

BMO Mutual Funds 2019

Semi-Annual Financial Statements

March 31, 2019

BMO U.S. Equity Fund

NOTICE OF NO AUDITOR REVIEW OF THE SEMI-ANNUAL FINANCIAL STATEMENTS

BMO Investments Inc., the Manager of the Fund, appoints independent auditors to audit the Fund's Annual Financial Statements. Under Canadian securities laws (National Instrument 81-106), if an auditor has not reviewed the Semi-Annual Financial Statements, this must be disclosed in an accompanying notice.

The Fund's independent auditors have not performed a review of these Semi-Annual Financial Statements in accordance with standards established by the Chartered Professional Accountants of Canada.

BMO U.S. Equity Fund

STATEMENT OF FINANCIAL POSITION

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

As at	March 31 2019	September 30 2018
ASSETS		
CURRENT ASSETS		
Cash	18,793	25,401
Investments		
Non-derivative financial assets	1,807,217	2,245,742
Derivative assets	51	54
Subscriptions receivable	440	433
Dividends receivable	1,445	1,117
Total assets	1,827,946	2,272,747
LIABILITIES		
CURRENT LIABILITIES		
Redemptions payable	15,988	6,038
Accrued expenses	1,716	116
Total liabilities	17,704	6,154
Net assets attributable to holders of redeemable units	1,810,242	2,266,593
Net assets attributable to holders of redeemable units		
Series A Units	752,789	803,055
Series A Hedged Units	10,774	12,893
Advisor Series Units	23,423	21,338
Advisor Series Hedged Units	651	672
Series F Units	41,359	44,326
Series F Hedged Units	967	1,194
Series D Units	9,939	9,560
Series I Units	935,936	1,332,376
Series N Units	34,404	41,179
Net assets attributable to holders of redeemable units per unit		
Series A Units	\$ 24.16	\$ 27.64
Series A Hedged Units	\$ 11.39	\$ 12.75
Advisor Series Units	\$ 16.34	\$ 18.23
Advisor Series Hedged Units	\$ 11.45	\$ 12.83
Series F Units	\$ 24.90	\$ 27.89
Series F Hedged Units	\$ 12.36	\$ 13.54
Series D Units	\$ 13.84	\$ 15.49
Series I Units	\$ 20.94	\$ 22.62
Series N Units	\$ 10.79	\$ 12.23

STATEMENT OF COMPREHENSIVE INCOME

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

For the periods ended	March 31 2019	March 31 2018
INCOME		
Interest income	5	0
Dividend income	21,076	25,862
Other changes in fair value of investments and derivatives		
Net realized gain	99,249	186,654
Change in unrealized (depreciation) appreciation	(155,715)	14,678
Net (loss) gain in fair value of investments and derivatives	(35,385)	227,194
Securities lending revenue (note 8)	22	2
Short-term penalty fees	1	—
Foreign exchange gain	482	1,352
Total other income	505	1,354
Total (loss) income	(34,880)	228,548
EXPENSES		
Management fees (note 6)	8,701	9,314
Fixed administration fees (note 6)	1,188	1,261
Independent review committee fees (note 6)	2	1
Withholding taxes	3,178	3,837
Interest expense	2	—
Fund facts fees	0	1
Commissions and other portfolio transaction costs (note 6)	605	796
Operating expenses absorbed by the Manager (note 6)	(2)	(2)
Total expenses	13,674	15,208
(Decrease) increase in net assets attributable to holders of redeemable units	(48,554)	213,340

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	March 31 2019	March 31 2018
(Decrease) increase in net assets attributable to holders of redeemable units		
Series A Units	(19,522)	51,483
Series A Hedged Units	(845)	19
Advisor Series Units	(419)	938
Advisor Series Hedged Units	(42)	7
Series F Units	(898)	2,322
Series F Hedged Units	(96)	1
Series D Units	(165)	303
Series I Units	(25,733)	155,142
Series N Units	(834)	3,125
(Decrease) increase in net assets attributable to holders of redeemable units per unit (note 8)		
Series A Units	(0.64)	1.67
Series A Hedged Units	(0.86)	0.02
Advisor Series Units	(0.32)	1.03
Advisor Series Hedged Units	(0.81)	0.16
Series F Units	(0.54)	1.67
Series F Hedged Units	(1.15)	0.02
Series D Units	(0.24)	0.64
Series I Units	(0.46)	1.76
Series N Units	(0.25)	0.93

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	March 31 2019	March 31 2018	For the periods ended	March 31 2019	March 31 2018
Series A Units			Advisor Series Units		
Net assets attributable to holders of redeemable units at beginning of period	803,055	764,405	Net assets attributable to holders of redeemable units at beginning of period	21,338	14,411
(Decrease) increase in net assets attributable to holders of redeemable units	(19,522)	51,483	(Decrease) increase in net assets attributable to holders of redeemable units	(419)	938
Distributions to holders of redeemable units from:			Distributions to holders of redeemable units from:		
Net realized gains on investments and derivatives	(74,551)	(46,986)	Net realized gains on investments and derivatives	(1,746)	(938)
Total distributions to holders of redeemable units	(74,551)	(46,986)	Total distributions to holders of redeemable units	(1,746)	(938)
Redeemable unit transactions			Redeemable unit transactions		
Proceeds from redeemable units issued	43,024	61,216	Proceeds from redeemable units issued	5,086	4,550
Reinvestments of distributions to holders of redeemable units	73,896	46,535	Reinvestments of distributions to holders of redeemable units	1,687	903
Redemption of redeemable units	(73,113)	(82,270)	Redemption of redeemable units	(2,523)	(2,374)
Net increase from redeemable unit transactions	43,807	25,481	Net increase from redeemable unit transactions	4,250	3,079
Net (decrease) increase in net assets attributable to holders of redeemable units	(50,266)	29,978	Net increase in net assets attributable to holders of redeemable units	2,085	3,079
Net assets attributable to holders of redeemable units at end of period	752,789	794,383	Net assets attributable to holders of redeemable units at end of period	23,423	17,490
Series A Hedged Units			Advisor Series Hedged Units		
Net assets attributable to holders of redeemable units at beginning of period	12,893	6,035	Net assets attributable to holders of redeemable units at beginning of period	672	243
(Decrease) increase in net assets attributable to holders of redeemable units	(845)	19	(Decrease) increase in net assets attributable to holders of redeemable units	(42)	7
Distributions to holders of redeemable units from:			Distributions to holders of redeemable units from:		
Net realized gains on investments and derivatives	(471)	(328)	Net realized gains on investments and derivatives	(25)	(15)
Total distributions to holders of redeemable units	(471)	(328)	Total distributions to holders of redeemable units	(25)	(15)
Redeemable unit transactions			Redeemable unit transactions		
Proceeds from redeemable units issued	1,172	8,322	Proceeds from redeemable units issued	66	398
Reinvestments of distributions to holders of redeemable units	462	313	Reinvestments of distributions to holders of redeemable units	14	7
Redemption of redeemable units	(2,437)	(2,316)	Redemption of redeemable units	(34)	(74)
Net (decrease) increase from redeemable unit transactions	(803)	6,319	Net increase from redeemable unit transactions	46	331
Net (decrease) increase in net assets attributable to holders of redeemable units	(2,119)	6,010	Net (decrease) increase in net assets attributable to holders of redeemable units	(21)	323
Net assets attributable to holders of redeemable units at end of period	10,774	12,045	Net assets attributable to holders of redeemable units at end of period	651	566

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	March 31 2019	March 31 2018	For the periods ended	March 31 2019	March 31 2018
Series F Units			Series D Units		
Net assets attributable to holders of redeemable units at beginning of period	44,326	29,027	Net assets attributable to holders of redeemable units at beginning of period	9,560	4,850
(Decrease) increase in net assets attributable to holders of redeemable units	(898)	2,322	(Decrease) increase in net assets attributable to holders of redeemable units	(165)	303
Distributions to holders of redeemable units from:			Distributions to holders of redeemable units from:		
Net realized gains on investments and derivatives	(3,817)	(1,611)	Net realized gains on investments and derivatives	(812)	(267)
Total distributions to holders of redeemable units	(3,817)	(1,611)	Total distributions to holders of redeemable units	(812)	(267)
Redeemable unit transactions			Redeemable unit transactions		
Proceeds from redeemable units issued	4,275	11,154	Proceeds from redeemable units issued	1,488	4,378
Reinvestments of distributions to holders of redeemable units	3,075	1,298	Reinvestments of distributions to holders of redeemable units	783	254
Redemption of redeemable units	(5,602)	(3,588)	Redemption of redeemable units	(915)	(960)
Net increase from redeemable unit transactions	1,748	8,864	Net increase from redeemable unit transactions	1,356	3,672
Net (decrease) increase in net assets attributable to holders of redeemable units	(2,967)	9,575	Net increase in net assets attributable to holders of redeemable units	379	3,708
Net assets attributable to holders of redeemable units at end of period	41,359	38,602	Net assets attributable to holders of redeemable units at end of period	9,939	8,558
Series F Hedged Units			Series I Units		
Net assets attributable to holders of redeemable units at beginning of period	1,194	585	Net assets attributable to holders of redeemable units at beginning of period	1,332,376	1,914,996
(Decrease) increase in net assets attributable to holders of redeemable units	(96)	1	(Decrease) increase in net assets attributable to holders of redeemable units	(25,733)	155,142
Distributions to holders of redeemable units from:			Distributions to holders of redeemable units from:		
Net realized gains on investments and derivatives	(36)	(17)	Net investment income	(7,593)	(28,531)
Total distributions to holders of redeemable units	(36)	(17)	Net realized gains on investments and derivatives	(66,004)	(99,850)
Redeemable unit transactions			Return of capital	(38)	(144)
Proceeds from redeemable units issued	170	860	Total distributions to holders of redeemable units	(73,635)	(128,525)
Reinvestments of distributions to holders of redeemable units	36	17	Redeemable unit transactions		
Redemption of redeemable units	(301)	(200)	Proceeds from redeemable units issued	3,782	27,584
Net (decrease) increase from redeemable unit transactions	(95)	677	Reinvestments of distributions to holders of redeemable units	73,635	128,525
Net (decrease) increase in net assets attributable to holders of redeemable units	(227)	661	Redemption of redeemable units	(374,489)	(213,734)
Net assets attributable to holders of redeemable units at end of period	967	1,246	Net decrease from redeemable unit transactions	(297,072)	(57,625)
			Net decrease in net assets attributable to holders of redeemable units	(396,440)	(31,008)
			Net assets attributable to holders of redeemable units at end of period	935,936	1,883,988

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	March 31 2019	March 31 2018
Series N Units		
Net assets attributable to holders of redeemable units at beginning of period	41,179	39,932
(Decrease) increase in net assets attributable to holders of redeemable units	(834)	3,125
Distributions to holders of redeemable units from:		
Net realized gains on investments and derivatives	(3,651)	(2,588)
Total distributions to holders of redeemable units	(3,651)	(2,588)
Redeemable unit transactions		
Proceeds from redeemable units issued	390	5,527
Reinvestments of distributions to holders of redeemable units	3,628	2,571
Redemption of redeemable units	(6,308)	(7,540)
Net (decrease) increase from redeemable unit transactions	(2,290)	558
Net (decrease) increase in net assets attributable to holders of redeemable units	(6,775)	1,095
Net assets attributable to holders of redeemable units at end of period	34,404	41,027
Total Fund		
Net assets attributable to holders of redeemable units at beginning of period	2,266,593	2,774,484
(Decrease) increase in net assets attributable to holders of redeemable units	(48,554)	213,340
Distributions to holders of redeemable units from:		
Net investment income	(7,593)	(28,531)
Net realized gains on investments and derivatives	(151,113)	(152,600)
Return of capital	(38)	(144)
Total distributions to holders of redeemable units	(158,744)	(181,275)
Redeemable unit transactions		
Proceeds from redeemable units issued	59,453	123,989
Reinvestments of distributions to holders of redeemable units	157,216	180,423
Redemption of redeemable units	(465,722)	(313,056)
Net decrease from redeemable unit transactions	(249,053)	(8,644)
Net (decrease) increase in net assets attributable to holders of redeemable units	(456,351)	23,421
Net assets attributable to holders of redeemable units at end of period	1,810,242	2,797,905

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	March 31 2019	March 31 2018
Cash flows from operating activities		
(Decrease) increase in net assets attributable to holders of redeemable units	(48,554)	213,340
Adjustments for:		
Foreign exchange (gain) loss on cash	(26)	222
Net realized gain on sale of investments and derivatives	(99,249)	(186,654)
Change in unrealized depreciation (appreciation) of investments and derivatives	155,715	(14,678)
Increase in dividends receivable	(328)	(298)
Increase in accrued expenses	1,600	1,721
Purchases of investments	(612,432)	(920,331)
Proceeds from sale and maturity of investments	995,061	1,112,322
Cash outflows on derivatives	(567)	(505)
Net cash from operating activities	391,220	205,139
Cash flows from financing activities		
Distributions paid to holders of redeemable units, net of reinvested distributions	(1,528)	(852)
Proceeds from issuances of redeemable units	57,355	115,939
Amounts paid on redemption of redeemable units	(453,681)	(311,236)
Net cash from financing activities	(397,854)	(196,149)
Foreign exchange gain (loss) on cash	26	(222)
Net (decrease) increase in cash	(6,634)	8,990
Cash at beginning of period	25,401	28,395
Cash at end of period	18,793	37,163

Supplementary Information

Interest received, net of withholding taxes*	5	0
Dividends received, net of withholding taxes*	17,570	21,727
Interest expense paid*	1	—

*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 March 31, 2019 (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				Health Care — 13.1%			
Communication Services — 6.6%				Abbott Laboratories			
Alphabet Inc., Class C	38,650	39,356	60,602	AbbVie Inc.	392,020	37,445	42,219
Comcast Corporation, Class A	928,011	30,935	49,581	Amgen Inc.	33,191	8,083	8,427
TripAdvisor, Inc., Class A	126,657	10,401	8,708	Bristol-Myers Squibb Company	126,549	9,953	8,069
.....	80,692	118,891		Eli Lilly and Company	243,969	24,826	42,305
Consumer Discretionary — 8.6%				Hill-Rom Holdings, Inc.			
Amazon.com, Inc.	13,481	12,849	32,081	IDEXX Laboratories, Inc.	162,180	17,397	22,943
Burlington Stores, Inc.	27,595	6,053	5,778	.....	25,525	6,743	7,627
Dollar General Corporation	158,540	20,156	25,275	Merck & Co., Inc.	311,720	32,763	34,646
Expedia, Inc.	56,511	9,361	8,987	Mylan N.V.	267,936	13,737	10,147
Foot Locker, Inc.	95,545	7,664	7,738	Pfizer Inc.	756,630	31,205	42,942
Kohl's Corporation	85,365	8,078	7,845	.....	199,604	236,975	
Lowe's Companies, Inc.	303,410	29,849	44,386	Industrials — 8.2%			
NIKE, Inc., Class B	180,222	18,232	20,281	Caterpillar Inc.	150,217	27,582	27,199
Nordstrom, Inc.	67,598	4,269	4,009	FedEx Corporation	71,959	19,852	17,445
.....	116,511	156,380		Masco Corporation	293,794	14,539	15,433
Consumer Staples — 6.2%				Southwest Airlines Co.			
Hershey Company, The,	57,684	7,997	8,852	Terex Corporation	159,427	9,004	6,845
Kimberly-Clark Corporation	105,003	15,170	17,386	United Continental Holdings, Inc.	112,545	12,870	11,999
Kroger Co., The,	479,171	18,532	15,752	United Rentals, Inc.	78,938	13,191	12,052
Post Holdings, Inc.	66,766	9,236	9,761	W.W. Grainger, Inc.	42,233	18,034	16,984
Sysco Corporation	244,048	18,786	21,772	XPO Logistics, Inc.	130,107	8,870	9,344
Walmart Inc.	294,059	26,645	38,326	.....	141,805	149,434	
.....	96,366	111,849		Information Technology — 24.6%			
Energy — 5.7%				Akamai Technologies, Inc.			
Chevron Corporation	304,326	41,954	50,096	Alliance Data Systems Corporation	43,376	12,544	10,143
ConocoPhillips	404,886	37,925	36,111	Apple Inc.	308,679	33,199	78,355
PBF Energy Inc.	400,522	18,872	16,667	Applied Materials, Inc.	407,687	20,706	21,607
.....	98,751	102,874		Cadence Design Systems, Inc.	196,058	12,692	16,640
Financials — 15.8%				Cisco Systems, Inc.			
Allstate Corporation, The,	283,673	30,233	35,702	DXC Technology Company	163,320	19,187	14,036
American Express Company	205,417	25,697	30,004	F5 Networks, Inc.	143,933	22,200	30,185
Bank of America Corporation	450,327	17,941	16,604	Fortinet, Inc.	143,788	10,931	16,135
Capital One Financial Corporation	33,636	4,238	3,672	Intel Corporation	637,304	44,237	45,734
Citigroup Inc.	502,531	36,370	41,784	Microsoft Corporation	560,873	50,476	88,399
Citizens Financial Group, Inc.	660,328	34,022	28,679	NetApp, Inc.	277,659	23,783	25,729
KeyCorp	450,764	10,625	9,488	Sabre Corporation	206,595	7,018	5,905
Morgan Stanley	452,950	25,176	25,544	salesforce.com, inc.	125,265	22,766	26,511
Progressive Corporation, The,	204,179	17,547	19,670	Visa Inc., Class A	223,776	33,665	46,707
Prudential Financial, Inc.	58,993	7,737	7,243	.....	329,604	445,288	
Regions Financial Corporation	454,808	11,173	8,600	Materials — 2.2%			
Synchrony Financial	590,110	23,074	25,156	Berry Plastics Group, Inc.	315,039	19,527	22,679
Unum Group	273,636	16,898	12,371	Steel Dynamics, Inc.	184,594	5,674	8,700
Wells Fargo & Company	336,791	20,337	21,747	WestRock Company	156,092	8,599	8,000
.....	281,068	286,264		.....	33,800	39,379	

BMO U.S. Equity Fund

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at March 31, 2019 (All amounts in thousands of Canadian dollars, unless otherwise noted)

	Number of Shares or Units	Cost ⁺ (\$)	Fair Value (\$)
Real Estate — 4.6%			
Equity Lifestyle Properties, Inc.	126,693.....	18,134.....	19,352
Essex Property Trust, Inc.	87,551.....	26,537.....	33,841
Host Hotels & Resorts, Inc.	1,170,037.....	31,061.....	29,551
.....	.....	75,732.....	82,744
Utilities — 4.2%			
AES Corporation, The,	1,298,670.....	23,568.....	31,377
Ameren Corporation.....	86,561.....	5,651.....	8,508
Exelon Corporation	556,103.....	26,840.....	37,254
.....	.....	56,059.....	77,139
Total Investment Portfolio — 99.8%	1,509,992..	1,807,217	
Total Unrealized Gain on Forward Currency Contracts — 0.0%			51
Other Assets Less Liabilities — 0.2%			2,974
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS - 100.0%.....	.....	.....	1,810,242

+ 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 March 31, 2019 (All amounts in thousands of Canadian dollars, unless otherwise noted)

UNREALIZED GAIN ON FORWARD CURRENCY CONTRACTS

Settlement Date	Currency Buy	Position	Currency Sell	Position	Contract Rate	Counterparty	Credit Rating**	Unrealized Gain
30-Apr-19	CAD	676	USD	(504)	1.3408	Canadian Imperial Bank of Commerce	A-1	2
30-Apr-19	CAD	1,004	USD	(749)	1.3408	Canadian Imperial Bank of Commerce	A-1	4
30-Apr-19	CAD	11,203	USD	(8,356)	1.3408	Canadian Imperial Bank of Commerce	A-1	45
Total Unrealized Gain on Forward Currency Contracts								51

** 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)

March 31, 2019

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 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 March 31, 2019 and September 30, 2018, 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 March 31, 2019 and March 31, 2018, except for a Fund established during the period(s) which is presented from the date of inception (as noted in Note 8) to March 31 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 March 31 of the applicable period.

These financial statements were authorized for issuance by the Board of Directors of the Manager on May 8, 2019.

These financial statements should be read in conjunction with the annual financial statements for the period ended September 30, 2018, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

2. Basis of preparation and presentation

These unaudited interim financial statements have been prepared in accordance with IFRS and in accordance with International Accounting Standard (“IAS”) 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”).

3. Summary of significant accounting policies

Financial instruments

Investments include financial assets and financial liabilities such as equity and debt securities, investment funds and derivatives. These financial instruments are part of a group of financial instruments that are managed and their performance is evaluated on a fair value basis and in accordance with the Fund’s investment strategy.

The Fund classifies and measures financial instruments in accordance with IFRS 9 Financial Instruments (“IFRS 9”). Upon initial recognition, financial instruments are recorded at fair value. A financial instrument is recognized when the Fund becomes a party to the contractual requirements of the instrument and is derecognized when the right to receive cash flows from the instrument has expired or the Fund has transferred substantially all risks and rewards of ownership. As such, investment purchase and sale transactions are recorded as of the trade date. Investments and derivatives are subsequently measured at fair value through profit and loss (“FVTPL”) with changes in fair value recognized in the Statement of Comprehensive Income as “Change in unrealized appreciation (depreciation)”.

All financial assets and financial liabilities are recognized in the Statement of Financial Position.

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 and consequently, do not meet the conditions to be classified as equity. As a result, the Fund’s obligations for net assets attributable to holders of redeemable units (“Net Assets”) are classified as financial liabilities and presented at the redemption amounts.

BMO U.S. Equity Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
(All amounts in thousands of Canadian dollars, except per unit data)
March 31, 2019

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 in 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 determined as the last traded market price or close price, where the close price falls within the bid-ask spread of the security. 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 premium received will be subtracted from the cost of the underlying investment the Fund had to purchase.

BMO U.S. Equity Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
(All amounts in thousands of Canadian dollars, except per unit data)
March 31, 2019

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)
March 31, 2019

Other assets and other liabilities

Other assets and other liabilities generally include receivables for investments sold, subscription receivable, interest receivable, dividend receivable, distribution receivable from investment trusts, payable for investments purchased, redemption payable, distributions payable and accrued expenses. 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 investments 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 classified at FVTPL.

Unconsolidated structured entities

The Manager has determined that the underlying funds in which the Fund may invest 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. 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 Fund will receive, in addition to a coupon interest payment, a final payment equal to the sum of the par

BMO U.S. Equity Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
(All amounts in thousands of Canadian dollars, except per unit data)
March 31, 2019

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. Realized 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 agreements with State Street and BNY Mellon (the "security lending agent" and the "former security lending agent", respectively). BNY Mellon was the security lending agent until December 3, 2018, when State Street became the 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 March 31, 2019 and September 30, 2018, 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

BMO U.S. Equity Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
(All amounts in thousands of Canadian dollars, except per unit data)
March 31, 2019

as consideration of the continuation of such aspects of the Continuing Fund as: investment advisors, 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.

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 investment portfolio

Effective October 1, 2018, the Fund retrospectively adopted IFRS 9. The new standard requires assets to be carried at either amortized cost, FVTPL, or fair value through other comprehensive income ("FVOCI"), based on an assessment of the Fund's business model for managing financial instruments and the contractual cash flow characteristics of the financial assets. In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgements in determining the most appropriate classification in accordance with IFRS 9. The Manager has assessed the Fund's business model with respect to the manner in which financial assets and financial liabilities are managed as a group and performance is evaluated on a fair value basis, and has concluded that FVTPL in accordance with IFRS 9 provides the most appropriate measurement and presentation of the Fund's investment portfolio. The

collection of principal and interest is incidental to the fair value business model. Further information related to the Fund's transition to IFRS 9 is detailed in Note 9.

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 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)

BMO U.S. Equity Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
(All amounts in thousands of Canadian dollars, except per unit data)
March 31, 2019

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 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 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, BMO Multi-Factor Equity Fund, BMO SIA Focused Canadian Equity Fund and BMO SIA Focused North American 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; 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.

BMO U.S. Equity Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

March 31, 2019

(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 March 31, 2019 and March 31, 2018, 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 March 31, 2019 and September 30, 2018, 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, BMO Asset 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 subsidiaries or affiliates of Bank of Montreal, the purchase or sale of securities issued or guaranteed by subsidiaries 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 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, the Manager 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

BMO U.S. Equity Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
(All amounts in thousands of Canadian dollars, except per unit data)
March 31, 2019

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 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 in 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.

BMO U.S. Equity Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
 (All amounts in thousands of Canadian dollars, except per unit data)
 March 31, 2019

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 and Series N Units, which are redeemable at the unitholders' option.

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

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.

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)	Mar. 31, 2019	Mar. 31, 2018
Series A Units		
Units issued and outstanding, beginning of period	29,055	30,312
Issued	1,783	2,338
Issued on reinvestment of distributions	3,337	1,770
Redeemed during the period	(3,016)	(3,142)
Units issued and outstanding, end of period	31,159	31,278
Series A Hedged Units		
Units issued and outstanding, beginning of period	1,011	511
Issued	103	676
Issued on reinvestment of distributions	44	26
Redeemed during the period	(212)	(190)
Units issued and outstanding, end of period	946	1,023

BMO U.S. Equity Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
 (All amounts in thousands of Canadian dollars, except per unit data)
 March 31, 2019

For the periods ended (in thousands of units)	Mar. 31, 2019	Mar. 31, 2018	For the periods ended (in thousands of units)	Mar. 31, 2019	Mar. 31, 2018
Advisor Series Units			Series D Units		
Units issued and outstanding, beginning of period	1,170	864	Units issued and outstanding, beginning of period	617	352
Issued	306	265	Issued	107	303
Issued on reinvestment of distributions	113	52	Issued on reinvestment of distributions	62	17
Redeemed during the period	(155)	(137)	Redeemed during the period	(68)	(67)
Units issued and outstanding, end of period	1,434	1,044	Units issued and outstanding, end of period	718	605
Advisor Series Hedged Units			Series I Units		
Units issued and outstanding, beginning of period	52	21	Units issued and outstanding, beginning of period	58,901	89,775
Issued	6	33	Issued	184	1,234
Issued on reinvestment of distributions	2	0	Issued on reinvestment of distributions	3,864	5,796
Redeemed during the period	(3)	(6)	Redeemed during the period	(18,247)	(9,487)
Units issued and outstanding, end of period	57	48	Units issued and outstanding, end of period	44,702	87,318
Series F Units			Series N Units		
Units issued and outstanding, beginning of period	1,589	1,176	Units issued and outstanding, beginning of period	3,367	3,622
Issued	170	431	Issued	35	501
Issued on reinvestment of distributions	135	50	Issued on reinvestment of distributions	369	225
Redeemed during the period	(233)	(138)	Redeemed during the period	(582)	(657)
Units issued and outstanding, end of period	1,661	1,519	Units issued and outstanding, end of period	3,189	3,691
Series F Hedged Units			(b) Reconciliation of NAV to Net Assets		
Units issued and outstanding, beginning of period	88	48	As at March 31, 2019 and September 30, 2018, 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.		
Issued	14	67			
Issued on reinvestment of distributions	3	1			
Redeemed during the period	(27)	(16)			
Units issued and outstanding, end of period	78	100			

BMO U.S. Equity Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
 (All amounts in thousands of Canadian dollars, except per unit data)
 March 31, 2019

(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	Mar. 31, 2019	Mar. 31, 2018
Series A Units		
(Decrease) increase in net assets attributable to holders of redeemable units	(19,522)	51,483
Weighted average units outstanding during the period (in thousands of units)	30,445	30,839
(Decrease) increase in net assets attributable to holders of redeemable units per unit	(0.64)	1.67
Series A Hedged Units		
(Decrease) increase in net assets attributable to holders of redeemable units	(845)	19
Weighted average units outstanding during the period (in thousands of units)	988	765
(Decrease) increase in net assets attributable to holders of redeemable units per unit	(0.86)	0.02
Advisor Series Units		
(Decrease) increase in net assets attributable to holders of redeemable units	(419)	938
Weighted average units outstanding during the period (in thousands of units)	1,329	914
(Decrease) increase in net assets attributable to holders of redeemable units per unit	(0.32)	1.03

For the periods ended	Mar. 31, 2019	Mar. 31, 2018
Advisor Series Hedged Units		
(Decrease) increase in net assets attributable to holders of redeemable units	(42)	7
Weighted average units outstanding during the period (in thousands of units)	52	42
(Decrease) increase in net assets attributable to holders of redeemable units per unit	(0.81)	0.16
Series F Units		
(Decrease) increase in net assets attributable to holders of redeemable units	(898)	2,322
Weighted average units outstanding during the period (in thousands of units)	1,662	1,388
(Decrease) increase in net assets attributable to holders of redeemable units per unit	(0.54)	1.67
Series F Hedged Units		
(Decrease) increase in net assets attributable to holders of redeemable units	(96)	1
Weighted average units outstanding during the period (in thousands of units)	84	79
(Decrease) increase in net assets attributable to holders of redeemable units per unit	(1.15)	0.02
Series D Units		
(Decrease) increase in net assets attributable to holders of redeemable units	(165)	303
Weighted average units outstanding during the period (in thousands of units)	675	473
(Decrease) increase in net assets attributable to holders of redeemable units per unit	(0.24)	0.64

BMO U.S. Equity Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
 (All amounts in thousands of Canadian dollars, except per unit data)
 March 31, 2019

For the periods ended	Mar. 31, 2019	Mar. 31, 2018
Series I Units		
(Decrease) increase in net assets attributable to holders of redeemable units	(25,733)	155,142
Weighted average units outstanding during the period (in thousands of units)	55,592	88,238
(Decrease) increase in net assets attributable to holders of redeemable units per unit	(0.46)	1.76
Series N Units		
(Decrease) increase in net assets attributable to holders of redeemable units	(834)	3,125
Weighted average units outstanding during the period (in thousands of units)	3,290	3,363
(Decrease) increase in net assets attributable to holders of redeemable units per unit	(0.25)	0.93

(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 2018.

(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 Units	2.000	0.250
Series A Hedged Units	2.000	0.250
Advisor Series Units	2.000	0.250
Advisor Series Hedged Units	2.000	0.250
Series F Units	0.500	0.250
Series F Hedged Units	0.500	0.250
Series D Units	0.850	0.250
Series I Units	*	*
Series N Units	*	0.250

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

The outstanding accrued management fees due to the Manager are included in “Accrued expenses” in the Statement of Financial Position and as at March 31, 2019 amounted to \$1,510 (September 30, 2018 — \$101).

The outstanding accrued fixed administration fees due to the Manager are included in “Accrued expenses” in the Statement of Financial Position and as at March 31, 2019 amounted to \$206 (September 30, 2018 — \$14).

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	Mar. 31, 2019 (\$)	Mar. 31, 2018 (\$)
Total brokerage amounts paid	592	771
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	Mar. 31, 2019	Mar. 31, 2018
Total soft dollars (\$)	375	143
Total soft dollars as a percentage of total commissions (%)	63.3	18.5

Units held by the Manager

The Manager held the following units of the Fund:

As at Mar. 31, 2019

Series	Number of Units	Value of Units (\$)
Advisor Series Hedged Units	10,824	124
Series F Hedged Units	10,540	130

As at Sep. 30, 2018

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

BMO U.S. Equity Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
 (All amounts in thousands of Canadian dollars, except per unit data)
 March 31, 2019

(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 Mar. 31, 2019

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	3,107	1,807,217	(12,832)	1,797,492	99.3

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

As at March 31, 2019 and September 30, 2018, 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 \$89,875 (September 30, 2018 — \$111,972). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Interest rate risk

As at March 31, 2019 and September 30, 2018, 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 \$171,708 (September 30, 2018 — \$210,918). 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 March 31, 2019 and September 30, 2018, the Fund did not have significant exposure to credit risk.

Securities lending

The Fund had assets involved in securities lending transactions outstanding as at March 31, 2019 and September 30, 2018 as follows:

	Aggregate value of securities on loan (\$)	Aggregate value of collateral received for the loan (\$)
Mar. 31, 2019	53,352	57,629
Sep. 30, 2018	111,654	119,892

BMO U.S. Equity Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
 (All amounts in thousands of Canadian dollars, except per unit data)
 March 31, 2019

The table below is a reconciliation of the gross amount generated from securities lending transactions to the security lending revenue for the periods ended March 31, 2019 and March 31, 2018:

For the periods ended	Mar. 31, 2019		Mar. 31, 2018	
	Amount	% of Gross Securities Lending Revenue	Amount	% of Gross Securities Lending Revenue
Gross securities lending revenue	31	100.0	3	100.0
Withholding taxes	0	0.3	—	—
	31	99.7	3	100.0
Payment to securities lending agents	9	29.4	1	30.0
Net securities lending revenue*	22	70.3	2	70.0

* Amount shown on the Statement of Comprehensive Income is gross of withholding taxes of \$0 (March 31, 2018 — \$nil).

Concentration risk

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

As at	Mar. 31, 2019	Sep. 30, 2018
Equities		
Communication Services	6.6%	5.7%
Consumer Discretionary	8.6%	7.4%
Consumer Staples	6.2%	5.6%
Energy	5.7%	8.1%
Financials	15.8%	15.0%
Health Care	13.1%	14.7%
Industrials	8.2%	8.5%
Information Technology	24.6%	22.8%
Materials	2.2%	1.6%
Real Estate	4.6%	5.0%
Utilities	4.2%	4.7%
Other Assets Less Liabilities	0.2%	0.9%
	100.0%	100.0%

(g) 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 Mar. 31, 2019

Financial assets	Level 1	Level 2	Level 3	Total
Equity Securities	1,807,217	—	—	1,807,217
Derivatives	—	51	—	51
Total	1,807,217	51	—	1,807,268

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

Transfers between levels

There were no transfers between the levels during the periods.

9. IFRS 9 transition

Upon transition to IFRS 9, financial assets and financial liabilities in the Fund's investment portfolio were classified as FVTPL. The classification for financial assets and financial liabilities differs from the classification under the previous IAS 39. However, there were no changes in the measurement attributes for any of the financial assets and financial liabilities upon transition to IFRS 9. The tables below show the reconciliation of the financial assets and financial liabilities balances as at October 1, 2018, the IFRS 9 transition date.

BMO U.S. Equity Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
 (All amounts in thousands of Canadian dollars, except per unit data)
 March 31, 2019

As at Oct. 1, 2018

Financial Assets	Held for Trading	Designated as FVTPL	Loans and Receivables**	FVTPL
Opening balance - under IAS 39	54	2,245,742	1,550	—
On the basis of change from IAS 39 to IFRS 9:				
- reclassification of investments to FVTPL*	(54)	(2,245,742)	—	2,245,796
Total change on transition to IFRS 9	(54)	(2,245,742)	—	2,245,796
Opening balance - under IFRS 9	—	—	1,550	2,245,796

* These are financial instruments (including derivatives) classified as held for trading and others designated as FVTPL under IAS 39.

** These are other financial assets classified as loans and receivables under IAS 39, now classified as amortized cost under IFRS 9.

As at Oct. 1, 2018

Financial Liabilities	Held for Trading	Other Financial Liabilities**	FVTPL
Opening balance - under IAS 39	—	6,154	—
On the basis of change from IAS 39 to IFRS 9:			
- reclassification of securities sold short and derivatives*	—	—	—
Total change on transition to IFRS 9	—	—	—
Opening balance - under IFRS 9	—	6,154	—

* These are financial liabilities (such as securities sold short and derivatives) classified as held for trading under IAS 39.

** These were classified as other financial liabilities under IAS 39, now classified as amortized cost under IFRS 9.

BMO Investments Inc.

First Canadian Place, 43rd Floor
100 King Street West
Toronto, Ontario M5X 1A1

Independent Auditor

PricewaterhouseCoopers LLP
PwC Tower
18 York Street, Suite 2600
Toronto, Ontario M5J 0B2

www.bmo.com/mutualfunds and www.bmo.com/gam/ca

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.

®/™ Registered trade-marks/trade-mark of Bank of Montreal, used under licence.

BMO Mutual Funds are offered by BMO Investments Inc., a financial services firm and separate legal entity from Bank of Montreal.