as follows: market risk (including currency risk, interest rate risk and other market risk), credit risk and liquidity risk. The concentration table groups securities by asset type, geographic location and/or market segment. The Fund's risk management practice outlines the monitoring of compliance to investment guidelines.

The Manager manages the potential effects of these financial risks on the Fund's performance by employing and overseeing professional and experienced portfolio managers that regularly monitor the Fund's positions, market events and diversify investment portfolios within the constraints of the investment guidelines.

Where the Fund invests in other investment fund(s), it may be indirectly exposed to the financial instruments risks of the underlying fund(s), depending on the investment objectives and the type of securities held by the underlying fund(s). The decision to buy or sell an underlying fund is based on the investment guidelines and positions, rather than the exposure of the underlying fund(s).

(a) Currency risk

Currency risk is the risk that the fair value of financial instruments denominated in currencies, other than the functional currency of the Fund, will fluctuate due

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to changes in foreign exchange rates. Investments in foreign markets are exposed to currency risk as the prices denominated in foreign currencies are converted to the Fund's functional currency in determining fair value. The Fund may enter into forward currency contracts for hedging purposes to reduce foreign currency exposure or to establish exposure to foreign currencies. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. However, management monitors the exposure on all foreign currency denominated assets and liabilities. The Fund's exposure to currency risk, if any, is further disclosed in Note 8.

(b) Interest rate risk

Interest rate risk is the risk that the fair value of the Fund's interest bearing investments will fluctuate due to changes in market interest rates. The Fund's exposure to interest rate risk is concentrated in its investment in debt securities (such as bonds, money market investments, short-term investments and debentures) and interest rate derivative instruments, if any. Other assets and liabilities are short-term in nature and/or non-interest bearing. The Fund's exposure to interest rate risk, if any, is further discussed in Note 8.

(c) Other market risk

Other market risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market. Other assets and liabilities are monetary items that are short-term in nature, as such they are not subject to other market risk. The Fund's exposure to other market risk, if any, is further discussed in Note 8.

(d) Credit risk

Credit risk is the risk that a loss could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. Credit risk exposure for over-the-counter derivative instruments is based on the Fund's unrealized gain of the contractual obligations with the counterparty as at the reporting date. The credit exposure of other assets is represented by its carrying

amount. The Fund's exposure to credit risk, if any, is further discussed in Note 8.

The Fund may enter into securities lending transactions with approved counterparties. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient approved credit rating and the market value of collateral held by the Fund must be at least 102% of the fair value of securities loaned, as disclosed in Note 8, where applicable.

(e) Liquidity risk

The Fund's exposure to liquidity risk is concentrated in the daily cash redemptions of units, and other liabilities. The Fund primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Fund retains sufficient cash and cash equivalent positions to maintain liquidity. The Fund may, from time to time, enter into over-the-counter derivative contracts or invest in unlisted securities, which are not traded in an organized market and may be illiquid. Securities for which a market quotation could not be obtained and may be illiquid are identified on the Schedule of Investment Portfolio. The proportion of illiquid securities to the NAV of the Fund is monitored by the Manager to ensure it does not exceed the regulatory limit and does not significantly affect the liquidity required to meet the Fund's financial obligations.

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NOTES TO THE FINANCIAL STATEMENTS (cont'd)
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8. Fund specific information

(a) Fund and Series information and change in units

The Fund is authorized to issue an unlimited number of units in each of Series A Units, Series A Hedged, Advisor Series Units, Advisor Series Hedged, Series F Units, Series F Hedged, Series D Units, Series I Units, Series N Units, Series NBA Units and Series NBF Units, which are redeemable at the unitholders' option.

Series	Inception date
Series A	October 22, 1996
Series A Hedged	April 19, 2016
Advisor Series	March 28, 2013
Advisor Series Hedged	April 19, 2016
Series F	October 24, 2008
Series F Hedged	April 19, 2016
Series D	April 7, 2014
Series I	March 5, 2008
Series N	April 17, 2015
Series NBA	December 12, 2013
Series NBF	December 12, 2013

Series A Units are offered on a no-load basis and are available to all investors.

Advisor Series Units are available to all investors through authorized dealers and brokers.

Series F Units are available for purchase by investors who are enrolled in dealer-sponsored wrap programs or flat fee accounts. Instead of paying a commission on each transaction, these investors pay an annual fee to the Manager based on the value of their assets.

Series A Hedged Units, Advisor Series Hedged Units and Series F Hedged Units ("the Hedged Series") have the same features as Series A Units, Advisor Series Units and Series F Units, respectively, except that the Hedged Series seek to reflect the performance of the Fund after hedging substantially all of the foreign currency exposure. The Hedged Series units are designed for investors who want exposure to foreign investments but seek to eliminate the impact of foreign currency investments relating to the Canadian dollar on their investments.

Series D Units are available to investors who have an account with a discount brokerage. A reduced trailing commission is paid to discount brokerages in respect to Series D Units which means a lower management fee can be charged.

Series I Units are available only to institutional investors and other investment funds as determined by the Manager from time to time and on a case-by-case basis, and who have entered into an agreement with the Manager. No management fees and fixed administration fees are charged to the Fund in respect of the Series I Units as each investor or dealer negotiates a separate fee with the Manager.

Series N Units are available to investors who participate in a separate managed account or discretionary management program through a dealer who has entered into an agreement with the Manager. No management fees are charged in respect to Series N Units. Instead, the investor pays the dealer the fee set by the dealer, a portion of which is paid to the Manager by the dealer.

As at the close of business October 20, 2016, the Series NBA Units and the Series NBF Units were terminated. Prior to termination, Series NBA Units and Series NBF Units could only be purchased through sales representatives of BMO Nesbitt Burns Inc., an affiliate of the Manager.

The number of units of each series that have been issued and are outstanding are shown in the table below.

For the periods ended (in thousands of units)	Sep. 30, 2018	Sep. 30, 2017
Series A Hedged Units		
Units issued and outstanding, beginning of period	511	104
Issued	826	589
Issued on reinvestment of distributions	26	1
Redeemed during the period	(352)	(183)
Units issued and outstanding, end of period	1,011	511

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For the periods ended (in thousands of units)	Sep. 30, 2018	Sep. 30, 2017
Series A Units		
Units issued and outstanding, beginning of period	30,312	31,157
Issued	3,808	5,950
Issued on reinvestment of distributions	1,771	663
Redeemed during the period	(6,836)	(7,458)
Units issued and outstanding, end of period	29,055	30,312

Advisor Series Hedged Units		
Units issued and outstanding, beginning of period	21	29
Issued	37	53
Issued on reinvestment of distributions	0	0
Redeemed during the period	(6)	(61)
Units issued and outstanding, end of period	52	21

Advisor Series Units		
Units issued and outstanding, beginning of period	864	945
Issued	532	310
Issued on reinvestment of distributions	52	19
Redeemed during the period	(278)	(410)
Units issued and outstanding, end of period	1,170	864

Series F Hedged Units		
Units issued and outstanding, beginning of period	48	10
Issued	75	38
Issued on reinvestment of distributions	1	0
Redeemed during the period	(36)	—
Units issued and outstanding, end of period	88	48

For the periods ended (in thousands of units)	Sep. 30, 2018	Sep. 30, 2017
Series F Units		
Units issued and outstanding, beginning of period	1,176	711
Issued	736	651
Issued on reinvestment of distributions	50	12
Redeemed during the period	(373)	(198)
Units issued and outstanding, end of period	1,589	1,176

Series D Units		
Units issued and outstanding, beginning of period	352	371
Issued	368	129
Issued on reinvestment of distributions	17	8
Redeemed during the period	(120)	(156)
Units issued and outstanding, end of period	617	352

Series I Units		
Units issued and outstanding, beginning of period	89,775	93,527
Issued	2,012	25,064
Issued on reinvestment of distributions	10,237	—
Redeemed during the period	(43,123)	(28,816)
Units issued and outstanding, end of period	58,901	89,775

Series N Units		
Units issued and outstanding, beginning of period	3,622	4,570
Issued	526	219
Issued on reinvestment of distributions	225	99
Redeemed during the period	(1,006)	(1,266)
Units issued and outstanding, end of period	3,367	3,622

BMO U.S. Equity Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
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For the periods ended (in thousands of units)	Sep. 30, 2018	Sep. 30, 2017
Series NBA Units		
Units issued and outstanding, beginning of period	—	698
Issued on reinvestment of distributions	—	38
Redeemed during the period	—	(736)
Units issued and outstanding, end of period	—	—
Series NBF Units		
Units issued and outstanding, beginning of period	—	395
Issued on reinvestment of distributions	—	21
Redeemed during the period	—	(416)
Units issued and outstanding, end of period	—	—

(b) Reconciliation of NAV to Net Assets

As at September 30, 2018 and September 30, 2017, there were no differences between the Fund's NAV per unit and its Net Assets per unit calculated for each series in accordance with IFRS.

(c) Increase (decrease) in net assets attributable to holders of redeemable units per unit

The increase (decrease) in net assets attributable to holders of redeemable units per unit is calculated as follows:

For the periods ended	Sep. 30, 2018	Sep. 30, 2017
Series A Units		
Increase in net assets attributable to holders of redeemable units	120,470	96,793
Weighted average units outstanding during the period (in thousands of units)	30,709	31,093
Increase in net assets attributable to holders of redeemable units per unit	3.92	3.11

For the periods ended	Sep. 30, 2018	Sep. 30, 2017
Series A Hedged Units		
Increase in net assets attributable to holders of redeemable units	1,003	575
Weighted average units outstanding during the period (in thousands of units)	886	340
Increase in net assets attributable to holders of redeemable units per unit	1.13	1.69
Advisor Series Units		
Increase in net assets attributable to holders of redeemable units	2,587	2,048
Weighted average units outstanding during the period (in thousands of units)	1,015	947
Increase in net assets attributable to holders of redeemable units per unit	2.55	2.16
Advisor Series Hedged Units		
Increase in net assets attributable to holders of redeemable units	58	64
Weighted average units outstanding during the period (in thousands of units)	46	27
Increase in net assets attributable to holders of redeemable units per unit	1.25	2.38
Series F Units		
Increase in net assets attributable to holders of redeemable units	6,293	3,195
Weighted average units outstanding during the period (in thousands of units)	1,494	998
Increase in net assets attributable to holders of redeemable units per unit	4.21	3.20
Series F Hedged Units		
Increase in net assets attributable to holders of redeemable units	90	41
Weighted average units outstanding during the period (in thousands of units)	80	19
Increase in net assets attributable to holders of redeemable units per unit	1.13	2.13

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For the periods ended	Sep. 30, 2018	Sep. 30, 2017
Series D Units		
Increase in net assets attributable to holders of redeemable units	1,131	619
Weighted average units outstanding during the period (in thousands of units)	543	319
Increase in net assets attributable to holders of redeemable units per unit	2.08	1.94
Series I Units		
Increase in net assets attributable to holders of redeemable units	297,387	290,645
Weighted average units outstanding during the period (in thousands of units)	77,852	79,320
Increase in net assets attributable to holders of redeemable units per unit	3.82	3.66
Series N Units		
Increase in net assets attributable to holders of redeemable units	7,039	7,066
Weighted average units outstanding during the period (in thousands of units)	3,431	4,168
Increase in net assets attributable to holders of redeemable units per unit	2.05	1.70
Series NBA Units		
Increase in net assets attributable to holders of redeemable units	—	11
Weighted average units outstanding during the period (in thousands of units)	—	534
Increase in net assets attributable to holders of redeemable units per unit	—	0.02
Series NBF Units		
Increase in net assets attributable to holders of redeemable units	—	7
Weighted average units outstanding during the period (in thousands of units)	—	288
Increase in net assets attributable to holders of redeemable units per unit	—	0.03

(d) Income taxes

The Fund did not have any available capital and non-capital losses carried forward for income tax purposes as of the tax year-ended December 2017.

(e) Related party transactions

Management fees

The Manager is entitled to receive the following fees payable monthly, calculated at the following maximum annual rates:

Series	Management Fees (%)	Fixed Administration Fees (%)
Series A	2.000	0.250
Series A Hedged	2.000	0.250
Advisor Series	2.000	0.250
Advisor Series Hedged	2.000	0.250
Series F	0.500*	0.250
Series F Hedged	0.500*	0.250
Series D	0.850	0.250
Series I	*	*
Series N	*	0.250
Series NBA	1.500	—
Series NBF	0.500	—

* Negotiated and paid by each Series I investor directly to the Manager.

* Effective February 1, 2017, the management fee rate was reduced from 0.600% to 0.500%.

The outstanding accrued management fees due to the Manager are included in “Accrued expenses” in the Statement of Financial Position and as at September 30, 2018 amounted to \$101 (September 30, 2017 — \$95).

Administration services

The related party fees charged relating to administration services are as follows:

	Sep. 30, 2018 (\$)	Sep. 30, 2017 (\$)
Administration services	2,568	2,352

The outstanding accrued administration services due to the Manager are included in “Accrued expenses” in the Statement of Financial Position and as at September 30, 2018 amounted to \$14 (September 30, 2017 — \$13).

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NOTES TO THE FINANCIAL STATEMENTS (cont'd)
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Expenses

The Manager pays the administration and operating expenses of the Series I Units.

Brokerage commissions and soft dollars

Brokerage commissions paid (excluding transaction costs) on security transactions and amounts paid to related parties of the Manager for brokerage services provided to the Fund for the periods are as follows:

For the periods ended	Sep. 30, 2018 (\$)	Sep. 30, 2017 (\$)
Total brokerage amounts paid	1,419	1,571
Total brokerage amounts paid to related parties	—	—

The ascertainable soft dollar value of services received, and as a percentage of total brokerage commissions paid, under the soft dollar arrangement entered into by the portfolio advisor for the periods ended is as follows:

For the periods ended	Sep. 30, 2018	Sep. 30, 2017
Total soft dollars (\$)	144	614
Total soft dollars as a percentage of total commissions (%)	10.2	39.1

Units held by the Manager

The Manager held the following units of the Fund:

As at Sep. 30, 2018

Series	Number of Units	Value of Units (\$)
Advisor Series Hedged	10,321	132
Series F Hedged	10,199	138

As at Sep. 30, 2017

Series	Number of Units	Value of Units (\$)
Advisor Series Hedged	10,016	119
Series F Hedged	10,004	122

(f) Financial instruments risks

The Fund's objective is to increase the value of investments over the long-term by investing in equities of well-established U.S. companies that may be undervalued by the marketplace.

No changes affecting the overall level of risk of investing in the Fund were made during the period.

Currency risk

The Fund's exposure to currency risk is summarized in the tables below. Amounts shown are based on the carrying value of monetary and non-monetary assets (including derivatives and the underlying principal (notional) amount of forward currency contracts, if any). The Fund may enter into forward currency contracts for hedging purposes to reduce foreign currency exposure to foreign currencies in respect of Series A Hedged Units, Advisor Series Hedged Units and Series F Hedged Units only.

As at Sep. 30, 2018

Currencies	Cash and other current receivables & payables (\$)	Investments (monetary & non-monetary) (\$)	Forward currency contracts (\$)	Net currency exposure (\$)	As a % of Net Assets (%)
U.S. Dollar	8,608	2,245,742	(14,907)	2,239,443	98.8

All amounts in Canadian dollars

As at Sep. 30, 2017

Currencies	Cash and other current receivables & payables (\$)	Investments (monetary & non-monetary) (\$)	Forward currency contracts (\$)	Net currency exposure (\$)	As a % of Net Assets (%)
U.S. Dollar	16,253	2,747,573	—	2,763,826	99.6

All amounts in Canadian dollars

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As at September 30, 2018 and September 30, 2017, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all variables held constant, the Net Assets of the Fund could possibly have increased or decreased, respectively, by approximately \$111,972 (September 30, 2017 — \$138,191). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Interest rate risk

As at September 30, 2018 and September 30, 2017, the Fund did not have significant exposure to interest rate risk.

Other market risk

The Fund has a significant exposure to other market risk arising from its investment in equity securities. Using historical correlation between the Fund's return and the return of its benchmark, if the benchmark, S&P 500 Total Return Index (C\$), had increased or decreased by 10%, with all other variables held constant, the Net Assets of the Fund would have increased or decreased, respectively, by \$210,918 (September 30, 2017 — \$266,656). Historical correlation may not be representative of future correlation, and accordingly, actual results may differ and the difference could be material.

Credit risk

As at September 30, 2018 and September 30, 2017, the Fund did not have significant exposure to credit risk.

Securities lending

The Fund had assets involved in securities lending transactions outstanding as at September 30, 2018 and September 30, 2017 as follows:

	Aggregate value of securities on loan (\$)	Aggregate value of collateral received for the loan (\$)
Sep. 30, 2018	111,654	119,892
Sep. 30, 2017	—	—

There were no assets involved in securities lending transactions as at September 30, 2017.

The table below is a reconciliation of the gross amount generated from securities lending transactions to the security lending revenue for the periods ended September 30, 2018 and September 30, 2017:

For the periods ended	Sep. 30, 2018		Sep. 30, 2017	
	Amount	% of Gross Securities Lending Revenue	Amount	% of Gross Securities Lending Revenue
Gross securities lending revenue	53	100.0	155	100.0
Withholding taxes	0	0.2	9	5.7
	53	99.8	146	94.3
Payment to securities lending agents	16	30.0	44	28.3
Net securities lending revenue*	37	69.8	102	66.0

* Amount shown on the Statement of Comprehensive Income is gross of withholding taxes of \$0 (September 30, 2017 — \$9).

Concentration risk

The Fund's concentration risk is summarized in the following table:

As at	Sep. 30, 2018	Sep. 30, 2017
Equities		
Communication Services	5.7%	3.4%
Consumer Discretionary	7.4%	9.1%
Consumer Staples	5.6%	9.2%
Energy	8.1%	5.1%
Financials	15.0%	14.7%
Health Care	14.7%	13.7%
Industrials	8.5%	13.0%
Information Technology	22.8%	16.6%
Materials	1.6%	3.3%
Real Estate	5.0%	5.4%
Utilities	4.7%	5.5%
Other Assets Less Liabilities	0.9%	1.0%
	100.0%	100.0%

BMO U.S. Equity Fund

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(g) Financial assets and financial liabilities

Categories of financial assets and financial liabilities

The categories of financial assets and financial liabilities, except cash, are summarized in the following table:

As at	Sep. 30, 2018	Sep. 30, 2017
Financial assets designated at FVTPL	2,245,742	2,747,573
Financial assets held for trading	54	—
Loans and receivables	1,550	1,789
Financial liabilities held for trading	—	13
Financial liabilities measured at amortized cost	6,154	3,260

Net gains and losses on financial assets and financial liabilities

For the periods ended	Sep. 30, 2018	Sep. 30, 2017
Net realized gains (losses) on financial assets		
Held for trading	—	462
Designated at FVTPL	440,440	380,779
	440,440	381,241

Net realized gains (losses) on financial liabilities

Held for trading	(512)	—
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Total net realized gains (losses) on financial assets and financial liabilities

	439,928	381,241
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Change in unrealized gains (losses) on financial assets

Held for trading	67	—
Designated at FVTPL	24,755	46,840
	24,822	46,840

Change in unrealized gains (losses) on financial liabilities

Held for trading	—	(20)
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Total change in unrealized gains (losses) on financial assets and financial liabilities

	24,822	46,820
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(h) Fair value hierarchy

The Fund classifies its financial instruments into three levels based on the inputs used to value the financial instruments. Level 1 securities are valued based on quoted prices in active markets for identical securities. Level 2 securities are valued based on significant observable market inputs, such as quoted prices from similar securities and quoted prices in inactive markets or based on observable inputs to models. Level 3 securities are valued based on significant unobservable inputs that reflect the Manager's determination of assumptions that market participants might reasonably use in valuing the securities. The tables below show the relevant disclosure.

As at Sep. 30, 2018

Financial assets	Level 1	Level 2	Level 3	Total
Equity Securities	2,245,742	—	—	2,245,742
Derivatives	—	54	—	54
Total	2,245,742	54	—	2,245,796

As at Sep. 30, 2017

Financial assets	Level 1	Level 2	Level 3	Total
Equity Securities	2,747,573	—	—	2,747,573

Financial liabilities

Derivatives	—	(13)	—	(13)
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Transfers between levels

There were no transfers between the levels during the periods.

Management's Responsibility for Financial Reporting

The accompanying financial statements have been prepared by management of BMO Investments Inc. Management is responsible for the information and representations made in these financial statements.

Management has maintained appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been produced in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and include certain amounts that are based on estimates and judgments. The significant accounting policies which management believes are appropriate for the BMO Mutual Funds are described in Note 3 to the financial statements.

The Trustee of each of the Trusts is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities. The Trustee reviews the financial statements, adequacy of internal controls, the audit process and financial reporting with management and the external auditors.

The Board of Directors of BMO Corporate Class Inc. is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities. The Audit Committee of the Board of Directors reviews the financial statements, adequacy of internal controls, the audit process and financial reporting with management and the external auditors. The Audit Committee reports to the Board of Directors prior to the Board approval of the financial statements.

PricewaterhouseCoopers LLP are the external auditors of the BMO Mutual Funds. The auditors have been appointed by the respective Boards and cannot be changed without the prior approval of the Independent Review Committee and 60 days notice to the Securityholders. They have audited the financial statements in accordance with generally accepted auditing standards in Canada to enable them to express their opinion on the financial statements. Their report is included as an integral part of the financial statements.

Ms. Joan Z. Mohammed
Chief Operating Officer
BMO Global Asset Management
December 6, 2018

R.J. Schauer
Chief Financial Officer
BMO Mutual Funds
December 6, 2018

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If you have any questions, please give us a call as follows:

- If you purchased BMO Mutual Funds through a BMO Bank of Montreal branch or BMO Online Banking, please call 1-800-665-7700.
- If you purchased BMO Mutual Funds through a full-service or discount broker, please call 1-800-668-7327 or email clientservices.mutualfunds@bmo.com.

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