

# BMO Mutual Funds 2021

Annual Financial Statements

September 30, 2021

## BMO Canadian Equity ETF Fund

# Independent Auditor's Report

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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 Emerging Markets Bond Fund  
BMO Core Plus Bond Fund  
BMO Core Bond Fund  
BMO Target Education Income 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 SIA Focused Canadian Equity Fund  
BMO SIA Focused North American Equity Fund  
BMO Ascent™ Income Portfolio  
BMO Ascent™ Conservative Portfolio  
BMO Ascent™ Balanced Portfolio  
BMO Ascent™ Growth Portfolio  
BMO Ascent™ Equity Growth Portfolio  
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 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 Sustainable Opportunities Global Equity 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  
BMO Concentrated U.S. Equity Fund  
BMO Low Volatility Canadian Equity ETF Fund  
BMO USD Balanced ETF Portfolio  
BMO USD Conservative ETF Portfolio  
BMO USD Income ETF Portfolio  
BMO Target Education 2040 Portfolio  
BMO Sustainable Income Portfolio (formerly BMO Principle Income Portfolio)  
BMO Sustainable Conservative Portfolio (formerly BMO Principle Conservative Portfolio)  
BMO Sustainable Balanced Portfolio (formerly BMO Principle Balanced Portfolio)  
BMO Sustainable Growth Portfolio (formerly BMO Principle Growth Portfolio)  
BMO Low Volatility U.S. Equity ETF Fund

BMO Sustainable Opportunities Canadian Equity Fund  
BMO Sustainable Opportunities China Equity Fund  
BMO Sustainable Bond Fund  
BMO Clean Energy ETF Fund  
BMO Nasdaq 100 Equity ETF Fund  
BMO SDG Engagement Global Equity Fund  
BMO U.S. All Cap Equity Fund

To the Shareholders of BMO Corporate Class Inc. for the following funds  
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  
*(individually, a Fund)*

# Independent Auditor's Report

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## Our opinion

In our opinion, the accompanying September 30, 2021 financial statements of each Fund present fairly, in all material respects, the financial position of each Fund, its financial performance and its cash flows 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 (IFRS).

## What we have audited

The financial statements of each Fund comprise:

- the statements of financial position as at the period-end dates indicated in note 1;
- the statements of comprehensive income for the periods indicated in note 1;
- the statements of changes in net assets attributable to holders of redeemable units or shares, as applicable, for the periods indicated in note 1;
- the statements of cash flows for the periods indicated in note 1; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

## Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

## Independence

We are independent of each Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

## Other information

Management is responsible for the other information of each Fund. The other information comprises the 2021 Annual Management Report of Fund Performance of each Fund.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of each Fund, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of each Fund or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of each Fund in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the ability of each Fund to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate any Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of each Fund.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole for each Fund are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements of each Fund.

# Independent Auditor's Report

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As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of each Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control of each Fund.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of each Fund to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of each Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause any Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of each Fund, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Joseph Pinizzotto.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**  
**Toronto, Ontario**  
**December 16, 2021**

# BMO Canadian Equity ETF Fund

## STATEMENT OF FINANCIAL POSITION

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

| As at  | September 30<br>2021 | September 30<br>2020 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| <b>CURRENT ASSETS</b>  |                      |                      |
| Cash   | 1,008                | 553                  |
| Investments  |                      |                      |
| Non-derivative financial assets  | 415,253              | 320,244              |
| Receivable for investments sold  | —                    | 299                  |
| Subscriptions receivable   | 290                  | 90                   |
| Distribution receivable from investment trusts                         | 2,925                | 2,811                |
| <b>Total assets</b>  | <b>419,476</b>       | <b>323,997</b>       |
| <b>LIABILITIES</b>   |                      |                      |
| <b>CURRENT LIABILITIES</b>   |                      |                      |
| Payable for investments purchased                                      | 464                  | —                    |
| Redemptions payable  | 422                  | 185                  |
| Accrued expenses   | 29                   | 21                   |
| <b>Total liabilities</b>   | <b>915</b>           | <b>206</b>           |
| <b>Net assets attributable to holders of redeemable units</b>          | <b>418,561</b>       | <b>323,791</b>       |
| <b>Net assets attributable to holders of redeemable units</b>          |                      |                      |
| Series A Units   | 342,870              | 262,720              |
| Series F Units   | 10,929               | 9,602                |
| Series D Units   | 45,134               | 37,474               |
| Series G Units   | 6,196                | 4,582                |
| Series I Units   | 13,432               | 9,413                |
| <b>Net assets attributable to holders of redeemable units per unit</b> |                      |                      |
| Series A Units   | \$ 41.97             | \$ 33.79             |
| Series F Units   | \$ 13.41             | \$ 10.79             |
| Series D Units   | \$ 14.50             | \$ 11.68             |
| Series G Units   | \$ 12.70             | \$ 10.21             |
| Series I Units   | \$ 2.65              | \$ 2.12              |

## STATEMENT OF COMPREHENSIVE INCOME

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

| For the periods ended  | September 30<br>2021 | September 30<br>2020 |
|--|----------------------|----------------------|
| <b>INCOME</b>  |                      |                      |
| Interest income  | 1                    | 9                    |
| Distributions received from investment trusts  | 10,451               | 11,410               |
| Other changes in fair value of investments and derivatives   |                      |                      |
| Net realized gain  | 2,379                | 2,322                |
| Change in unrealized appreciation (depreciation)   | 77,066               | (13,922)             |
| Net gain (loss) in fair value of investments and derivatives   | 89,897               | (181)                |
| <b>Total income (loss)</b>   | <b>89,897</b>        | <b>(181)</b>         |
| <b>EXPENSES</b>  |                      |                      |
| Management fees (note 6)   | 2,655                | 2,274                |
| Fixed administration fees (note 6)   | 407                  | 348                  |
| Independent review committee fees (note 6)   | 1                    | 1                    |
| Fund facts fees  | 0                    | 0                    |
| Unitholder reporting costs   | 1                    | —                    |
| Commissions and other portfolio transaction costs (note 6)   | 14                   | 13                   |
| Operating expenses absorbed by the Manager (note 6)  | (7)                  | (5)                  |
| <b>Total expenses</b>  | <b>3,071</b>         | <b>2,631</b>         |
| <b>Increase (decrease) in net assets attributable to holders of redeemable units</b>                   | <b>86,826</b>        | <b>(2,812)</b>       |
| <b>Increase (decrease) in net assets attributable to holders of redeemable units</b>                   |                      |                      |
| Series A Units   | 70,100               | (3,025)              |
| Series F Units   | 2,773                | (83)                 |
| Series D Units   | 9,907                | 314                  |
| Series G Units   | 1,268                | (20)                 |
| Series I Units   | 2,778                | 2                    |
| <b>Increase (decrease) in net assets attributable to holders of redeemable units per unit (note 8)</b> |                      |                      |
| Series A Units   | 8.85                 | (0.38)               |
| Series F Units   | 3.03                 | (0.10)               |
| Series D Units   | 3.14                 | 0.10                 |
| Series G Units   | 2.68                 | (0.05)               |
| Series I Units   | 0.57                 | 0.00                 |

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

# BMO Canadian Equity ETF 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<br>2021 | September 30<br>2020 | For the periods ended  | September 30<br>2021 | September 30<br>2020 |
|--|----------------------|----------------------|--|----------------------|----------------------|
| <b>Series A Units</b>  |                      |                      | <b>Series D Units</b>  |                      |                      |
| <b>Net assets attributable to holders of redeemable units at beginning of period</b>     | 262,720              | 315,073              | <b>Net assets attributable to holders of redeemable units at beginning of period</b> | 37,474               | 4,744                |
| Increase (decrease) in net assets attributable to holders of redeemable units            | 70,100               | (3,025)              | Increase in net assets attributable to holders of redeemable units                   | 9,907                | 314                  |
| <b>Distributions to holders of redeemable units from:</b>                                |                      |                      | <b>Distributions to holders of redeemable units from:</b>                            |                      |                      |
| Net investment income  | (5,077)              | (6,835)              | Net investment income  | (823)                | (449)                |
| Return of capital  | (862)                | (292)                | Return of capital  | (125)                | (17)                 |
| <b>Total distributions to holders of redeemable units</b>                                | <b>(5,939)</b>       | <b>(7,127)</b>       | <b>Total distributions to holders of redeemable units</b>                            | <b>(948)</b>         | <b>(466)</b>         |
| <b>Redeemable unit transactions</b>  |                      |                      | <b>Redeemable unit transactions</b>  |                      |                      |
| Proceeds from redeemable units issued  | 47,854               | 22,762               | Proceeds from redeemable units issued  | 2,380                | 36,119               |
| Reinvestments of distributions to holders of redeemable units                            | 5,837                | 7,005                | Reinvestments of distributions to holders of redeemable units                        | 940                  | 463                  |
| Redemption of redeemable units   | (37,702)             | (71,968)             | Redemption of redeemable units   | (4,619)              | (3,700)              |
| <b>Net increase (decrease) from redeemable unit transactions</b>                         | <b>15,989</b>        | <b>(42,201)</b>      | <b>Net (decrease) increase from redeemable unit transactions</b>                     | <b>(1,299)</b>       | <b>32,882</b>        |
| <b>Net increase (decrease) in net assets attributable to holders of redeemable units</b> | <b>80,150</b>        | <b>(52,353)</b>      | <b>Net increase in net assets attributable to holders of redeemable units</b>        | <b>7,660</b>         | <b>32,730</b>        |
| <b>Net assets attributable to holders of redeemable units at end of period</b>           | <b>342,870</b>       | <b>262,720</b>       | <b>Net assets attributable to holders of redeemable units at end of period</b>       | <b>45,134</b>        | <b>37,474</b>        |
| <b>Series F Units</b>  |                      |                      | <b>Series G Units</b>  |                      |                      |
| <b>Net assets attributable to holders of redeemable units at beginning of period</b>     | 9,602                | 8,550                | <b>Net assets attributable to holders of redeemable units at beginning of period</b> | 4,582                | 4,164                |
| Increase (decrease) in net assets attributable to holders of redeemable units            | 2,773                | (83)                 | Increase (decrease) in net assets attributable to holders of redeemable units        | 1,268                | (20)                 |
| <b>Distributions to holders of redeemable units from:</b>                                |                      |                      | <b>Distributions to holders of redeemable units from:</b>                            |                      |                      |
| Net investment income  | (239)                | (251)                | Net investment income  | (94)                 | (109)                |
| Return of capital  | (31)                 | (9)                  | Return of capital  | (14)                 | (4)                  |
| <b>Total distributions to holders of redeemable units</b>                                | <b>(270)</b>         | <b>(260)</b>         | <b>Total distributions to holders of redeemable units</b>                            | <b>(108)</b>         | <b>(113)</b>         |
| <b>Redeemable unit transactions</b>  |                      |                      | <b>Redeemable unit transactions</b>  |                      |                      |
| Proceeds from redeemable units issued  | 3,828                | 3,299                | Proceeds from redeemable units issued  | 1,134                | 948                  |
| Reinvestments of distributions to holders of redeemable units                            | 261                  | 250                  | Reinvestments of distributions to holders of redeemable units                        | 108                  | 113                  |
| Redemption of redeemable units   | (5,265)              | (2,154)              | Redemption of redeemable units   | (788)                | (510)                |
| <b>Net (decrease) increase from redeemable unit transactions</b>                         | <b>(1,176)</b>       | <b>1,395</b>         | <b>Net increase from redeemable unit transactions</b>                                | <b>454</b>           | <b>551</b>           |
| <b>Net increase in net assets attributable to holders of redeemable units</b>            | <b>1,327</b>         | <b>1,052</b>         | <b>Net increase in net assets attributable to holders of redeemable units</b>        | <b>1,614</b>         | <b>418</b>           |
| <b>Net assets attributable to holders of redeemable units at end of period</b>           | <b>10,929</b>        | <b>9,602</b>         | <b>Net assets attributable to holders of redeemable units at end of period</b>       | <b>6,196</b>         | <b>4,582</b>         |

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

# BMO Canadian Equity ETF 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<br>2021 | September 30<br>2020 |
|--|----------------------|----------------------|
| <b>Series I Units</b>  |                      |                      |
| <b>Net assets attributable to holders of redeemable units at beginning of period</b>     | 9,413                | 8,912                |
| Increase in net assets attributable to holders of redeemable units                       | 2,778                | 2                    |
| <b>Distributions to holders of redeemable units from:</b>                                |                      |                      |
| Net investment income  | (265)                | (276)                |
| Return of capital  | (31)                 | (10)                 |
| <b>Total distributions to holders of redeemable units</b>                                | (296)                | (286)                |
| <b>Redeemable unit transactions</b>  |                      |                      |
| Proceeds from redeemable units issued  | 2,981                | 1,488                |
| Reinvestments of distributions to holders of redeemable units                            | 296                  | 286                  |
| Redemption of redeemable units   | (1,740)              | (989)                |
| <b>Net increase from redeemable unit transactions</b>                                    | 1,537                | 785                  |
| <b>Net increase in net assets attributable to holders of redeemable units</b>            | 4,019                | 501                  |
| <b>Net assets attributable to holders of redeemable units at end of period</b>           | 13,432               | 9,413                |
| <b>Total Fund</b>  |                      |                      |
| <b>Net assets attributable to holders of redeemable units at beginning of period</b>     | 323,791              | 341,443              |
| Increase (decrease) in net assets attributable to holders of redeemable units            | 86,826               | (2,812)              |
| <b>Distributions to holders of redeemable units from:</b>                                |                      |                      |
| Net investment income  | (6,498)              | (7,920)              |
| Return of capital  | (1,063)              | (332)                |
| <b>Total distributions to holders of redeemable units</b>                                | (7,561)              | (8,252)              |
| <b>Redeemable unit transactions</b>  |                      |                      |
| Proceeds from redeemable units issued  | 58,177               | 64,616               |
| Reinvestments of distributions to holders of redeemable units                            | 7,442                | 8,117                |
| Redemption of redeemable units   | (50,114)             | (79,321)             |
| <b>Net increase (decrease) from redeemable unit transactions</b>                         | 15,505               | (6,588)              |
| <b>Net increase (decrease) in net assets attributable to holders of redeemable units</b> | 94,770               | (17,652)             |
| <b>Net assets attributable to holders of redeemable units at end of period</b>           | 418,561              | 323,791              |

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

# BMO Canadian Equity ETF Fund

## STATEMENT OF CASH FLOWS

(All amounts in thousands of Canadian dollars)

| For the periods ended  | September 30<br>2021 | September 30<br>2020 |
|--|----------------------|----------------------|
| <b>Cash flows from operating activities</b>  |                      |                      |
| Increase (decrease) in net assets attributable to holders of redeemable units      | 86,826               | (2,812)              |
| Adjustments for:   |                      |                      |
| Net realized gain on sale of investments and derivatives                           | (2,379)              | (2,322)              |
| Change in unrealized (appreciation) depreciation of investments and derivatives    | (77,066)             | 13,922               |
| Increase in distribution receivable from investment trusts                         | (114)                | (252)                |
| Increase (decrease) in accrued expenses  | 8                    | (3)                  |
| Return of capital distributions received   | 1,007                | 441                  |
| Purchases of investments   | (25,285)             | (10,851)             |
| Proceeds from sale and maturity of investments                                     | 9,477                | 17,293               |
| <b>Net cash (used in) from operating activities</b>                                | <b>(7,526)</b>       | <b>15,416</b>        |
| <b>Cash flows from financing activities</b>  |                      |                      |
| Distributions paid to holders of redeemable units, net of reinvested distributions | (119)                | (135)                |
| Proceeds from issuances of redeemable units (note 2)                               | 56,657               | 29,432               |
| Amounts paid on redemption of redeemable units (note 2)                            | (48,557)             | (44,142)             |
| <b>Net cash from (used in) financing activities</b>                                | <b>7,981</b>         | <b>(14,845)</b>      |
| Net increase in cash   | 455                  | 571                  |
| Cash (bank indebtedness) at beginning of period                                    | 553                  | (18)                 |
| <b>Cash at end of period</b>   | <b>1,008</b>         | <b>553</b>           |
| <b>Supplementary Information</b>   |                      |                      |
| Interest received, net of withholding taxes*                                       | 1                    | 9                    |
| Distribution received from investment trusts, net of withholding taxes*            | 11,344               | 11,599               |

\* These items are from operating activities.

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

# BMO Canadian Equity ETF Fund

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## SCHEDULE OF INVESTMENT PORTFOLIO

As at September 30, 2021 (All amounts in thousands of Canadian dollars, unless otherwise noted)

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|  | Number<br>of Units | Cost*<br>(\$)  | Fair<br>Value<br>(\$) |
|--|--------------------|----------------|-----------------------|
| <b>HOLDINGS IN INVESTMENT FUNDS</b>  |                    |                |                       |
| <b>Canadian Equity Fund — 99.2%</b>  |                    |                |                       |
| BMO S&P/TSX Capped Composite Index ETF <sup>^</sup> ...                    | 15,414,831         | 286,060        | 415,253               |
| <b>Total Investment Portfolio — 99.2%</b> .....                            |                    | <b>286,060</b> | <b>415,253</b>        |
| Other Assets Less Liabilities — 0.8% .....                                 |                    |                | 3,308                 |
| <b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS — 100.0%</b> ... |                    |                | <b>418,561</b>        |

\* 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.

<sup>^</sup> The fund is managed or sub-advised by the Manager.

# BMO Canadian Equity ETF Fund

## NOTES TO THE FINANCIAL STATEMENTS

*(All amounts in thousands of Canadian dollars, except per unit data)  
September 30, 2021*

### 1. The Fund

BMO Canadian Equity ETF 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 for the Fund are as at September 30, 2021 and September 30, 2020, 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, 2021 and September 30, 2020, except for a Fund established during either of the periods, which 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.

Except for Funds established during either September 30, 2021 or September 30, 2020, the term “period” represents a full year.

These financial statements were authorized for issuance by the Board of Directors of the Manager on December 8, 2021.

### 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”). The financial statements have been prepared on a historical cost basis, except for the revaluation of financial assets and financial liabilities (including derivative financial instruments) measured at fair value through profit or loss (“FVTPL”).

Certain comparative figures in the Statement of Cash Flows have been revised to appropriately reflect the exclusion of switches between series of redeemable units from the financial statement line items “Proceeds from issuances of redeemable units” and “Amounts paid on redemption of redeemable units”. There is no impact on the cash flows from financing activities in the Statement of Cash Flows or net assets attributable to holders of redeemable units of the Fund in the Statement of Financial Position. The amounts revised are disclosed in Note 8.

### 3. Summary of significant accounting policies Financial Instruments

Financial instruments include financial assets and financial liabilities such as equity and debt securities, investment funds and derivatives. These investments 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 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.

# BMO Canadian Equity ETF Fund

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## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

### **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 cost of the 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, or other such prices, that 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 included in "Derivative assets" 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

# BMO Canadian Equity ETF Fund

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## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

*(All amounts in thousands of Canadian dollars, except per unit data)  
September 30, 2021*

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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 an option is included in "Derivative liabilities" 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 investments 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. Changes in this value on each Valuation Date is recorded as "Derivative income (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 "Derivative income (loss)" 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 "Derivative income (loss)" 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

# BMO Canadian Equity ETF Fund

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## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

The Fund enters into To-Be-Announced securities ("TBA") to gain exposure to the underlying mortgage-backed securities ("MBS"), and may or may not take delivery at maturity. TBA securities are typically sold one to three months in advance of issuance, prior to the identification of the underlying pools of mortgage securities but with the interest payment provisions fixed in advance. The underlying pools of mortgage securities are identified shortly before settlement and must meet certain parameters. As such, the TBA securities do not have a known maturity date as of year-end. Losses may arise due to changes in the value of the underlying securities, failure of the counterparty to perform under the contract, or if the issuer fails to issue the MBS due to political, economic or other factors. TBA securities are fair valued based upon quotations from independent security pricing sources. Any gain or loss from selling the TBA security before the underlying MBS is delivered is recorded as "Net realized gain (loss)" and any unrealized gain or loss from changes in the fair value of the TBA security held is recorded as "Change in unrealized appreciation (depreciation)" in the Statement of Comprehensive Income.

The Fund may enter into investment loan commitments, of which all or a portion may be unfunded as of the reporting date. Unfunded loan commitments are contractual obligations for funding, which the Fund may be obligated to make to the borrower on demand. The funded portion of the loan commitment is shown on the Schedule of Investment Portfolio. Additional information on the Fund's unfunded loan commitments, where applicable, is provided in Note 8.

### **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.

### **Other assets and other liabilities**

Other assets and other liabilities generally include receivables for investments sold, subscriptions receivable, interest receivable, dividend receivable, distribution receivable from investment trusts, payable for investments purchased, redemptions payable, distributions payable and accrued expenses. These financial assets and financial liabilities are short-term in nature and are 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

# BMO Canadian Equity ETF Fund

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)  
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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 related to 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 positions where there is no legally enforceable right to offset, or the legal right to offset is only in the event of default, insolvency or bankruptcy, or where the Fund has no intention to settle on a net basis. Refer to Note 8 for details.

### **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 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 and unrealized foreign exchange gains (losses) on investment transactions are included in "Net realized gain (loss)" and in "Change in unrealized appreciation (depreciation)" respectively, 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 State Street (the "securities 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.

# BMO Canadian Equity ETF Fund

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

*(All amounts in thousands of Canadian dollars, except per unit data)  
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For those Funds participating in the program, aggregate values of securities on loan, the collateral held as at September 30, 2021 and September 30, 2020 and information about the security lending income earned by the Fund are disclosed in Note 8, where applicable.

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 Manager has determined that the Fund 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.

The allocation of the distributions from each of income, dividends, capital gains and return of capital is based on the Manager's estimate as at September 30 of the

period shown, as applicable, which is the Fund's financial year-end. However, the actual allocation of distributions is determined as at December, the Fund's tax year-end. Accordingly, the actual allocation among income, dividends, capital gains and return of capital may differ from these estimates.

### **Fund mergers**

The Manager used the purchase method of accounting for fund mergers. Under the purchase method of accounting, 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". In determining the acquirer, the Manager considered factors such as the comparison of the relative NAV of the funds as well as consideration of the continuation of certain aspects of the Continuing Fund such as: investment advisors, investment objectives and practices, type of portfolio securities and management fees and other expenses. Where applicable, refer to Note 8 for the details of any fund 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**

In classifying and measuring financial instruments held by the Fund, the Manager is required to make an assessment of the Fund's business model for managing

# BMO Canadian Equity ETF Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

*(All amounts in thousands of Canadian dollars, except per unit data)  
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financial instruments and the Manager is also 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.

## **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 financial 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) 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 the Fund's 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.

## **ETF Series Units**

On any trading day, a designated broker or an ETF dealer may place a subscription or redemption order for an integral multiple of the prescribed number ETF Series Units of the Fund as permitted by the Manager.

If the subscription or redemption order is accepted, the Fund will issue or redeem ETF Series Units to/from the designated broker or the ETF dealer by no later than the third trading day after the date on which the subscription or redemption order is accepted, in the case of a fund that invests a portion of its portfolio assets in T+3 securities; by no later than the second trading date after the date on which the subscription or redemption order is accepted, in the case of a fund that does not invest a portion of its portfolio assets in T+3 securities or a shorter period as may be determined by the Manager in response to changes in applicable law or general changes to settlement procedures in applicable markets.

# BMO Canadian Equity ETF Fund

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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For each prescribed number of ETF Series Units issued or redeemed, a designated broker or an ETF dealer must deliver or receive payment consisting of:

- A basket of applicable securities and cash in an amount sufficient so that the value of the securities and the cash received is equal to the NAV of the ETF Series Units subscribed/redeemed;
- Cash in the amount equal to the NAV of the ETF Series Units subscribed/redeemed; or
- A combination of securities and cash, as determined by the Manager, in an amount sufficient so that the value of the securities and cash received is equal to the NAV of the ETF Series Units subscribed/redeemed.

On any trading day, unitholders may redeem ETF Series Units for cash or exchange ETF Series Units for baskets of securities and cash. ETF Series Units redeemed for cash will be redeemed at a redemption price per ETF Series Unit equal to the lesser of (i) 95% of the closing price for the ETF Series Units on the TSX on the effective day of the redemption; and (ii) the NAV per unit of the ETF Series Units on the effective day of the redemption. ETF Series Units exchanged for baskets of securities will be exchanged at a price equal to the NAV of the ETF Series Units on the effective day of the exchange request, payable by delivery of baskets of securities and cash.

Unitholders that redeem ETF Series Units prior to the distribution record date will not be entitled to receive the distribution.

### 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 daily 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 Sustainable Opportunities Global Equity Fund, BMO Tactical Global Asset Allocation ETF Fund, BMO Tactical Global Growth ETF Fund, BMO Women in Leadership Fund, BMO International Value 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, BMO SIA Focused North American Equity Fund, BMO Concentrated U.S. Equity Fund and BMO Low Volatility Canadian Equity ETF 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 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

# BMO Canadian Equity ETF Fund

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

*(All amounts in thousands of Canadian dollars, except per unit data)  
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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 expenses directly. These operating 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, 2021 and September 30, 2020, 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, 2021 and September 30, 2020, 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.

On November 8, 2021, BMO Financial Group announced that it had completed the previously announced sale of the entities that represent its EMEA asset management business to Ameriprise Financial, Inc. As a result of the closing of this transaction, BMO Asset Management Limited, BMO Global Asset Management (Asia) Limited, LGM Investments Limited and Pyrford International Limited are no longer subsidiaries or affiliates of Bank of Montreal or related or connected to the Manager.

On November 15, 2021, the Manager transferred to Columbia Management Investment Advisers, LLC, Ameriprise Financial's U.S. asset management business, the investment advisory mandates for certain BMO Mutual Funds or portions thereof sub-advised by Taplin, Canida & Habacht, LLC. The Manager expects to transfer on or about December 16, 2021 to Columbia Management Investment Advisers, LLC the investment advisory mandates for certain BMO Mutual Funds or portions thereof sub-advised by BMO Asset Management Corp.

## **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

# BMO Canadian Equity ETF Fund

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

*(All amounts in thousands of Canadian dollars, except per unit data)  
September 30, 2021*

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 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 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 Canadian Equity ETF Fund

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)  
September 30, 2021

### 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 F Units, Series D Units, Series G Units and Series I Units, which are redeemable at the unitholders' option.

| Series         | Inception Date    |
|----------------|-------------------|
| Series A Units | November 24, 1987 |
| Series F Units | May 4, 2017       |
| Series D Units | April 7, 2014     |
| Series G Units | March 8, 2019     |
| Series I Units | July 16, 2009     |

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

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 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 G Units are available to investors who are a member of a group registered retirement savings plan, group deferred profit-sharing plan, group tax-free savings account or pension plan (a "Group Plan") offered by the Manager. The Manager may, at any time and in their sole discretion, make this series available for purchase by investors in other types of group plans. Series G Units can be purchased through Group Plans offered by the Manager.

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.

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

| For the periods ended<br>(in thousands of units)     | Sep. 30,<br>2021 | Sep. 30,<br>2020 |
|--|------------------|------------------|
| <b>Series A Units</b>                                |                  |                  |
| Units issued and outstanding,<br>beginning of period | 7,775            | 9,010            |
| Issued   | 1,207            | 687              |
| Issued on reinvestment of distributions              | 161              | 200              |
| Redeemed during the period                           | (974)            | (2,122)          |
| Units issued and outstanding,<br>end of period       | 8,169            | 7,775            |
| <b>Series F Units</b>                                |                  |                  |
| Units issued and outstanding,<br>beginning of period | 890              | 767              |
| Issued   | 315              | 306              |
| Issued on reinvestment of distributions              | 23               | 22               |
| Redeemed during the period                           | (413)            | (205)            |
| Units issued and outstanding,<br>end of period       | 815              | 890              |
| <b>Series D Units</b>                                |                  |                  |
| Units issued and outstanding,<br>beginning of period | 3,209            | 399              |
| Issued   | 175              | 3,098            |
| Issued on reinvestment of distributions              | 75               | 38               |
| Redeemed during the period                           | (347)            | (326)            |
| Units issued and outstanding,<br>end of period       | 3,112            | 3,209            |
| <b>Series G Units</b>                                |                  |                  |
| Units issued and outstanding,<br>beginning of period | 449              | 394              |
| Issued   | 95               | 94               |
| Issued on reinvestment of distributions              | 10               | 11               |
| Redeemed during the period                           | (66)             | (50)             |
| Units issued and outstanding,<br>end of period       | 488              | 449              |
| <b>Series I Units</b>                                |                  |                  |
| Units issued and outstanding,<br>beginning of period | 4,432            | 4,063            |
| Issued   | 1,222            | 718              |
| Issued on reinvestment of distributions              | 130              | 131              |
| Redeemed during the period                           | (710)            | (480)            |
| Units issued and outstanding,<br>end of period       | 5,074            | 4,432            |

# BMO Canadian Equity ETF Fund

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)  
September 30, 2021

### Revision to comparative information

The adjustment to appropriately reflect the exclusion of switches between series of redeemable units in the Statement of Cash Flows in the prior period amounted to \$4,681.

### (b) Reconciliation of NAV to Net Assets

As at September 30, 2021 and September 30, 2020, there were no differences between the Fund's NAV per unit and its Net Assets per unit calculated 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, 2021 | Sep. 30, 2020 |
|--|---------------|---------------|
| <b>Series A Units</b>  |               |               |
| Increase (decrease) in net assets attributable to holders of redeemable units          | 70,100        | (3,025)       |
| Weighted average units outstanding during the period (in thousands of units)           | 7,918         | 7,993         |
| Increase (decrease) in net assets attributable to holders of redeemable units per unit | 8.85          | (0.38)        |
| <b>Series F Units</b>  |               |               |
| Increase (decrease) in net assets attributable to holders of redeemable units          | 2,773         | (83)          |
| Weighted average units outstanding during the period (in thousands of units)           | 916           | 828           |
| Increase (decrease) in net assets attributable to holders of redeemable units per unit | 3.03          | (0.10)        |
| <b>Series D Units</b>  |               |               |
| Increase in net assets attributable to holders of redeemable units                     | 9,907         | 314           |
| Weighted average units outstanding during the period (in thousands of units)           | 3,152         | 3,124         |
| Increase in net assets attributable to holders of redeemable units per unit            | 3.14          | 0.10          |

| For the periods ended  | Sep. 30, 2021 | Sep. 30, 2020 |
|--|---------------|---------------|
| <b>Series G Units</b>  |               |               |
| Increase (decrease) in net assets attributable to holders of redeemable units          | 1,268         | (20)          |
| Weighted average units outstanding during the period (in thousands of units)           | 473           | 417           |
| Increase (decrease) in net assets attributable to holders of redeemable units per unit | 2.68          | (0.05)        |
| <b>Series I Units</b>  |               |               |
| Increase in net assets attributable to holders of redeemable units                     | 2,778         | 2             |
| Weighted average units outstanding during the period (in thousands of units)           | 4,837         | 4,182         |
| Increase in net assets attributable to holders of redeemable units per unit            | 0.57          | 0.00          |

### (d) Income taxes

As at the tax year-ended December 15, 2020, the Fund had the following capital and non-capital losses available for income tax purposes:

| Total Capital Losses (\$) | Total Non-Capital Losses (\$) | Non-Capital Losses That Expire in |           |                          |
|---------------------------|-------------------------------|-----------------------------------|-----------|--------------------------|
|                           |                               | 2026 (\$)                         | 2027 (\$) | 2028 and thereafter (\$) |
| 1,831                     | —                             | —                                 | —         | —                        |

### (e) Related party transactions

#### Management fees and administration 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 | 0.750               | 0.100                         |
| Series F Units | 0.200               | 0.100                         |
| Series D Units | 0.500               | 0.100                         |
| Series G Units | 0.600               | 0.100                         |
| Series I Units | *                   | *                             |

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

# BMO Canadian Equity ETF Fund

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)  
September 30, 2021

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, 2021 amounted to \$24 (September 30, 2020 — \$18).

The outstanding accrued fixed administration fees due to the Manager are included in "Accrued expenses" in the Statement of Financial Position and as at September 30, 2021 amounted to \$4 (September 30, 2020 — \$3).

### 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, 2021<br>(\$) | Sep. 30, 2020<br>(\$) |
|---|-----------------------|-----------------------|
| Total brokerage amounts paid                    | 14                    | 13                    |
| Total brokerage amounts paid to related parties | 3                     | 4                     |

There were no ascertainable soft dollars paid or payable to dealers by the Fund during the periods.

### Units held by the Manager

The Manager held the following units of the Fund:

#### As at Sep. 30, 2021

| Series         | Number of<br>Units | Value of<br>Units (\$) |
|----------------|--------------------|------------------------|
| Series I Units | 64                 | 0                      |

#### As at Sep. 30, 2020

| Series         | Number of<br>Units | Value of<br>Units (\$) |
|----------------|--------------------|------------------------|
| Series I Units | 63                 | 0                      |

### (f) Financial instruments risks

The Fund's objective is to provide a return that is similar to the return of one or more exchange traded funds that invest primarily in Canadian equities. The Fund may invest all or a portion of its assets in one or more exchange traded funds, invest directly in the

underlying securities held by the exchange traded funds and/or use derivatives to provide the Fund with a return determined by reference to the exchange traded funds.

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

### Currency risk

As at September 30, 2021 and September 30, 2020, the Fund did not have significant exposure to currency risk through its investment in the underlying fund.

### Interest rate risk

As at September 30, 2021 and September 30, 2020, the Fund did not have significant exposure to interest rate risk through its investment in the underlying fund.

### Other market risk

The Fund has a significant indirect exposure to other market risk arising from its investment in the underlying fund. Using historical correlation between the Fund's return and the return of its benchmark, if the benchmark, S&P/TSX Capped Composite Index, 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 \$41,284 (September 30, 2020 — \$31,832). 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, 2021 and September 30, 2020, the Fund did not have significant exposure to credit risk through its investment in the underlying fund.

### Securities lending

There were no assets involved in securities lending transactions as at September 30, 2021 and September 30, 2020.

### Concentration risk

The Fund's concentration risk, directly and through its investment in the underlying fund, is summarized in the following table:

| As at                  | Sep. 30,<br>2021 | Sep. 30,<br>2020 |
|------------------------|------------------|------------------|
| <b>Equities</b>        |                  |                  |
| Communication Services | 4.8%             | 5.1%             |
| Consumer Discretionary | 3.6%             | 3.5%             |

# BMO Canadian Equity ETF Fund

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)  
September 30, 2021

| As at                                | Sep. 30,<br>2021 | Sep. 30,<br>2020 |
|--------------------------------------|------------------|------------------|
| Consumer Staples                     | 3.7%             | 4.7%             |
| Energy                               | 12.9%            | 10.6%            |
| Financials                           | 31.5%            | 28.0%            |
| Health Care                          | 1.0%             | 0.6%             |
| Industrials                          | 11.4%            | 12.3%            |
| Information Technology               | 11.3%            | 10.2%            |
| Materials                            | 11.1%            | 15.3%            |
| Real Estate                          | 3.1%             | 3.1%             |
| Utilities                            | 4.6%             | 5.2%             |
| <b>Other Assets Less Liabilities</b> | 1.0%             | 1.4%             |
|                                      | <b>100.0%</b>    | <b>100.0%</b>    |

### (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 Sep. 30, 2021     | Level 1 | Level 2 | Level 3 | Total   |
|-------------------------|---------|---------|---------|---------|
| <b>Financial assets</b> |         |         |         |         |
| Investment Funds        | 415,253 | —       | —       | 415,253 |

| As at Sep. 30, 2020     | Level 1 | Level 2 | Level 3 | Total   |
|-------------------------|---------|---------|---------|---------|
| <b>Financial assets</b> |         |         |         |         |
| Investment Funds        | 320,244 | —       | —       | 320,244 |

### Transfers between levels

There were no transfers between the levels during the periods.

### (h) Unconsolidated structured entities

Information on the carrying amount and the size of the investments in structured entities are shown in the following tables:

| As at Sep. 30, 2021                    | Carrying amount (\$) | Carrying amount as a % of the underlying fund's Net Assets |
|--|----------------------|--|
| <b>Securities</b>                      |                      |  |
| BMO S&P/TSX Capped Composite Index ETF | 415,253              | 6.1  |
| <b>Total</b>                           | <b>415,253</b>       |  |

| As at Sep. 30, 2020                    | Carrying amount (\$) | Carrying amount as a % of the underlying fund's Net Assets |
|--|----------------------|--|
| <b>Securities</b>                      |                      |  |
| BMO S&P/TSX Capped Composite Index ETF | 320,244              | 7.6  |
| <b>Total</b>                           | <b>320,244</b>       |  |

### 9. Significant event

The current spread of the novel coronavirus (COVID-19) has caused a global pandemic and the unprecedented responses taken by many governments, including closing borders, restricting international and domestic travel, and the imposition of prolonged social distancing or similar restrictions, as well as the forced or voluntary closure of, or operational changes to many retail and other businesses, has resulted in fundamental changes in the business world with significant impacts on operations and world markets. The impacts on operations includes changes in work environments, inherent controls risk and cyber-risks; while the main impacts on investments includes increase in market risks, market volatility and liquidity risk, with its impacts on valuations.

Management has implemented and will continue to review the situation with a view to implementing, additional controls and procedures to adequately address the risks and reduce the impacts of COVID-19 on the Fund, to the extent possible.

# Management's Responsibility for Financial Reporting

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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 judgements. 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 Funds, structured as 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.

Ross F. Kappelé,  
*Head, Investment Fund Manager Line of Business*  
BMO Investments Inc.  
December 8, 2021

Robert J. Schauer,  
*Chief Financial Officer*  
BMO Mutual Funds  
December 8, 2021

**BMO Investments Inc.**

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**Independent Auditor**

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

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](mailto:clientservices.mutualfunds@bmo.com).

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