

BMO Mutual Funds 2018

Semi-Annual Financial Statements

March 31, 2018

BMO World Bond Fund

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

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

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

BMO World Bond Fund

(unaudited)

STATEMENT OF FINANCIAL POSITION

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

As at	March 31 2018	September 30 2017
ASSETS		
CURRENT ASSETS		
Cash	13,907	7,573
Investments		
Non-derivative financial assets	776,162	808,985
Subscriptions receivable	54	54
Interest receivable	6,182	5,847
Distribution receivable from investment trusts	681	687
Total assets	796,986	823,146
LIABILITIES		
CURRENT LIABILITIES		
Redemptions payable	212	3,228
Accrued expenses	408	31
Total liabilities	620	3,259
Net assets attributable to holders of redeemable units	796,366	819,887
Net assets attributable to holders of redeemable units		
Series A Units	219,191	225,378
Advisor Series Units	7,640	8,085
Series F Units	20,567	20,871
Series D Units	10	—
Series I Units	547,383	563,945
Classic Series Units	1,575	1,608
Net assets attributable to holders of redeemable units per unit		
Series A Units	\$ 10.95	\$ 10.54
Advisor Series Units	\$ 10.16	\$ 9.79
Series F Units	\$ 11.96	\$ 11.48
Series D Units	\$ 10.23	\$ —
Series I Units	\$ 11.77	\$ 11.26
Classic Series Units	\$ 10.21	\$ 9.85

STATEMENT OF COMPREHENSIVE INCOME

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

For the periods ended	March 31 2018	March 31 2017
INCOME		
Interest income	6,458	8,091
Distribution from investment trusts	4,674	5,388
Other changes in fair value of investments and derivatives		
Net realized gain	4,077	6,663
Change in unrealized appreciation (depreciation)	32,672	(56,038)
Net gain (loss) in fair value of investments and derivatives	47,881	(35,896)
Foreign exchange gain (loss)	627	(700)
Total other income (loss)	627	(700)
Total income (loss)	48,508	(36,596)
EXPENSES		
Management fees (note 6)	2,193	2,801
Fixed administration fees (note 6)	415	530
Independent review committee fees (note 6)	0	0
Withholding taxes	13	39
Custodian fees	—	15
Interest expense	0	—
Fund Facts fees	0	0
Operating expenses absorbed by the Manager (note 6)	(221)	(233)
Total expenses	2,400	3,152
Increase (decrease) in net assets attributable to holders of redeemable units	46,108	(39,748)
Increase (decrease) in net assets attributable to holders of redeemable units		
Series A Units	10,823	(13,936)
Advisor Series Units	368	(606)
Series F Units	1,102	(1,638)
Series D Units	0	—
Series I Units	33,731	(23,479)
Classic Series Units	84	(89)
Increase (decrease) in net assets attributable to holders of redeemable units per unit (note 8)		
Series A Units	0.52	(0.57)
Advisor Series Units	0.48	(0.58)
Series F Units	0.65	(0.72)
Series D Units	0.43	—
Series I Units	0.69	(0.46)
Classic Series Units	0.52	(0.49)

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

BMO World Bond Fund

(unaudited)

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

(All amounts in thousands of Canadian dollars)

For the periods ended	March 31 2018	March 31 2017	For the periods ended	March 31 2018	March 31 2017
Series A Units			Series F Units		
Net assets attributable to holders of redeemable units at beginning of period	225,378	298,744	Net assets attributable to holders of redeemable units at beginning of period	20,871	28,069
Increase (decrease) in net assets attributable to holders of redeemable units	10,823	(13,936)	Increase (decrease) in net assets attributable to holders of redeemable units	1,102	(1,638)
Distributions to holders of redeemable units from:			Distributions to holders of redeemable units from:		
Net investment income	(1,285)	(2,357)	Net investment income	(226)	(381)
Net realized gains on investments and derivatives	—	(19,407)	Net realized gains on investments and derivatives	—	(1,206)
Return of capital	(1,192)	(552)	Return of capital	(75)	(21)
Total distributions to holders of redeemable units	(2,477)	(22,316)	Total distributions to holders of redeemable units	(301)	(1,608)
Redeemable unit transactions			Redeemable unit transactions		
Proceeds from redeemable units issued	7,097	17,387	Proceeds from redeemable units issued	4,316	20,490
Reinvestments of distributions to holders of redeemable units	2,471	22,268	Reinvestments of distributions to holders of redeemable units	186	1,278
Redemption of redeemable units	(24,101)	(31,666)	Redemption of redeemable units	(5,607)	(25,310)
Net (decrease) increase from redeemable unit transactions	(14,533)	7,989	Net decrease from redeemable unit transactions	(1,105)	(3,542)
Net decrease in net assets attributable to holders of redeemable units	(6,187)	(28,263)	Net decrease in net assets attributable to holders of redeemable units	(304)	(6,788)
Net assets attributable to holders of redeemable units at end of period	219,191	270,481	Net assets attributable to holders of redeemable units at end of period	20,567	21,281
Advisor Series Units			Series D Units		
Net assets attributable to holders of redeemable units at beginning of period	8,085	11,117	Net assets attributable to holders of redeemable units at beginning of period	—	—
Increase (decrease) in net assets attributable to holders of redeemable units	368	(606)	Increase in net assets attributable to holders of redeemable units	0	—
Distributions to holders of redeemable units from:			Distributions to holders of redeemable units from:		
Net investment income	(9)	(93)	Net investment income	(0)	—
Net realized gains on investments and derivatives	—	(624)	Total distributions to holders of redeemable units	(0)	—
Return of capital	(82)	(30)	Redeemable unit transactions		
Total distributions to holders of redeemable units	(91)	(747)	Proceeds from redeemable units issued	10	—
Redeemable unit transactions			Reinvestments of distributions to holders of redeemable units	0	—
Proceeds from redeemable units issued	774	2,772	Net increase from redeemable unit transactions	10	—
Reinvestments of distributions to holders of redeemable units	79	667	Net increase in net assets attributable to holders of redeemable units	10	—
Redemption of redeemable units	(1,575)	(3,599)	Net assets attributable to holders of redeemable units at end of period	10	—
Net decrease from redeemable unit transactions	(722)	(160)			
Net decrease in net assets attributable to holders of redeemable units	(445)	(1,513)			
Net assets attributable to holders of redeemable units at end of period	7,640	9,604			

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

BMO World Bond Fund

(unaudited)

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

(All amounts in thousands of Canadian dollars)

For the periods ended	March 31 2018	March 31 2017	For the periods ended	March 31 2018	March 31 2017
Series I Units			Total Fund		
Net assets attributable to holders of redeemable units at beginning of period	563,945	669,533	Net assets attributable to holders of redeemable units at beginning of period	819,887	1,009,496
Increase (decrease) in net assets attributable to holders of redeemable units	33,731	(23,479)	Increase (decrease) in net assets attributable to holders of redeemable units	46,108	(39,748)
Distributions to holders of redeemable units from:			Distributions to holders of redeemable units from:		
Net investment income	(8,701)	(22,104)	Net investment income	(10,248)	(24,966)
Net realized gains on investments and derivatives	—	(55,302)	Net realized gains on investments and derivatives	—	(76,674)
Return of capital	(67)	(163)	Return of capital	(1,416)	(767)
Total distributions to holders of redeemable units	(8,768)	(77,569)	Total distributions paid to holders of redeemable units	(11,664)	(102,407)
Redeemable unit transactions			Redeemable unit transactions		
Proceeds from redeemable units issued	1,285	20,320	Proceeds from redeemable units issued	13,482	60,969
Reinvestments of distributions to holders of redeemable units	8,768	77,569	Reinvestments of distributions to holders of redeemable units	11,530	101,945
Redemption of redeemable units	(51,578)	(44,115)	Redemption of redeemable units	(82,977)	(104,766)
Net (decrease) increase from redeemable unit transactions	(41,525)	53,774	Net (decrease) increase from redeemable unit transactions	(57,965)	58,148
Net decrease in net assets attributable to holders of redeemable units	(16,562)	(47,274)	Net decrease in net assets attributable to holders of redeemable units	(23,521)	(84,007)
Net assets attributable to holders of redeemable units at end of period	547,383	622,259	Net assets attributable to holders of redeemable units at end of period	796,366	925,489
Classic Series Units					
Net assets attributable to holders of redeemable units at beginning of period	1,608	2,033			
Increase (decrease) in net assets attributable to holders of redeemable units	84	(89)			
Distributions to holders of redeemable units from:					
Net investment income	(27)	(31)			
Net realized gains on investments and derivatives	—	(135)			
Return of capital	(0)	(1)			
Total distributions to holders of redeemable units	(27)	(167)			
Redeemable unit transactions					
Reinvestments of distributions to holders of redeemable units	26	163			
Redemption of redeemable units	(116)	(76)			
Net (decrease) increase from redeemable unit transactions	(90)	87			
Net decrease in net assets attributable to holders of redeemable units	(33)	(169)			
Net assets attributable to holders of redeemable units at end of period	1,575	1,864			

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

BMO World Bond Fund

(unaudited)

STATEMENT OF CASH FLOWS

(All amounts in thousands of Canadian dollars)

For the periods ended	March 31 2018	March 31 2017
Cash flows from operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	46,108	(39,748)
Adjustments for:		
Foreign exchange gain on cash	(113)	(35)
Net realized gain on sale of investments and derivatives	(4,077)	(6,663)
Change in unrealized (appreciation) depreciation of investments and derivatives	(32,672)	56,038
Increase in interest receivable	(335)	(16)
Decrease (increase) in distribution receivable from investment trusts	6	(343)
Increase in accrued expenses	377	466
Amortization of premium and discounts	3,049	3,337
Non-cash distributions from investment trusts	(1,830)	(2,283)
Purchases of investments	—	(122,942)
Proceeds from sale and maturity of investments	68,353	158,740
Cash inflows on derivatives	—	1,473
Net cash from operating activities	78,866	48,024
Cash flows from financing activities		
Distributions paid to holders of redeemable units, net of reinvested distributions	(134)	(462)
Proceeds from issuances of redeemable units	13,209	61,480
Amounts paid on redemption of redeemable units	(85,720)	(105,002)
Net cash from financing activities	(72,645)	(43,984)
Foreign exchange gain on cash	113	35
Net increase in cash	6,221	4,040
Cash at beginning of period	7,573	7,161
Cash at end of period	13,907	11,236
Supplementary Information		
Interest received, net of withholding taxes*	9,132	11,373
Distribution received from investment trusts, net of withholding taxes*	2,850	2,762
Interest expense paid*	0	5

*These items are from operating activities

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

BMO World Bond Fund

(unaudited)

SCHEDULE OF INVESTMENT PORTFOLIO

As at March 31, 2018 (All amounts in thousands of Canadian dollars, unless otherwise noted)

	Par Value (in thousands)	Cost (\$)	Fair Value (\$)		Par Value (in thousands)	Cost (\$)	Fair Value (\$)
BONDS & DEBENTURES							
Australia — 3.8%							
Commonwealth of Australia, Series 141, Senior, Unsecured, 3.250% Oct 21, 2018	AUD 3,000	3,022	2,990				
Commonwealth of Australia, Series 143, Senior, Unsecured, 2.750% Oct 21, 2019	AUD 5,000	4,919	5,008				
Commonwealth of Australia, Series 126, Senior, Unsecured, 4.500% Apr 15, 2020	AUD 2,000	2,021	2,076				
Commonwealth of Australia, Series 146, Senior, Unsecured, 1.750% Nov 21, 2020	AUD 5,000	4,817	4,910				
Commonwealth of Australia, Series 124, Senior, Unsecured, 5.750% May 15, 2021	AUD 4,000	4,430	4,390				
Commonwealth of Australia, Series 128, Senior, Unsecured, 5.750% Jul 15, 2022	AUD 2,600	2,882	2,940				
Commonwealth of Australia, Series 136, Senior, Unsecured, 4.750% Apr 21, 2027	AUD 2,250	2,427	2,614				
Commonwealth of Australia, Series 138, Senior, Unsecured, 3.250% Apr 21, 2029	AUD 1,000	917	1,048				
Commonwealth of Australia, Series 144, Senior, Unsecured, 3.750% Apr 21, 2037	AUD 1,000	1,067	1,097				
Telstra Corporation Limited, Senior, Unsecured, Notes, 3.500% Sep 21, 2022	EUR 1,900	2,452	3,423				
		28,954	30,496				
Austria — 1.0%							
Oesterreichische Kontrollbank AG, Unsecured, Notes, 2.875% Feb 25, 2030	CHF 1,000	1,235	1,733				
Republic of Austria, Senior, Unsecured, 3.900% Jul 15, 2020	EUR 1,500	2,038	2,615				
Republic of Austria, Euro Medium Term Notes, Senior, Unsecured, 4.850% Mar 15, 2026	EUR 500	702	1,070				
Republic of Austria, Senior, Unsecured, 4.150% Mar 15, 2037	EUR 1,000	1,633	2,409				
		5,608	7,827				
Belgium — 1.6%							
Anheuser-Busch InBev Finance Inc., Senior, Unsecured, Notes, 1.900% Feb 1, 2019	USD 1,000	1,316	1,280				
Anheuser-Busch InBev Finance Inc., Senior, Unsecured, Notes, 2.150% Feb 1, 2019	USD 2,000	2,700	2,566				
Kingdom of Belgium, Series 58, 3.750% Sep 28, 2020	EUR 1,000	1,547	1,752				
Kingdom of Belgium, Series 65, Senior, Unsecured, 4.250% Sep 28, 2022	EUR 2,300	3,098	4,365				
Kingdom of Belgium, Series 60, Unsecured, 4.250% Mar 28, 2041	EUR 1,000	1,287	2,496				
		9,948	12,459				
Brazil — 0.2%							
Vale Overseas Limited, Senior, Unsecured, Notes, 4.375% Jan 11, 2022	USD 317	327	419				
Vale Overseas Limited, Senior, Unsecured, Notes, 6.875% Nov 21, 2036	USD 1,000	1,184	1,516				
		1,511	1,935				
Chile — 0.8%							
Republic of Chile, Senior, Unsecured, 3.875% Aug 5, 2020	USD 1,000	1,400	1,317				
Republic of Chile, Senior, Unsecured, 3.250% Sep 14, 2021	USD 3,000	3,098	3,905				
Republic of Chile, Senior, Unsecured, 2.250% Oct 30, 2022	USD 1,000	974	1,238				
		5,472	6,460				
Colombia — 0.5%							
Republic of Colombia, Senior, Unsecured, 4.375% Jul 12, 2021	USD 2,750	2,917	3,660				
Czech Republic — 1.1%							
Czech Republic, Series 6Y, Unsecured, 1.500% Oct 29, 2019	CZK 79,500	4,264	5,034				
Czech Republic, Series 58, Senior, Unsecured, 5.700% May 25, 2024	CZK 12,500	740	988				
EP Energy, a.s., Euro Medium Term Notes, Secured, 5.875% Nov 1, 2019	EUR 1,600	2,063	2,755				
		7,067	8,777				
Denmark — 1.2%							
Kingdom of Denmark, Unsecured, 4.000% Nov 15, 2019	DKK 15,000	3,033	3,431				
Kingdom of Denmark, Unsecured, 3.000% Nov 15, 2021	DKK 22,700	4,590	5,412				
Kingdom of Denmark, Unsecured, 4.500% Nov 15, 2039	DKK 2,300	573	819				
		8,196	9,662				
France — 5.8%							
Bouygues S.A., Senior, Unsecured, Notes, 3.641% Oct 29, 2019	EUR 1,000	1,372	1,676				
Eutelsat S.A., Senior, Unsecured, Notes, 5.000% Jan 14, 2019	EUR 1,100	1,487	1,812				
Republic of France, Unsecured, 2.250% Oct 25, 2022	EUR 8,000	10,757	14,047				
Republic of France, Unsecured, 1.750% May 25, 2023	EUR 2,000	3,255	3,455				
Republic of France, Unsecured, 6.000% Oct 25, 2025	EUR 500	940	1,131				
Republic of France, Unsecured, 3.500% Apr 25, 2026	EUR 500	830	989				
Republic of France, Unsecured, 5.500% Apr 25, 2029	EUR 3,600	5,979	8,597				
Republic of France, Unsecured, 4.000% Oct 25, 2038	EUR 3,300	5,784	7,841				
Republic of France, Unsecured, 4.000% Apr 25, 2055	EUR 800	1,281	2,105				
Sanofi, Senior, Unsecured, Notes, 4.000% Mar 29, 2021	USD 850	830	1,124				
Total Capital S.A., Senior, Unsecured, Notes, 3.125% Jun 28, 2018	CHF 1,000	1,094	1,359				
UNEDIC, Euro Medium Term Notes, Senior, Unsecured, 3.000% Apr 25, 2019	EUR 1,000	1,336	1,642				
		34,945	45,778				
Germany — 5.6%							
Allianz Finance II BV, Euro Medium Term Notes, Senior, Unsecured, 4.750% Jul 22, 2019	EUR 1,000	1,364	1,686				
BASF SE, Series 10Y, Senior, Unsecured, Notes, 2.000% Dec 5, 2022	EUR 1,000	1,324	1,715				
Bayer AG, Fixed to Floating, Junior, Notes, Subordinated, Callable, 3.750% Jul 1, 2074	EUR 1,000	1,481	1,692				
Federal Republic of Germany, Unsecured, 1.750% Jul 4, 2022	EUR 4,500	6,835	7,750				

BMO World Bond Fund

(unaudited)

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at March 31, 2018 (All amounts in thousands of Canadian dollars, unless otherwise noted)

	Par Value (in thousands)	Cost (\$)	Fair Value (\$)		Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Federal Republic of Germany, Unsecured, 1.500% Sep 4, 2022	EUR 8,150	11,164	13,917	Government of Japan, Ten Year Bonds, Series 320, Senior, Unsecured, 1.000% Dec 20, 2021	JPY 300,000	2,952	3,783
Federal Republic of Germany, Unsecured, 1.750% Feb 15, 2024	EUR 3,500	5,072	6,116	Government of Japan, Ten Year Bonds, Series 327, Senior, Unsecured, 0.800% Dec 20, 2022	JPY 315,000	3,440	3,978
Federal Republic of Germany, Series 03, Unsecured, 4.750% Jul 4, 2034	EUR 1,110	1,907	2,810	Government of Japan, Ten Year Bonds, Series 329, Senior, Unsecured, 0.800% Jun 20, 2023	JPY 100,000	1,057	1,268
Federal Republic of Germany, Series 05, 4.000% Jan 4, 2037	EUR 500	961	1,214	Government of Japan, Ten Year Bonds, Series 332, Senior, Unsecured, 0.600% Dec 20, 2023	JPY 800,000	8,373	10,069
Federal Republic of Germany, Unsecured, 3.250% Jul 4, 2042	EUR 750	1,314	1,751	Government of Japan, Twenty Year Bonds, Series 79, Senior, Unsecured, 2.000% Jun 20, 2025	JPY 100,000	1,133	1,390
Federal Republic of Germany, Unsecured, 2.500% Jul 4, 2044	EUR 500	686	1,047	Government of Japan, Twenty Year Bonds, Series 117, Senior, Unsecured, 2.100% Mar 20, 2030	JPY 1,112,950	14,705	16,634
Federal State of North Rhine-Westphalia, Series 1194, Senior, Unsecured, 1.750% May 17, 2019	EUR 1,000	1,322	1,625	Government of Japan, Twenty Year Bonds, Series 116, Senior, Unsecured, 2.200% Mar 20, 2030	JPY 100,000	1,172	1,509
Merck Financial Services GmbH, Series 7, Euro Medium Term Notes, Senior, Unsecured, 4.500% Mar 24, 2020	EUR 1,000	1,387	1,727	Government of Japan, Ten Year Bonds, Series 140, Senior, Unsecured, 1.700% Sep 20, 2032	JPY 855,000	9,532	12,493
Siemens Financieringsmaatschappij NV, Euro Medium Term Notes, Senior, Unsecured, 1.750% Mar 12, 2021	EUR 1,000	1,320	1,664	Government of Japan, Twenty Year Bonds, Series 146, Senior, Unsecured, 1.700% Sep 20, 2033	JPY 100,000	1,065	1,470
		36,137	44,714	Government of Japan, Thirty Year Bonds, Series 26, Senior, Unsecured, 2.400% Mar 20, 2037	JPY 80,000	921	1,306
Indonesia — 1.5%				Government of Japan, Thirty Year Bonds, Series 28, Senior, Unsecured, 2.500% Mar 20, 2038	JPY 60,000	715	999
Republic of Indonesia, Senior, Unsecured, 11.625% Mar 4, 2019	USD 2,000	2,667	2,786	Government of Japan, Thirty Year Bonds, Series 33, Senior, Unsecured, 2.000% Sep 20, 2040	JPY 118,000	1,529	1,852
Republic of Indonesia, Senior, Unsecured, 5.875% Mar 13, 2020	USD 3,000	4,267	4,078	Government of Japan, Thirty Year Bonds, Series 36, Senior, Unsecured, 2.000% Mar 20, 2042	JPY 350,000	4,108	5,528
Republic of Indonesia, Senior, Unsecured, 4.875% May 5, 2021	USD 2,000	2,604	2,686	Government of Japan, Thirty Year Bonds, Series 37, Senior, Unsecured, 1.900% Sep 20, 2042	JPY 650,000	9,436	10,140
Republic of Indonesia, Senior, Unsecured, 3.750% Apr 25, 2022	USD 2,000	2,521	2,580	Government of Japan, Thirty Year Bonds, Series 39, Senior, Unsecured, 1.900% Jun 20, 2043	JPY 150,000	1,683	2,346
		12,059	12,130	Government of Japan, Thirty Year Bonds, Series 41, Senior, Unsecured, 1.700% Dec 20, 2043	JPY 225,000	2,959	3,395
Ireland — 0.6%				Government of Japan, Forty Year Bonds, Series 2, Senior, Unsecured, 2.200% Mar 20, 2049	JPY 130,000	1,482	2,199
Republic of Ireland, Unsecured, 5.900% Oct 18, 2019	EUR 2,900	3,966	5,052	Government of Japan, Forty Year Bonds, Series 6, Senior, Unsecured, 1.900% Mar 20, 2053	JPY 50,000	527	803
Israel — 0.5%						76,723	90,872
State of Israel, Series 0122, Unsecured, 5.500% Jan 31, 2022	ILS 6,000	1,900	2,612	Malaysia — 0.5%			
Teva Pharmaceutical Finance Company B.V., Series 2, Senior, Unsecured, Notes, 3.650% Nov 10, 2021	USD 1,351	1,357	1,640	Federation of Malaysia, Series 0902, Senior, Unsecured, 4.378% Nov 29, 2019	MYR 6,000	2,004	2,032
		3,257	4,252	Federation of Malaysia, Series 0112, Senior, Unsecured, 3.418% Aug 15, 2022	MYR 6,000	1,945	1,976
Italy — 3.8%						3,949	4,008
Republic of Italy, Senior, Unsecured, 4.500% Mar 1, 2024	EUR 5,000	8,173	9,546	Mexico — 2.2%			
Republic of Italy, Unsecured, 1.500% Jun 1, 2025	EUR 2,000	2,843	3,219	BBVA Bancomer S.A., Texas, Notes, Subordinated, 6.500% Mar 10, 2021	USD 1,000	1,059	1,368
Republic of Italy, Senior, Unsecured, 4.500% Mar 1, 2026	EUR 1,000	1,610	1,952	Pemex Project Funding Master Trust, Senior, Unsecured, Notes, 6.625% Jun 15, 2035	USD 2,000	2,455	2,649
Republic of Italy, Senior, Unsecured, 5.000% Aug 1, 2034	EUR 2,500	3,076	5,387	Petroleos Mexicanos, Medium Term Notes, 5.500% Jan 21, 2021	USD 2,000	2,123	2,680
Republic of Italy, Senior, Unsecured, 5.000% Aug 1, 2039	EUR 4,500	7,796	9,904				
		23,498	30,008				
Japan — 11.4%							
Government of Japan, Ten Year Bonds, Series 307, Senior, Unsecured, 1.300% Mar 20, 2020	JPY 780,000	9,934	9,710				

BMO World Bond Fund

(unaudited)

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at March 31, 2018 (All amounts in thousands of Canadian dollars, unless otherwise noted)

	Par Value (in thousands)	Cost (\$)	Fair Value (\$)		Par Value (in thousands)	Cost (\$)	Fair Value (\$)
United Mexican States, Series M, Senior, Unsecured, 5.000% Dec 11, 2019.....	MXN 90,000.....	6,173.....	6,140	Republic of South Africa, Series 2023, Unsecured, 7.750% Feb 28, 2023.....	ZAR 29,000.....	2,661.....	3,205
United Mexican States, Senior, Unsecured, 2.750% Apr 22, 2023.....	EUR 2,500.....	3,336.....	4,270	Republic of South Africa, Series R186, Unsecured, 10.500% Dec 21, 2026.....	ZAR 10,000.....	1,369.....	1,257
.....	.....	15,146.....	17,107	Republic of South Africa, Series R209, Senior, Unsecured, 6.250% Mar 31, 2036.....	ZAR 10,000.....	840.....	846
Netherlands — 2.6%				.....	.....	8,563.....	9,693
Bank Nederlandse Gemeenten N.V., Euro Medium Term Notes, Senior, Unsecured, 2.250% Oct 14, 2020.....	CHF 1,000.....	1,140.....	1,444	South Korea — 2.5%			
Cooperatieve Centrale Raiffeisen- Boerenleenbank B.A., Series 2024A, Euro Medium Term Notes, Senior, Unsecured, 3.625% Jul 2, 2019.....	CHF 1,000.....	1,118.....	1,416	Korea Monetary Stabilization Bonds, Series 1804, Senior, Unsecured, 1.460% Apr 2, 2018.....	KRW 2,000,000.....	2,252.....	2,417
Heineken NV, Euro Medium Term Notes, Senior, Unsecured, 3.500% Mar 19, 2024.....	EUR 1,200.....	1,562.....	2,203	Korea Treasury Bonds, Series 1806, Senior, Unsecured, 1.625% Jun 10, 2018.....	KRW 1,500,000.....	1,691.....	1,814
Kingdom of the Netherlands, Unsecured, 4.000% Jul 15, 2019.....	EUR 2,895.....	4,090.....	4,865	Korea Treasury Bonds, Series 1809, Senior, Unsecured, 5.750% Sep 10, 2018.....	KRW 1,000,000.....	1,150.....	1,231
Kingdom of the Netherlands, Unsecured, 3.250% Jul 15, 2021.....	EUR 1,000.....	1,657.....	1,776	Korea Treasury Bonds, Series 1909, Senior, Unsecured, 2.750% Sep 10, 2019.....	KRW 2,900,000.....	3,319.....	3,541
Kingdom of the Netherlands, Unsecured, 2.500% Jan 15, 2033.....	EUR 1,000.....	1,515.....	1,943	Korea Treasury Bonds, Series 2206, Senior, Unsecured, 3.750% Jun 10, 2022.....	KRW 3,000,000.....	3,190.....	3,817
Koninklijke (Royal) KPN N.V., Unsecured, Notes, 4.250% Mar 1, 2022.....	EUR 2,100.....	2,779.....	3,818	Korea Treasury Bonds, Series 2303, Senior, Unsecured, 3.000% Mar 10, 2023.....	KRW 2,500,000.....	2,507.....	3,091
RWE Finance BV, Euro Medium Term Notes, Senior, Unsecured, 6.500% Aug 10, 2021.....	EUR 1,000.....	1,510.....	1,915	Korea Treasury Bonds, Series 3122, Senior, Unsecured, 4.000% Dec 10, 2031.....	KRW 3,050,000.....	3,224.....	4,259
Shell International Finance B.V., Euro Medium Term Notes, Senior, Unsecured, 0.375% Feb 15, 2025.....	EUR 1,000.....	1,473.....	1,538	.....	.....	17,333.....	20,170
.....	.....	16,844.....	20,918	Spain — 2.7%			
New Zealand — 0.3%				Kingdom of Spain, Senior, Unsecured, 1.400% Jan 31, 2020.....	EUR 2,000.....	2,877.....	3,271
Dominion of New Zealand, Series 423, Senior, Unsecured, 5.500% Apr 15, 2023.....	NZD 2,500.....	2,412.....	2,679	Kingdom of Spain, Senior, Unsecured, 3.800% Apr 30, 2024.....	EUR 3,000.....	4,774.....	5,704
Norway — 2.1%				Kingdom of Spain, Senior, Unsecured, 2.750% Oct 31, 2024.....	EUR 2,000.....	3,024.....	3,625
Kingdom of Norway, Series 473, 4.500% May 22, 2019.....	NOK 40,000.....	6,633.....	6,847	Kingdom of Spain, Senior, Unsecured, 5.900% Jul 30, 2026.....	EUR 1,000.....	1,781.....	2,222
Kingdom of Norway, Series 474, Unsecured, 3.750% May 25, 2021.....	NOK 29,000.....	5,301.....	5,139	Kingdom of Spain, Senior, Unsecured, 4.200% Jan 31, 2037.....	EUR 3,000.....	5,065.....	6,575
Statoil ASA, Senior, Unsecured, Notes, 2.450% Jan 17, 2023.....	USD 1,500.....	1,479.....	1,872	.....	.....	17,521.....	21,397
Statoil ASA, Senior, Unsecured, Notes, 5.100% Aug 17, 2040.....	USD 2,000.....	2,170.....	3,016	Sweden — 1.5%			
.....	.....	15,583.....	16,874	Kingdom of Sweden, Series 1052, Unsecured, 4.250% Mar 12, 2019.....	SEK 30,000.....	4,595.....	4,849
Poland — 0.7%				Kingdom of Sweden, Series 1054, Unsecured, 3.500% Jun 1, 2022.....	SEK 9,000.....	1,500.....	1,602
Republic of Poland, Series 1019, Unsecured, 5.500% Oct 25, 2019.....	PLZ 10,000.....	3,623.....	4,002	Nordea Bank AB, Euro Medium Term Notes, Senior, Unsecured, 3.250% Jul 5, 2022.....	EUR 2,000.....	2,836.....	3,557
Republic of Poland, Series 0922, Unsecured, 5.750% Sep 23, 2022.....	PLZ 2,750.....	989.....	1,190	Svenska Handelsbanken AB, Euro Medium Term Notes, Senior, Unsecured, 2.250% Aug 27, 2020.....	EUR 1,000.....	1,551.....	1,671
.....	.....	4,612.....	5,192	.....	.....	10,482.....	11,679
Singapore — 0.4%				Switzerland — 0.2%			
Republic of Singapore, Senior, Unsecured, 2.500% Jun 1, 2019.....	SGD 1,000.....	922.....	991	Basellandschaftliche Kantonalbank, Senior, Unsecured, Notes, 1.000% Oct 4, 2022.....	CHF 1,000.....	1,084.....	1,417
Republic of Singapore, Senior, Unsecured, 3.125% Sep 1, 2022.....	SGD 1,000.....	951.....	1,028	Thailand — 0.5%			
Republic of Singapore, Senior, Unsecured, 3.500% Mar 1, 2027.....	SGD 1,000.....	868.....	1,078	Kingdom of Thailand, Senior, Unsecured, 3.875% Jun 13, 2019.....	THB 10,000.....	367.....	425
.....	.....	2,741.....	3,097	Kingdom of Thailand, Senior, Unsecured, 3.650% Dec 17, 2021.....	THB 20,000.....	767.....	884
South Africa — 1.2%				Kingdom of Thailand, Senior, Unsecured, 3.625 Jun 16, 2023.....	THB 35,000.....	1,312.....	1,566
Republic of South Africa, Series R207, Senior, Unsecured, 7.250% Jan 15, 2020.....	ZAR 40,000.....	3,693.....	4,385				

BMO World Bond Fund

(unaudited)

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at March 31, 2018 (All amounts in thousands of Canadian dollars, unless otherwise noted)

	Par Value (in thousands)	Cost (\$)	Fair Value (\$)		Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Kingdom of Thailand, Senior, Unsecured, 3.580% Dec 17, 2027	THB 15,000	472	673	Duke Energy Corporation, Senior, Unsecured, Notes, Callable, 3.050% Aug 15, 2022	USD 1,000	1,002	1,269
.....		2,918	3,548	Exxon Mobil Corporation, Senior, Unsecured, Notes, 1.708% Mar 1, 2019	USD 2,000	2,692	2,560
United Kingdom — 6.9%				Exxon Mobil Corporation, Senior, Unsecured, Notes, Callable, 1.819% Mar 15, 2019	USD 1,000	1,327	1,281
Barclays Bank PLC, Euro Medium Term Notes, Subordinated, 10.000% May 21, 2021	GBP 1,000	1,811	2,198	Florida Power & Light Company, First Mortgage Bonds, Secured, Callable, 4.050% Jun 1, 2042	USD 1,900	1,901	2,513
Hammerson PLC, Senior, Unsecured, Notes, 2.750% Sep 26, 2019	EUR 2,300	2,922	3,792	General Motors Financial Company, Inc., Senior, Unsecured, Notes, Callable, 4.200% Mar 1, 2021	USD 1,000	1,362	1,313
HSBC Bank PLC, Series 955, Euro Medium Term Notes, Fixed to Floating, Subordinated, Callable, 5.375% Nov 4, 2030	GBP 750	1,439	1,580	Goldman Sachs Group, Inc., The, Senior, Notes, Subordinated, 6.750% Oct 1, 2037	USD 1,000	1,176	1,610
Imperial Tobacco Finance PLC, Series 23, Euro Medium Term Notes, Senior, Unsecured, 9.000% Feb 17, 2022	GBP 1,000	1,903	2,279	Home Depot, Inc., The, Senior, Unsecured, Notes, 5.875% Dec 16, 2036	USD 1,000	1,168	1,645
Rolls-Royce PLC, Senior, Unsecured, Notes, 6.750% Apr 30, 2019	GBP 1,500	3,201	2,869	HP Inc., Senior, Unsecured, Notes, 6.000% Sep 15, 2041	USD 1,000	1,222	1,369
Scottish Widows PLC, Notes, Subordinated, 5.500% Jun 16, 2023	GBP 800	1,273	1,597	John Deere Capital Corporation, Medium Term Notes, Senior, Unsecured, 2.750% Mar 15, 2022	USD 1,500	1,499	1,909
Thames Water Utilities Finance Ltd., Series 44, Euro Medium Term Notes, Secured, 5.125% Sep 28, 2037	GBP 1,000	1,776	2,323	JPMorgan Chase & Co., Senior, Unsecured, Notes, 2.350% Jan 28, 2019	USD 2,000	2,703	2,573
United Kingdom Treasury Gilt, 3.750% Sep 7, 2019	GBP 2,000	3,506	3,771	JPMorgan Chase & Co., Senior, Unsecured, Notes, 4.950% Mar 25, 2020	USD 3,500	3,540	4,679
United Kingdom Treasury Gilt, 4.750% Mar 7, 2020	GBP 1,750	3,356	3,405	Kraft Foods Group Inc., Senior, Unsecured, Notes, 5.000% Jun 4, 2042	USD 1,000	1,125	1,278
United Kingdom Treasury Gilt, 4.000% Mar 7, 2022	GBP 6,750	12,410	13,661	Medtronic, Inc., Senior, Unsecured, Notes, 2.500% Mar 15, 2020	USD 1,000	1,420	1,281
United Kingdom Treasury Gilt, 4.250% Jun 7, 2032	GBP 2,500	4,898	6,046	New York City, General Obligation, Subseries C-1, Build America Bonds, Sinkable, 5.517% Oct 1, 2037	USD 5,300	5,264	8,397
United Kingdom Treasury Gilt, 4.750% Dec 7, 2038	GBP 1,500	2,884	4,168	Oracle Corporation, Senior, Unsecured, Notes, 2.250% Oct 8, 2019	USD 1,000	1,334	1,282
United Kingdom Treasury Gilt, 4.250% Dec 7, 2040	GBP 2,000	4,516	5,346	Oracle Corporation, Senior, Unsecured, Notes, Callable, 1.900% Sep 15, 2021	USD 1,000	1,315	1,244
United Kingdom Treasury Gilt, 4.250% Dec 7, 2049	GBP 650	1,449	1,921	PepsiCo, Inc., Senior, Unsecured, Notes, 2.750% Mar 1, 2023	USD 1,250	1,282	1,588
.....		47,344	54,956	Pfizer Inc., Senior, Unsecured, Notes, 2.100% May 15, 2019	USD 1,000	1,331	1,284
United States — 12.0%				Pioneer Natural Resources Company, Senior, Unsecured, Notes, 7.500% Jan 15, 2020	USD 1,000	1,023	1,385
Allstate Corporation, The, Senior, Unsecured, Notes, 3.150% Jun 15, 2023	USD 1,000	1,324	1,281	PNC Bank, National Association, Senior, Unsecured, Notes, Callable, 1.800% Nov 5, 2018	USD 1,000	1,315	1,282
Alphabet, Inc., Senior, Unsecured, Notes, 3.625% May 19, 2021	USD 1,100	1,069	1,457	Prudential Financial, Inc., Fixed to Floating, Junior, Notes, Subordinated, Callable, 5.625% Jun 15, 2043	USD 1,250	1,316	1,689
Altria Group, Inc., Senior, Unsecured, Notes, 9.250% Aug 6, 2019	USD 167	202	234	QUALCOMM Incorporated, Senior, Unsecured, Notes, 1.850% May 20, 2019	USD 1,000	1,325	1,279
American Express Credit Corporation, Senior, Unsecured, Notes, 2.125% Mar 18, 2019	USD 2,000	2,696	2,565	Time Warner Cable Inc., Senior, Unsecured, Notes, Callable, 4.000% Sep 1, 2021	USD 1,000	982	1,294
AT&T Inc., Senior, Unsecured, Notes, 5.350% Sep 1, 2040	USD 125	125	167	United States Treasury Notes, 0.875% May 31, 2018	USD 11,750	15,883	15,117
Bank of New York Mellon Corporation, The, Senior, Unsecured, Notes, Callable, 3.550% Sep 23, 2021	USD 1,000	1,386	1,306	United States Treasury Notes, 1.500% Jan 31, 2019	USD 2,900	3,283	3,717
Barrick North America Finance LLC, Senior, Unsecured, Notes, 4.400% May 30, 2021	USD 438	429	583	United States Treasury Notes, 1.625% Jun 30, 2020	USD 7,000	9,357	8,880
Caterpillar Inc., Senior, Unsecured, Notes, 3.900% May 27, 2021	USD 1,100	1,072	1,455	United States Treasury Notes, 1.375% Aug 31, 2020	USD 1,000	1,316	1,259
Citigroup Inc., Senior, Unsecured, Notes, 2.500% Jul 29, 2019	USD 1,000	1,411	1,282				
Commonwealth Edison Company, Secured, Notes, First Mortgage, 6.450% Jan 15, 2038	USD 1,000	1,330	1,719				
CVS Health Corporation, Senior, Unsecured, Notes, Callable, 4.000% Dec 5, 2023	USD 1,250	1,334	1,626				

BMO World Bond Fund

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SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at March 31, 2018 (All amounts in thousands of Canadian dollars, unless otherwise noted)

	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Walt Disney Company, The, Medium Term Notes, Senior, Unsecured, 2.450% Mar 4, 2022.....	USD 1,500.....	1,957.....	1,892
Wells Fargo & Company, Global Medium Term Notes, Senior, Unsecured, 2.600% Jul 22, 2020.....	USD 1,000.....	1,410.....	1,273
Wells Fargo & Company, Euro Medium Term Notes, Senior, Unsecured, 2.625% Aug 16, 2022.....	EUR 2,300.....	2,795.....	3,953
.....	.....	87,003.....	95,770
Total Bonds & Debentures — 75.7%	513,793.....	602,587	
	Number of Shares or Units	Cost* (\$)	Fair Value (\$)

HOLDINGS IN INVESTMENT FUNDS

BMO Asia USD Investment Grade Bond ETF	15,500,000.....	40,611.....	38,662
BMO Long Corporate Bond Index ETF.....	500,000.....	8,943.....	9,219
BMO Mid Corporate Bond Index ETF.....	675,000.....	11,041.....	10,821
BMO Mid-Term US IG Corporate Bond Index ETF	5,892,000.....	98,541.....	105,393
BMO Short Corporate Bond Index ETF	675,000.....	10,023.....	9,480
Total Holdings in Investment Funds — 21.8%	169,159.....	173,575	

Total Investment Portfolio — 97.5%..... **682,952..... 776,162**

Other Assets Less Liabilities — 2.5%

NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS - 100.0%

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

BMO World Bond Fund

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NOTES TO THE FINANCIAL STATEMENTS

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1. The Mutual Fund

BMO World Bond 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, Series T4 Units, Series T5 Units, Series T6 Units, Series M Units, Series F Units, Series F Hedged Units, Series F2 Units, Series F4 Units, Series F6 Units, Series D Units, Series G Units, Series I Units, Series N Units, Series NBA Units, Series NBF Units, Series O Units, Series L Units, Series R Units, Series S Units and/or Classic Series Units. Each series is intended for different kinds of investors and has different management fees and fixed administration fees. Refer to Note 8 for the series issued for this Fund as well as the management and administration fee rates for each series.

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

The Statement of Financial Position and related notes of each of the Funds are as at March 31, 2018 and September 30, 2017. 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 periods ended March 31, 2018 and March 31, 2017. Financial information for a Fund established during the period(s) is presented from the date of inception as noted in Note 8. Financial information provided for a series established during the period(s) is presented from the inception date as noted in Note 8.

These financial statements were authorized for issuance by the Board of Directors of the Manager on May 9, 2018.

These financial statements should be read in conjunction with the annual financial statements for the period ended September 30, 2017 which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

2. Basis of preparation and presentation

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

3. Summary of significant accounting policies

Financial instruments

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

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

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

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

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(unaudited)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

March 31, 2018

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

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

Cost of investments

The cost of investments represents the amount paid for each security and is determined on an average cost basis.

Fair value measurement

Investments are recorded at their fair value with the change between this amount and their average cost being recorded as "Change in unrealized appreciation (depreciation)" in the Statement of Comprehensive Income.

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

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

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.

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.

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

Derivative instruments

Derivative instruments are financial contracts that derive their value from changes in the underlying interest rates, foreign exchange rates or other financial or commodity prices or indices.

Derivative instruments are either regulated exchange-traded contracts or negotiated over-the-counter contracts. The Fund may use these instruments for trading purposes, as well as to manage the Fund's risk exposures.

Derivatives are measured at fair value. Realized gains and losses are included in "Net realized gain (loss)" in the Statement of Comprehensive Income and unrealized gains and losses are included in "Change in unrealized appreciation (depreciation)" in the Statement of Comprehensive Income.

Forward currency contracts

A forward currency contract is an agreement between two parties (the Fund and the counterparty) to purchase or sell a currency against another currency at a set price on a future date. The Fund may enter into forward currency contracts for hedging purposes, which can include the economic hedging of all or a portion of the currency exposure of an investment or group of investments, either directly or indirectly. The Fund may also enter into these contracts for non-hedging purposes, which can include increasing the exposure to a foreign currency, or shifting of the exposure to foreign currency fluctuations from one country to another. The value of forward currency contracts entered into by the Fund is recorded as the difference between the value of the contract on the

BMO World Bond 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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Valuation Date and the value on the date the contract originated.

For the Series A Hedged Units, Advisor Series Hedged Units and Series F Hedged Units, the Fund enters into forward currency contracts to hedge against exchange rate risk based on fluctuations in the exchange rate between the Canadian dollar and the U.S. dollar.

Option contracts

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.

Purchased option contracts

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

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

Written option contracts

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

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

underlying investments to determine the realized gain or loss. When a written put option is exercised, the premium received will be subtracted from the cost of the underlying investment the Fund had to purchase.

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

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

Credit default swap 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

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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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accrued daily and recorded as "Interest income" in the Statement of Comprehensive Income. When credit default swap contracts expire or are closed out, gains or losses are recorded as "Net realized gain (loss)" in the Statement of Comprehensive Income.

Interest rate swap contracts

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

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

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

Income recognition

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

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

Interest on inflation-indexed bonds is paid based on a principal value, which is adjusted for inflation. The inflation adjustment of the principal value is recognized as part of interest income in the Statement of Comprehensive Income. If held to maturity, the Fund will receive, in addition to a coupon interest payment, a final payment equal to the sum of the par value and the inflation compensation accrued from

the original issue date. Interest is accrued on each Valuation Date based on the inflation adjusted par value at that time and is included in "Interest income" in the Statement of Comprehensive Income.

Foreign currency translation

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

Securities lending

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

For those Funds participating in the program, aggregate values of securities on loan, the collateral held as at March 31, 2018 and September 30, 2017, and information about the security lending income earned by the Fund are disclosed in Note 8.

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

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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.

Cash

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

Other assets and other liabilities

Receivable for investments sold, dividends receivable, distribution receivable from investment trusts, and subscriptions receivable are initially recorded at fair value and subsequently measured at amortized cost. Similarly, payable for investments purchased, redemptions payable, distributions payable and accrued expenses are measured at amortized cost. Other assets and liabilities are short-term in nature, and are carried at cost or amortized cost.

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 ("Net Assets") of the series divided by the weighted average number of units of the series outstanding during the period.

Taxation

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

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

a separate expense in the Statement of Comprehensive Income.

Investments in subsidiaries, joint ventures and associates

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

Unconsolidated structured entities

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

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

Mortgage-related securities are created from pools of residential or commercial mortgage loans, including mortgage loans made by savings and loan institutions, mortgage bankers, commercial banks and others. Asset-backed securities are created from many types

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of assets, including auto loans, credit card receivables, home equity loans and student loans.

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

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

Offsetting of financial assets and financial liabilities

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

Accounting standards issued but not yet adopted

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

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

The new standard is effective for the Fund for its fiscal year beginning October 1, 2018. The Fund's financial assets and financial liabilities are managed, and the performance of the Fund is evaluated on a fair value basis. Accordingly, the Manager has reached the preliminary conclusion that FVTPL in

accordance with IFRS 9 provides the most appropriate measurement and presentation of the Fund's financial assets and financial liabilities, which aligns with its current measurement and presentation, with little or no modification. Therefore, the Manager does not anticipate changes from the Fund's current measurement of its financial assets and financial liabilities at FVTPL. There will be no significant impact on the Fund's financial statements.

The Manager will continue to evaluate any further industry and or regulatory updates with respect to the implementation of this new standard.

Fund mergers

The Manager has adopted the purchase method of accounting for certain fund mergers which occurred during the periods. Under this method, one of the Funds in each merger is identified as the acquiring fund, and is referred to as the "Continuing Fund", and the other fund involved in the merger is referred to as the "Terminated Fund". This identification is based on the comparison of the relative net asset values of the funds as well as consideration of the continuation of such aspects of the Continuing Fund as: investment advisors, investment objectives and practices, type of portfolio securities, and management fees and expenses. Where applicable, refer to Note 8 for the details of the merger transactions.

4. Critical accounting judgements and estimates

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

Accounting judgements:

Functional and presentation currency

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

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which is the Fund's functional and presentation currency.

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

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

Accounting estimates:

Fair value measurement of securities not quoted in an active market

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

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

5. Units and unit transactions

The redeemable units of the Fund are classified as liabilities.

The units have no par value and are entitled to distributions, if any. Upon redemption, a unit is entitled to a proportionate share of the Fund's NAV. The Fund is required to pay distributions in an amount not less than the amount necessary to ensure the Fund will not be liable for income taxes on realized capital gains, dividends and interest. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of units except as disclosed in Note 8. The relevant movements in redeemable units are shown in the Statement of Changes in Net Assets Attributable to Holders of Redeemable Units.

In accordance with its investment objectives and strategies, and the risk management practices outlined in Note 7, the Fund endeavours to invest the subscriptions received in appropriate investments, while maintaining sufficient liquidity to meet redemptions, with such liquidity being augmented

by short-term borrowings or disposal of investments where necessary.

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

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

6. Related party transactions

(a) Management fees

The Manager is responsible for the day-to-day management of the Fund and its investment portfolio in compliance with the Fund's constating documents. The Manager provides key management personnel to the Fund, monitors and evaluates the performance of the Fund, pays for the investment management services of the investment advisors and provides all related administrative services required by the Fund. As compensation for its services, the Manager is entitled to receive a fee payable monthly, calculated at the maximum annual rates included in Note 8.

(b) Fixed administration fees

The Manager pays certain operating expenses of each Fund except for BMO FundSelect Balanced Portfolio (Series NBA only), BMO FundSelect Growth Portfolio (Series NBA only), BMO FundSelect Equity Growth Portfolio (Series NBA only), BMO Covered Call Canadian Banks ETF Fund, BMO Covered Call U.S. High Dividend ETF Fund, BMO Covered Call Europe High Dividend ETF Fund, BMO Fossil Fuel Free Fund,

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BMO Tactical Global Asset Allocation ETF Fund, BMO Tactical Global Growth ETF Fund, BMO Women in Leadership Fund, BMO International Value Fund and BMO Japan Fund (the "Variable Operating Expense Series"), including audit and legal fees and expenses; custodian and transfer agency fees; costs attributable to the issue, redemption and change of securities, including the cost of the securityholder record keeping system; expenses incurred in respect of preparing and distributing prospectuses, financial reports and other types of reports, statements and communications to securityholders; fund accounting and valuation costs; filing fees, including those incurred by the Manager (collectively the "Administration Expenses"). In return, the Fund pays a fixed administration fee to the Manager. The fixed administration fee is calculated daily as a fixed annual percentage of the average NAV of the Fund. Refer to Note 8 for the fixed administration fee rates charged to the Fund, where applicable.

(c) Fund expenses

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

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

(d) Variable administration fees

The Variable Operating Expense Series pay all of its operating expenses directly. These 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 March 31, 2018 and March 31, 2017, where applicable.

(f) Initial investments

In order to establish a new Fund, the Manager makes an initial investment in the Fund. Pursuant to the policies of the Canadian Securities Administrators, an initial investor cannot redeem its investments until an additional \$500 has been received from other investors with respect to the same class of units. Refer to Note 8 for the investment in units of the Fund held by the Manager as at March 31, 2018 and September 30, 2017, where applicable.

(g) Other related party transactions

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

7. Financial instruments risks

The Fund's activities expose it to a variety of risks associated with the financial instruments, as follows: market risk (including currency risk, interest rate risk

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and other market risk), credit risk and liquidity risk. The concentration table groups securities by asset type, geographic location and/or market segment. The Fund's risk management practice outlines the monitoring of compliance to investment guidelines.

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

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

(a) Currency risk

Currency risk is the risk that the fair value of financial instruments denominated in currencies, other than the functional currency of the Fund, will fluctuate due to changes in foreign exchange rates. Investments in foreign markets are exposed to currency risk as the prices denominated in foreign currencies are converted to the Fund's functional currency in determining fair value. The Fund may enter into forward currency contracts for hedging purposes to reduce foreign currency exposure or to establish exposure to foreign currencies. 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. The Fund primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Fund retains sufficient cash and cash equivalent positions to maintain liquidity. The Fund may, from time to time, enter into over-the-counter derivative contracts or invest in unlisted securities, which are not traded in an organized market and may be illiquid. Securities for which a market quotation could not be obtained and may be illiquid are identified on the Schedule of Investment Portfolio. The proportion of illiquid securities to the NAV of the Fund is monitored by the Manager to ensure it does not exceed the regulatory limit and does not significantly affect the liquidity required to meet the Fund's financial obligations.

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

Series	Inception date
Series A	May 6, 1993
Advisor Series	May 29, 2012
Series F	October 24, 2008
Series D	November 20, 2017
Series I	May 9, 2008
Classic Series	May 29, 2012

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

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

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

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

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

Classic Series Units were only created for the purpose of effecting a fund merger and are not available for new purchases.

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

For the periods ended (in thousands of units)	Mar. 31, 2018	Mar. 31, 2017
Series A Units		
Units issued and outstanding, beginning of period	21,383	23,897
Issued	662	1,528
Issued on reinvestment of distributions	231	2,024
Redeemed during the period	(2,250)	(2,792)
Units issued and outstanding, end of period	20,026	24,657
Advisor Series Units		
Units issued and outstanding, beginning of period	826	972
Issued	77	253
Issued on reinvestment of distributions	8	65
Redeemed during the period	(159)	(349)
Units issued and outstanding, end of period	752	941
Series F Units		
Units issued and outstanding, beginning of period	1,818	2,137
Issued	368	1,614
Issued on reinvestment of distributions	16	107
Redeemed during the period	(482)	(2,072)
Units issued and outstanding, end of period	1,720	1,786
Series D Units		
Units issued and outstanding, beginning of period	—	—
Issued	1	—
Issued on reinvestment of distributions	0	—
Units issued and outstanding, end of period	1	—
Series I Units		
Units issued and outstanding, beginning of period	50,091	48,658
Issued	112	1,688
Issued on reinvestment of distributions	763	6,665
Redeemed during the period	(4,459)	(3,550)
Units issued and outstanding, end of period	46,507	53,461

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For the periods ended (in thousands of units)	Mar. 31, 2018	Mar. 31, 2017
Classic Series Units		
Units issued and outstanding, beginning of period	163	176
Issued on reinvestment of distributions	3	16
Redeemed during the period	(12)	(7)
Units issued and outstanding, end of period	154	185

(b) Reconciliation of NAV to Net Assets

As at March 31, 2018 and September 30, 2017, there were no differences between the Fund's NAV per unit and its Net Assets per unit calculated for each Series in accordance with IFRS.

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

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

For the periods ended	Mar. 31, 2018	Mar. 31, 2017
Series A Units		
Increase (decrease) in net assets attributable to holders of redeemable units	10,823	(13,936)
Weighted average units outstanding during the period (in thousands of units)	20,654	24,399
Increase (decrease) in net assets attributable to holders of redeemable units per unit	0.52	(0.57)
Advisor Series Units		
Increase (decrease) in net assets attributable to holders of redeemable units	368	(606)
Weighted average units outstanding during the period (in thousands of units)	764	1,037
Increase (decrease) in net assets attributable to holders of redeemable units per unit	0.48	(0.58)

For the periods ended	Mar. 31, 2018	Mar. 31, 2017
Series F Units		
Increase (decrease) in net assets attributable to holders of redeemable units	1,102	(1,638)
Weighted average units outstanding during the period (in thousands of units)	1,686	2,266
Increase (decrease) in net assets attributable to holders of redeemable units per unit	0.65	(0.72)
Series D Units		
Increase in net assets attributable to holders of redeemable units	0	—
Weighted average units outstanding during the period (in thousands of units)	1	—
Increase in net assets attributable to holders of redeemable units per unit	0.43	—
Series I Units		
Increase (decrease) in net assets attributable to holders of redeemable units	33,731	(23,479)
Weighted average units outstanding during the period (in thousands of units)	48,808	51,335
Increase (decrease) in net assets attributable to holders of redeemable units per unit	0.69	(0.46)
Classic Series Units		
Increase (decrease) in net assets attributable to holders of redeemable units	84	(89)
Weighted average units outstanding during the period (in thousands of units)	162	182
Increase (decrease) in net assets attributable to holders of redeemable units per unit	0.52	(0.49)

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(d) Income taxes

As at the tax year-ended December 2017, the Fund had the following capital and non-capital losses for income tax purposes:

Total Capital Losses (\$)	Total Non-Capital Losses (\$)	Non-Capital Losses That Expire in		
		2028 (\$)	2029 (\$)	2030 and thereafter (\$)
3,691	—	—	—	—

(e) Related party transactions

Management fees

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

Series	Management Fees (%)	Fixed Administration Fees (%)
Series A	1.750	0.300
Advisor Series	1.750	0.300
Series F	0.450	0.300
Series D	1.400	0.300
Series I	*	*
Classic Series	1.100	0.300

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

The outstanding accrued management fees due to the Manager are included in "Accrued expenses" in the Statement of Financial Position and as at March 31, 2018 amounted to \$342 (September 30, 2017 — \$26).

Expenses

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

Brokerage commissions and soft dollars

There were no brokerage commissions charged to the Fund during the periods ended March 31, 2018 and March 31, 2017.

Units held by the Manager

The Manager held the following units of the Fund:

As at Mar. 31, 2018

Series	Number of Units	Value of Units (\$)
Series D	100	1
Series I	11	0

As at Sep. 30, 2017

Series	Number of Units	Value of Units (\$)
Series I	11	0

(f) Financial instruments risks

The Fund's objective is to provide a high level of interest income and some opportunity for growth in the value of investments. The Fund invests primarily in bonds and debentures that mature in more than one year and are issued by governments and corporations around the world and supranational agencies like the World Bank.

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

Currency risk

The Fund's direct exposure to currency risk is summarized in the tables below. Amounts shown are based on the carrying value of monetary and non-monetary assets (including derivatives and the underlying principle (notional) amount of forward currency contracts, if any).

As at Mar. 31, 2018

Currencies	Cash and other current receivables & payables (\$)	Investments (monetary & non-monetary) (\$)	Forward currency contracts (\$)	Net currency exposure (\$)	As a % of Net Assets (%)
Australian Dollar	380	27,073	—	27,453	3.4
Czech Republic Koruna	70	6,021	—	6,091	0.8

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As at Mar. 31, 2018						As at Sep. 30, 2017					
Currencies	Cash and other receivables & payables (\$)	Investments (monetary & non-monetary) (\$)	Forward currency contracts (\$)	Net currency exposure (\$)	As a % of Net Assets (%)	Currencies	Cash and other receivables & payables (\$)	Investments (monetary & non-monetary) (\$)	Forward currency contracts (\$)	Net currency exposure (\$)	As a % of Net Assets (%)
Danish Krone	117	9,662	—	9,779	1.2	Australian Dollar	490	35,193	—	35,683	4.4
Euro	2,965	200,652	—	203,617	25.6	Czech Republic Koruna	77	5,608	—	5,685	0.7
Hong Kong Dollar	317	38,662	—	38,979	4.9	Danish Krone	240	9,145	—	9,385	1.1
Israeli Shekel	22	2,612	—	2,634	0.3	Euro	2,277	190,153	—	192,430	23.5
Japanese Yen	105	90,872	—	90,977	11.4	Hong Kong Dollar	329	38,498	—	38,827	4.7
Malaysian Ringgit	2,161	4,008	—	6,169	0.8	Israeli Shekel	84	2,559	—	2,643	0.3
Mexican Peso	96	6,141	—	6,237	0.8	Japanese Yen	93	82,781	—	82,874	10.1
New Zealand Dollar	108	2,679	—	2,787	0.4	Malaysian Ringgit	48	5,345	—	5,393	0.7
Norwegian Krone	408	11,986	—	12,394	1.6	Mexican Peso	94	5,952	—	6,046	0.7
Polish Zloty	133	5,192	—	5,325	0.7	New Zealand Dollar	104	4,865	—	4,969	0.6
Pound Sterling	699	51,164	—	51,863	6.5	Norwegian Krone	162	11,671	—	11,833	1.4
Singapore Dollar	62	3,097	—	3,159	0.4	Polish Zloty	343	4,750	—	5,093	0.6
South African Rand	167	9,693	—	9,860	1.2	Pound Sterling	517	47,723	—	48,240	5.9
South Korean Won	6,357	20,170	—	26,527	3.3	Singapore Dollar	16	2,943	—	2,959	0.4
Swedish Krona	64	6,451	—	6,515	0.8	South African Rand	157	8,038	—	8,195	1.0
Swiss Franc	95	7,370	—	7,465	0.9	South Korean Won	193	31,575	—	31,768	3.9
Thai Baht	35	3,548	—	3,583	0.4						
U.S. Dollar	4,114	134,197	—	138,311	17.4						
Total	18,475	641,250	—	659,725	82.8						

All amounts in Canadian dollars

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As at Sep. 30, 2017

Currencies	Cash and other receivables & payables (\$)	Investments (monetary & non-monetary) (\$)	Forward currency contracts (\$)	Net currency exposure (\$)	As a % of Net Assets (%)
Swedish Krona	124	6,530	—	6,654	0.8
Swiss Franc	89	7,140	—	7,229	0.9
Thai Baht	32	3,248	—	3,280	0.4
U.S. Dollar	1,225	169,847	—	171,072	20.9
Total	6,694	673,564	—	680,258	83.0

All amounts in Canadian dollars

As at March 31, 2018 and September 30, 2017, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all variables held constant, the Net Assets of the Fund could possibly have increased or decreased, respectively, by approximately \$32,986 (September 30, 2017—\$34,013). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at March 31, 2018 and September 30, 2017, the Fund was also exposed to indirect currency risk to the extent that the underlying funds invested in financial instruments that were denominated in a currency other than the functional currency of the Fund.

Interest rate risk

The Fund's direct exposure to interest rate risk by remaining term to maturity is summarized in the following table:

Number of years	Interest Rate Exposure as at	
	Mar. 31, 2018	Sep. 30, 2017
Less than one year	68,646	69,162
One to three years	132,683	165,264
Three to five years	161,536	136,214
Five to ten years	93,458	99,356
Greater than ten years	146,264	165,070
Total	602,587	635,066

All amounts in Canadian dollars

As at March 31, 2018 and September 30, 2017, if the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, the Net Assets of the Fund could possibly have increased or decreased, respectively, by approximately \$38,047 (September 30, 2017 — \$38,222). The Fund's interest rate sensitivity was determined based on portfolio weighted duration. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at March 31, 2018 and September 30, 2017, the Fund was also exposed to indirect interest rate risk to the extent that the underlying funds invested in interest-bearing financial instruments.

Other market risk

As at March 31, 2018 and September 30, 2017, the Fund was not significantly exposed to other market risk as it was invested fully in fixed income securities.

Credit risk

The Fund's direct exposure to credit risk, grouped by credit ratings, is summarized in the following table:

Credit Rating	As a % of Net Assets as at	
	Mar. 31, 2018	Sep. 30, 2017
AAA	28.3	19.6
AA	10.5	18.7
A	22.6	21.8
BBB	11.0	16.9
BB	1.4	—
Unrated	1.9	0.5
Total	75.7	77.5

As at March 31, 2018 and September 30, 2017, the Fund was also exposed to indirect credit risk to the extent that the underlying funds invested in debt instruments, preferred securities and derivatives.

Securities lending

There were no assets involved in securities lending transactions as at March 31, 2018 and September 30, 2017.

BMO World Bond Fund

(unaudited)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

March 31, 2018

Concentration risk

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

As at	Mar. 31, 2018	Sep. 30, 2017
Bonds & Debentures		
Australia	3.8%	4.7%
Austria	1.0%	0.9%
Belgium	1.6%	1.4%
Brazil	0.2%	0.3%
British Virgin Islands	—%	0.2%
Chile	0.8%	0.8%
Colombia	0.5%	0.4%
Czech Republic	1.1%	1.0%
Denmark	1.2%	1.1%
France	5.8%	5.2%
Germany	5.6%	5.6%
Indonesia	1.5%	1.5%
Ireland	0.6%	0.6%
Israel	0.5%	0.5%
Italy	3.8%	3.3%
Japan	11.4%	10.1%
Malaysia	0.5%	0.6%
Mexico	2.2%	2.0%
Netherlands	2.6%	2.4%
New Zealand	0.3%	0.6%
Norway	2.1%	2.0%
Poland	0.7%	0.6%
Singapore	0.4%	0.4%
South Africa	1.2%	1.0%
South Korea	2.5%	3.8%
Spain	2.7%	2.4%
Sweden	1.5%	1.4%
Switzerland	0.2%	0.2%
Thailand	0.5%	0.4%
United Kingdom	6.9%	6.3%
United States	12.0%	15.8%
Holdings in Investment Funds	21.8%	21.2%
Other Assets Less Liabilities	2.5%	1.3%
	100.0%	100.0%

(g) Financial assets and financial liabilities

Categories of financial assets and financial liabilities

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

As at	Mar. 31, 2018	Sep. 30, 2017
Financial assets designated at FVTPL	776,162	808,985
Loans and receivables	6,917	6,588
Financial liabilities measured at amortized cost	620	3,259
Net gains and losses on financial assets and financial liabilities at fair value		
	Mar. 31, 2018	Mar. 31, 2017
For the periods ended		
Net realized gains (losses) on financial assets		
Held for trading	—	1,473
Designated at FVTPL	15,209	18,669
	15,209	20,142
Total net realized gains (losses) on financial assets and financial liabilities	15,209	20,142
Change in unrealized gains (losses) on financial assets		
Designated at FVTPL	32,672	(54,985)
	32,672	(54,985)
Change in unrealized gains (losses) on financial liabilities		
Held for trading	—	(1,053)
Total change in unrealized gains (losses) on financial assets and financial liabilities	32,672	(56,038)

BMO World Bond Fund

(unaudited)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

March 31, 2018

(h) Fair value hierarchy

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

As at Mar. 31, 2018

Financial assets	Level 1	Level 2	Level 3	Total
Debt Securities	31,914	570,673	—	602,587
Investment Funds	134,913	38,662	—	173,575
Total	166,827	609,335	—	776,162

As at Sep. 30, 2017

Financial assets	Level 1	Level 2	Level 3	Total
Debt Securities	29,893	605,173	—	635,066
Investment Funds	135,421	38,498	—	173,919
Total	165,314	643,671	—	808,985

Transfers between levels

Transfers are made between the various fair value hierarchy levels due to changes in the availability of quoted market prices or observable inputs due to changing market conditions.

During the period from October 1, 2017 to March 31, 2018, \$3,846 of debt securities were transferred from Level 2 to Level 1 due to increased availability of quoted prices in the active market.

During the period from October 1, 2016 to September 30, 2017, \$7,485 of debt securities were transferred from Level 1 to Level 2 due to reduced observability of the inputs used to value these securities. The valuation of certain investment funds traded outside of North America were changed from being valued using closing prices to being fair valued by factoring in the impact of significant events occurring after the close of the relevant market. As a result of this change, \$38,498 of investment funds were transferred from Level 1 to Level 2.

(i) 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 Mar. 31, 2018	Carrying amount	Carrying amount as a % of the underlying fund's Net Assets
Securities		
BMO Asia USD Investment Grade Bond ETF	38,662	24.8
BMO Long Corporate Bond Index ETF	9,219	2.5
BMO Mid Corporate Bond Index ETF	10,821	0.8
BMO Mid-Term US IG Corporate Bond Index ETF	105,393	7.2
BMO Short Corporate Bond Index ETF	9,480	0.6
Total	173,575	

As at Sep. 30, 2017	Carrying amount	Carrying amount as a % of the underlying fund's Net Assets
Securities		
BMO Asia USD Investment Grade Bond ETF	38,498	26.1
BMO Long Corporate Bond Index ETF	8,929	2.4
BMO Mid Corporate Bond Index ETF	10,831	0.8
BMO Mid-Term US IG Corporate Bond Index ETF	106,107	7.4
BMO Short Corporate Bond Index ETF	9,554	0.6
Total	173,919	

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

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