

# BMO Mutual Funds 2019

Semi-Annual Financial Statements

March 31, 2019

## 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

## STATEMENT OF FINANCIAL POSITION

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

As at	March 31 2019	September 30 2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	8,018	—
Investments		
Non-derivative financial assets	181,747	196,138
Derivative assets	1,164	1,795
Receivable for investments sold	894	—
Futures margin receivable	17	6
Subscriptions receivable	38	69
Interest receivable	1,475	1,636
Distribution receivable from investment trusts	46	40
<b>Total assets</b>	<b>193,399</b>	<b>199,684</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Bank indebtedness	—	171
Redemptions payable	364	188
Derivative liabilities	—	20
Accrued expenses	329	18
<b>Total liabilities</b>	<b>693</b>	<b>397</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>192,706</b>	<b>199,287</b>
<b>Net assets attributable to holders of redeemable units</b>		
Series A Units	157,712	165,061
Advisor Series Units	6,817	6,772
Series F Units	22,565	21,558
Series D Units	121	36
Series I Units	4,005	4,389
Classic Series Units	1,486	1,471
<b>Net assets attributable to holders of redeemable units per unit</b>		
Series A Units	\$ 10.69	\$ 10.48
Advisor Series Units	\$ 9.90	\$ 9.71
Series F Units	\$ 11.75	\$ 11.48
Series D Units	\$ 10.03	\$ 9.81
Series I Units	\$ 11.06	\$ 10.78
Classic Series Units	\$ 10.14	\$ 9.92

## STATEMENT OF COMPREHENSIVE INCOME

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

For the periods ended	March 31 2019	March 31 2018
<b>INCOME</b>		
Interest income	2,270	6,458
Distributions received from investment trusts	294	4,674
Other changes in fair value of investments and derivatives		
Net realized gain	5,031	4,077
Change in unrealized appreciation	3,600	32,672
Net gain in fair value of investments and derivatives	11,195	47,881
Foreign exchange (loss) gain	(2,999)	627
Total other (loss) income	(2,999)	627
<b>Total income</b>	<b>8,196</b>	<b>48,508</b>
<b>EXPENSES</b>		
Management fees (note 6)	1,654	2,193
Fixed administration fees (note 6)	314	415
Independent review committee fees (note 6)	1	0
Withholding taxes	—	13
Interest expense	1	0
Fund Facts fees	0	0
Commissions and other portfolio transaction costs (note 6)	52	—
Operating expenses absorbed by the Manager (note 6)	(8)	(221)
<b>Total expenses</b>	<b>2,014</b>	<b>2,400</b>
<b>Increase in net assets attributable to holders of redeemable units</b>	<b>6,182</b>	<b>46,108</b>
<b>Increase in net assets attributable to holders of redeemable units</b>		
Series A Units	4,939	10,823
Advisor Series Units	211	368
Series F Units	811	1,102
Series D Units	3	0
Series I Units	166	33,731
Classic Series Units	52	84
<b>Increase in net assets attributable to holders of redeemable units per unit (note 8)</b>		
Series A Units	0.32	0.52
Advisor Series Units	0.31	0.48
Series F Units	0.45	0.65
Series D Units	0.40	0.43
Series I Units	0.46	0.69
Classic Series Units	0.35	0.52

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

# BMO World Bond Fund

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

(All amounts in thousands of Canadian dollars)

For the periods ended	March 31 2019	March 31 2018	For the periods ended	March 31 2019	March 31 2018
<b>Series A Units</b>			<b>Series F Units</b>		
<b>Net assets attributable to holders of redeemable units at beginning of period</b>	165,061	225,378	<b>Net assets attributable to holders of redeemable units at beginning of period</b>	21,558	20,871
Increase in net assets attributable to holders of redeemable units	4,939	10,823	Increase in net assets attributable to holders of redeemable units	811	1,102
<b>Distributions to holders of redeemable units from:</b>			<b>Distributions to holders of redeemable units from:</b>		
Net investment income	(453)	(1,285)	Net investment income	(208)	(226)
Return of capital	(1,375)	(1,192)	Return of capital	(119)	(75)
<b>Total distributions to holders of redeemable units</b>	<b>(1,828)</b>	<b>(2,477)</b>	<b>Total distributions to holders of redeemable units</b>	<b>(327)</b>	<b>(301)</b>
<b>Redeemable unit transactions</b>			<b>Redeemable unit transactions</b>		
Proceeds from redeemable units issued	5,230	7,097	Proceeds from redeemable units issued	5,977	4,316
Reinvestments of distributions to holders of redeemable units	1,823	2,471	Reinvestments of distributions to holders of redeemable units	205	186
Redemption of redeemable units	(17,513)	(24,101)	Redemption of redeemable units	(5,659)	(5,607)
<b>Net decrease from redeemable unit transactions</b>	<b>(10,460)</b>	<b>(14,533)</b>	<b>Net increase (decrease) from redeemable unit transactions</b>	<b>523</b>	<b>(1,105)</b>
<b>Net decrease in net assets attributable to holders of redeemable units</b>	<b>(7,349)</b>	<b>(6,187)</b>	<b>Net increase (decrease) in net assets attributable to holders of redeemable units</b>	<b>1,007</b>	<b>(304)</b>
<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>157,712</b>	<b>219,191</b>	<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>22,565</b>	<b>20,567</b>
<b>Advisor Series Units</b>			<b>Series D Units</b>		
<b>Net assets attributable to holders of redeemable units at beginning of period</b>	6,772	8,085	<b>Net assets attributable to holders of redeemable units at beginning of period</b>	36	—
Increase in net assets attributable to holders of redeemable units	211	368	Increase in net assets attributable to holders of redeemable units	3	0
<b>Distributions to holders of redeemable units from:</b>			<b>Distributions to holders of redeemable units from:</b>		
Net investment income	(18)	(9)	Net investment income	(1)	(0)
Return of capital	(65)	(82)	Return of capital	(0)	—
<b>Total distributions to holders of redeemable units</b>	<b>(83)</b>	<b>(91)</b>	<b>Total distributions to holders of redeemable units</b>	<b>(1)</b>	<b>(0)</b>
<b>Redeemable unit transactions</b>			<b>Redeemable unit transactions</b>		
Proceeds from redeemable units issued	589	774	Proceeds from redeemable units issued	90	10
Reinvestments of distributions to holders of redeemable units	65	79	Reinvestments of distributions to holders of redeemable units	1	0
Redemption of redeemable units	(737)	(1,575)	Redemption of redeemable units	(8)	—
<b>Net decrease from redeemable unit transactions</b>	<b>(83)</b>	<b>(722)</b>	<b>Net increase from redeemable unit transactions</b>	<b>83</b>	<b>10</b>
<b>Net increase (decrease) in net assets attributable to holders of redeemable units</b>	<b>45</b>	<b>(445)</b>	<b>Net increase in net assets attributable to holders of redeemable units</b>	<b>85</b>	<b>10</b>
<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>6,817</b>	<b>7,640</b>	<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>121</b>	<b>10</b>

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

# BMO World Bond Fund

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

(All amounts in thousands of Canadian dollars)

For the periods ended	March 31 2019	March 31 2018	For the periods ended	March 31 2019	March 31 2018
<b>Series I Units</b>			<b>Total Fund</b>		
<b>Net assets attributable to holders of redeemable units at beginning of period</b>	4,389	563,945	<b>Net assets attributable to holders of redeemable units at beginning of period</b>	199,287	819,887
Increase in net assets attributable to holders of redeemable units	166	33,731	Increase in net assets attributable to holders of redeemable units	6,182	46,108
<b>Distributions to holders of redeemable units from:</b>			<b>Distributions to holders of redeemable units from:</b>		
Net investment income	(64)	(8,701)	Net investment income	(763)	(10,248)
Return of capital	(2)	(67)	Return of capital	(1,561)	(1,416)
<b>Total distributions to holders of redeemable units</b>	(66)	(8,768)	<b>Total distributions to holders of redeemable units</b>	(2,324)	(11,664)
<b>Redeemable unit transactions</b>			<b>Redeemable unit transactions</b>		
Proceeds from redeemable units issued	—	1,285	Proceeds from redeemable units issued	11,886	13,482
Reinvestments of distributions to holders of redeemable units	66	8,768	Reinvestments of distributions to holders of redeemable units	2,179	11,530
Redemption of redeemable units	(550)	(51,578)	Redemption of redeemable units	(24,504)	(82,977)
<b>Net decrease from redeemable unit transactions</b>	(484)	(41,525)	<b>Net decrease from redeemable unit transactions</b>	(10,439)	(57,965)
<b>Net decrease in net assets attributable to holders of redeemable units</b>	(384)	(16,562)	<b>Net decrease in net assets attributable to holders of redeemable units</b>	(6,581)	(23,521)
<b>Net assets attributable to holders of redeemable units at end of period</b>	4,005	547,383	<b>Net assets attributable to holders of redeemable units at end of period</b>	192,706	796,366
<b>Classic Series Units</b>					
<b>Net assets attributable to holders of redeemable units at beginning of period</b>	1,471	1,608			
Increase in net assets attributable to holders of redeemable units	52	84			
<b>Distributions to holders of redeemable units from:</b>					
Net investment income	(19)	(27)			
Return of capital	(0)	(0)			
<b>Total distributions to holders of redeemable units</b>	(19)	(27)			
<b>Redeemable unit transactions</b>					
Reinvestments of distributions to holders of redeemable units	19	26			
Redemption of redeemable units	(37)	(116)			
<b>Net decrease from redeemable unit transactions</b>	(18)	(90)			
<b>Net increase (decrease) in net assets attributable to holders of redeemable units</b>	15	(33)			
<b>Net assets attributable to holders of redeemable units at end of period</b>	1,486	1,575			

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

# BMO World Bond Fund

## STATEMENT OF CASH FLOWS

(All amounts in thousands of Canadian dollars)

For the periods ended	March 31 2019	March 31 2018
<b>Cash flows from operating activities</b>		
Increase in net assets attributable to holders of redeemable units	6,182	46,108
Adjustments for:		
Foreign exchange gain on cash	(1)	(113)
Net realized gain on sale of investments and derivatives	(5,031)	(4,077)
Change in unrealized appreciation of investments and derivatives	(3,600)	(32,672)
Increase in futures margin receivable	(11)	—
Decrease (increase) in interest receivable	161	(335)
(Increase) decrease in distribution receivable from investment trusts	(6)	6
Increase in accrued expenses	311	377
Amortization of premium and discounts	240	3,049
Non-cash distributions from investment trusts	—	(1,830)
Purchases of investments	(36,264)	—
Proceeds from sale and maturity of investments	58,957	68,353
Cash outflows on derivatives	(194)	—
<b>Net cash from operating activities</b>	<b>20,744</b>	<b>78,866</b>
<b>Cash flows from financing activities</b>		
Distributions paid to holders of redeemable units, net of reinvested distributions	(145)	(134)
Proceeds from issuances of redeemable units	11,721	13,209
Amounts paid on redemption of redeemable units	(24,132)	(85,720)
<b>Net cash from financing activities</b>	<b>(12,556)</b>	<b>(72,645)</b>
Foreign exchange gain on cash	1	113
Net increase in cash	8,188	6,221
Bank indebtedness and Cash at beginning of period	(171)	7,573
<b>Cash at end of period</b>	<b>8,018</b>	<b>13,907</b>
<b>Supplementary Information</b>		
Interest received, net of withholding taxes*	2,666	9,132
Dividends received, net of withholding taxes*	—	11
Distributions received from investment trusts, net of withholding taxes*	288	2,850
Interest expense paid*	1	0

\*These items are from operating activities

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

# BMO World Bond Fund

## SCHEDULE OF INVESTMENT PORTFOLIO

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

	Par Value (in thousands)	Cost (\$)	Fair Value (\$)		Par Value (in thousands)	Cost (\$)	Fair Value (\$)
<b>BONDS &amp; DEBENTURES</b>				<b>Colombia — 0.5%</b>			
<b>Australia — 4.9%</b>				Republic of Colombia, Senior, Unsecured, 4.375% Jul 12, 2021..... USD 750..... 774..... 1,030			
Commonwealth of Australia, Series 143, Senior, Unsecured, 2.750% Oct 21, 2019 .....	AUD 1,800.....	1,757.....	1,720	<b>Czech Republic — 0.4%</b>			
Commonwealth of Australia, Series 126, Senior, Unsecured, 4.500% Apr 15, 2020 .....	AUD 1,300.....	1,288.....	1,271	EP Energy, a.s., Euro Medium Term Notes, Secured, 5.875% Nov 1, 2019 .....			
Commonwealth of Australia, Series 146, Senior, Unsecured, 1.750% Nov 21, 2020 .....	AUD 1,800.....	1,740.....	1,714	EUR 500..... 645..... 774			
Commonwealth of Australia, Series 124, Senior, Unsecured, 5.750% May 15, 2021 .....	AUD 1,600.....	1,730.....	1,653	<b>France — 5.1%</b>			
Commonwealth of Australia, Series 128, Senior, Unsecured, 5.750% Jul 15, 2022 .....	AUD 1,200.....	1,296.....	1,298	Bouygues S.A., Senior, Unsecured, Notes, 3.641% Oct 29, 2019 .....			
Commonwealth of Australia, Series 138, Senior, Unsecured, 3.250% Apr 21, 2029 .....	AUD 200.....	184.....	215	EUR 100..... 134..... 153			
Commonwealth of Australia, Series 144, Senior, Unsecured, 3.750% Apr 21, 2037 .....	AUD 200.....	213.....	236	Republic of France, Unsecured, 2.250% Oct 25, 2022.....			
Telstra Corporation Limited, Senior, Unsecured, Notes, 3.500% Sep 21, 2022.....	EUR 800.....	1,033.....	1,336	EUR 3,200..... 4,299..... 5,258			
		9,241.....	9,443	Republic of France, Unsecured, 1.750% May 25, 2023.....			
<b>Austria — 0.7%</b>				EUR 800..... 1,277..... 1,306			
Republic of Austria, Senior, Unsecured, 3.900% Jul 15, 2020 .....	EUR 400.....	527.....	634	Republic of France, Unsecured, 0.750% Nov 25, 2028.....			
Republic of Austria, Euro Medium Term Notes, Senior, Unsecured, 4.850% Mar 15, 2026 .....	EUR 300.....	417.....	606	EUR 510..... 779..... 801			
		944.....	1,240	Republic of France, Unsecured, 4.000% Apr 25, 2055.....			
<b>Belgium — 2.7%</b>				EUR 500..... 1,243..... 1,299			
Anheuser-Busch InBev Worldwide Inc., Senior, Unsecured, Notes, Callable, 5.450% Jan 23, 2039.....	USD 277.....	366.....	402	Sanofi, Senior, Unsecured, Notes, 4.000% Mar 29, 2021.....			
Kingdom of Belgium, Series 58, 3.750% Sep 28, 2020.....	EUR 200.....	299.....	319	USD 550..... 538..... 755			
Kingdom of Belgium, Series 65, Senior, Unsecured, 4.250% Sep 28, 2022.....	EUR 1,000.....	1,330.....	1,747	UNEDIC, Euro Medium Term Notes, Senior, Unsecured, 3.000% Apr 25, 2019 .....			
Kingdom of Belgium, Series 60, Unsecured, 4.250% Mar 28, 2041 .....	EUR 200.....	258.....	479	EUR 200..... 259..... 300			
Kingdom of Belgium, Series 80, Senior, Unsecured, 2.150% Jun 22, 2066 .....	EUR 1,262.....	1,922.....	2,159	..... 8,529..... 9,872			
		4,175.....	5,106	<b>Germany — 6.4%</b>			
<b>Brazil — 0.1%</b>				Allianz Finance II BV, Euro Medium Term Notes, Senior, Unsecured, 4.750% Jul 22, 2019 .....			
Vale Overseas Limited, Senior, Unsecured, Notes, 6.875% Nov 21, 2036 .....	USD 96.....	113.....	146	EUR 100..... 130..... 152			
<b>Canada — 2.6%</b>				BASF SE, Series 10Y, Senior, Unsecured, Notes, 2.000% Dec 5, 2022.....			
Government of Canada, Unsecured, 1.000% Sep 1, 2022 .....	3,000.....	2,867.....	2,946	EUR 200..... 264..... 323			
Government of Canada, 2.250% Jun 1, 2029 .....	2,000.....	1,958.....	2,114	Bayer AG, Fixed to Floating, Junior, Notes, Subordinated, Callable, 3.750% Jul 1, 2074 .....			
		4,825.....	5,060	EUR 200..... 296..... 301			
<b>Chile — 0.9%</b>				Bayer US Finance II LLC, Senior, Unsecured, Notes, Callable, 3.500% Jun 25, 2021.....			
Republic of Chile, Senior, Unsecured, 3.875% Aug 5, 2020.....	USD 200.....	275.....	272	USD 424..... 559..... 569			
Republic of Chile, Senior, Unsecured, 3.250% Sep 14, 2021.....	USD 1,000.....	1,039.....	1,358	Federal Republic of Germany, Unsecured, 1.750% Jul 4, 2022 .....			
Republic of Chile, Senior, Unsecured, 2.250% Oct 30, 2022.....	USD 100.....	100.....	132	EUR 1,700..... 2,541..... 2,745			
		1,414.....	1,762	Federal Republic of Germany, Unsecured, 1.500% Sep 4, 2022.....			
<b>Brazil — 0.1%</b>				EUR 2,850..... 3,865..... 4,580			
<b>Canada — 2.6%</b>				Federal State of North Rhine-Westphalia, Series 1194, Senior, Unsecured, 1.750% May 17, 2019.....			
Government of Canada, Unsecured, 1.000% Sep 1, 2022 .....	3,000.....	2,867.....	2,946	EUR 200..... 262..... 301			
Government of Canada, 2.250% Jun 1, 2029 .....	2,000.....	1,958.....	2,114	Federal State of North Rhine-Westphalia, Euro Medium Term Notes, Senior, Unsecured, 1.500% Jun 12, 2040.....			
		4,825.....	5,060	EUR 1,300..... 1,966..... 2,085			
<b>Chile — 0.9%</b>				Merck Financial Services GmbH, Series 7, Euro Medium Term Notes, Senior, Unsecured, 4.500% Mar 24, 2020 .....			
Republic of Chile, Senior, Unsecured, 3.875% Aug 5, 2020.....	USD 200.....	275.....	272	EUR 200..... 267..... 313			
Republic of Chile, Senior, Unsecured, 3.250% Sep 14, 2021.....	USD 1,000.....	1,039.....	1,358	Siemens Financieringsmaatschappij N.V., Euro Medium Term Notes, Senior, Unsecured, 1.750% Mar 12, 2021 .....			
Republic of Chile, Senior, Unsecured, 2.250% Oct 30, 2022.....	USD 100.....	100.....	132	EUR 200..... 263..... 311			
		1,414.....	1,762	Volkswagen International Finance N.V., Senior, Unsecured, Notes, 2.625% Nov 16, 2027.....			
<b>Canada — 2.6%</b>				EUR 400..... 592..... 619			
Government of Canada, Unsecured, 1.000% Sep 1, 2022 .....	3,000.....	2,867.....	2,946	..... 11,005..... 12,299			
Government of Canada, 2.250% Jun 1, 2029 .....	2,000.....	1,958.....	2,114	<b>Indonesia — 2.2%</b>			
		4,825.....	5,060	PT Indonesia Asahan Aluminium Tbk, Senior, Unsecured, Notes, 5.230% Nov 15, 2021.....			
<b>Chile — 0.9%</b>				USD 203..... 265..... 283			
Republic of Chile, Senior, Unsecured, 3.875% Aug 5, 2020.....	USD 200.....	275.....	272	PT Indonesia Asahan Aluminium Tbk, Senior, Unsecured, Notes, 5.710% Nov 15, 2023.....			
Republic of Chile, Senior, Unsecured, 3.250% Sep 14, 2021.....	USD 1,000.....	1,039.....	1,358	USD 200..... 259..... 289			
Republic of Chile, Senior, Unsecured, 2.250% Oct 30, 2022.....	USD 100.....	100.....	132	Republic of Indonesia, Senior, Unsecured, 5.875% Mar 13, 2020 .....			
		1,414.....	1,762	USD 1,000..... 1,384..... 1,375			

# BMO World Bond Fund

## SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

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

	Par Value (in thousands)	Cost (\$)	Fair Value (\$)		Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Republic of Indonesia, Senior, Unsecured, 4.875% May 5, 2021 .....	USD 800	1,026	1,108	<b>Mexico — 5.2%</b>			
Republic of Indonesia, Senior, Unsecured, 3.750% Apr 25, 2022 .....	USD 800	1,005	1,082	BBVA Bancomer S.A., Texas, Notes, Subordinated, 6.500% Mar 10, 2021 .....	USD 100	103	140
.....		3,939	4,137	Pemex Project Funding Master Trust, Senior, Unsecured, Notes, 6.625% Jun 15, 2035 .....	USD 800	973	1,021
<b>Ireland — 0.7%</b>				Petroleos Mexicanos, Medium Term Notes, 5.500% Jan 21, 2021 .....	USD 800	820	1,091
Republic of Ireland, Unsecured, 5.900% Oct 18, 2019 .....	EUR 900	1,182	1,396	United Mexican States, Series M, Senior, Unsecured, 5.000% Dec 11, 2019 .....	MXN 90,000	6,197	6,066
<b>Israel — 0.2%</b>				United Mexican States, Senior, Unsecured, 2.750% Apr 22, 2023 .....	EUR 1,100	1,462	1,775
Teva Pharmaceutical Finance Company B.V., Series 2, Senior, Unsecured, Notes, 3.650% Nov 10, 2021 .....	USD 351	350	461	.....		9,555	10,093
<b>Italy — 1.4%</b>				<b>Netherlands — 2.2%</b>			
Republic of Italy, Senior, Unsecured, 5.000% Aug 1, 2039 .....	EUR 300	515	559	Heineken N.V., Euro Medium Term Notes, Senior, Unsecured, 3.500% Mar 19, 2024 .....	EUR 300	391	520
Republic of Italy, Unsecured, 3.850% Sep 1, 2049 .....	EUR 1,319	1,972	2,078	ING Groep N.V., Euro Medium Term Notes, Senior, Unsecured, 3.000% Feb 18, 2026 .....	GBP 200	340	354
.....		2,487	2,637	Kingdom of the Netherlands, Unsecured, 4.000% Jul 15, 2019 .....	EUR 895	1,210	1,359
<b>Japan — 14.0%</b>				Koninklijke KPN N.V., Unsecured, Notes, 4.250% Mar 1, 2022 .....	EUR 800	1,059	1,319
Government of Japan, Ten Year Bonds, Series 320, Senior, Unsecured, 1.000% Dec 20, 2021 .....	JPY 112,200	1,094	1,397	RWE Finance BV, Euro Medium Term Notes, Senior, Unsecured, 6.500% Aug 10, 2021 .....	EUR 200	287	346
Government of Japan, Ten Year Bonds, Series 327, Senior, Unsecured, 0.800% Dec 20, 2022 .....	JPY 117,500	1,282	1,470	Shell International Finance B.V., Euro Medium Term Notes, Senior, Unsecured, 0.375% Feb 15, 2025 .....	EUR 200	294	303
Government of Japan, Ten Year Bonds, Series 329, Senior, Unsecured, 0.800% Jun 20, 2023 .....	JPY 68,100	718	856	.....		3,581	4,201
Government of Japan, Ten Year Bonds, Series 332, Senior, Unsecured, 0.600% Dec 20, 2023 .....	JPY 298,800	3,121	3,740	<b>Norway — 0.9%</b>			
Government of Japan, Twenty Year Bonds, Series 79, Senior, Unsecured, 2.000% Jun 20, 2025 .....	JPY 68,100	761	935	Statoil ASA, Senior, Unsecured, Notes, 2.450% Jan 17, 2023 .....	USD 400	400	531
Government of Japan, Twenty Year Bonds, Series 117, Senior, Unsecured, 2.100% Mar 20, 2030 .....	JPY 415,450	5,465	6,186	Statoil ASA, Senior, Unsecured, Notes, 5.100% Aug 17, 2040 .....	USD 800	866	1,270
Government of Japan, Twenty Year Bonds, Series 116, Senior, Unsecured, 2.200% Mar 20, 2030 .....	JPY 68,100	789	1,023	.....		1,266	1,801
Government of Japan, Ten Year Bonds, Series 140, Senior, Unsecured, 1.700% Sep 20, 2032 .....	JPY 319,200	3,557	4,690	<b>Qatar — 0.2%</b>			
Government of Japan, Twenty Year Bonds, Series 146, Senior, Unsecured, 1.700% Sep 20, 2033 .....	JPY 68,100	724	1,007	State of Qatar, Senior, Unsecured, 3.375% Mar 14, 2024 .....	USD 342	459	462
Government of Japan, Thirty Year Bonds, Series 26, Senior, Unsecured, 2.400% Mar 20, 2037 .....	JPY 54,400	625	902	<b>Singapore — 0.9%</b>			
Government of Japan, Thirty Year Bonds, Series 28, Senior, Unsecured, 2.500% Mar 20, 2038 .....	JPY 40,800	483	691	Republic of Singapore, Senior, Unsecured, 2.500% Jun 1, 2019 .....	SGD 800	737	789
Government of Japan, Thirty Year Bonds, Series 33, Senior, Unsecured, 2.000% Sep 20, 2040 .....	JPY 45,800	593	737	Republic of Singapore, Senior, Unsecured, 3.125% Sep 1, 2022 .....	SGD 700	666	718
Government of Japan, Thirty Year Bonds, Series 37, Senior, Unsecured, 1.900% Sep 20, 2042 .....	JPY 62,600	901	1,006	Republic of Singapore, Senior, Unsecured, 3.500% Mar 1, 2027 .....	SGD 200	174	218
Government of Japan, Thirty Year Bonds, Series 39, Senior, Unsecured, 1.900% Jun 20, 2043 .....	JPY 58,200	652	940	.....		1,577	1,725
Government of Japan, Thirty Year Bonds, Series 41, Senior, Unsecured, 1.700% Dec 20, 2043 .....	JPY 84,100	1,100	1,316	<b>South Africa — 0.1%</b>			
.....		21,865	26,896	Anglo American Capital PLC, Euro Medium Term Notes, Senior, Unsecured, Callable, 1.625% Mar 11, 2026 .....	EUR 141	213	212
				<b>South Korea — 3.0%</b>			
				Korea Development Bank, The , Senior, Unsecured, Notes, 3.000% Mar 19, 2022 .....	USD 200	264	268
				Korea Treasury Bonds, Series 1909, Senior, Unsecured, 2.750% Sep 10, 2019 .....	KRW 1,400,000	1,581	1,655
				Korea Treasury Bonds, Series 2206, Senior, Unsecured, 3.750% Jun 10, 2022 .....	KRW 800,000	843	1,002
				Korea Treasury Bonds, Series 2303, Senior, Unsecured, 3.000% Mar 10, 2023 .....	KRW 1,300,000	1,307	1,602

# BMO World Bond Fund

## SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

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

	Par Value (in thousands)	Cost (\$)	Fair Value (\$)		Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Korea Treasury Bonds, Series 3122, Senior, Unsecured, 4.000% Dec 10, 2031	KRW 850,000	895	1,242	United Kingdom Treasury Gilt, 4.000% Mar 7, 2022	GBP 450	804	860
		4,890	5,769	United Kingdom Treasury Gilt, 1.625% Oct 22, 2028	GBP 466	825	858
<b>Spain — 5.2%</b>				United Kingdom Treasury Gilt, 4.750% Dec 7, 2038	GBP 400	764	1,089
Kingdom of Spain, Senior, Unsecured, 1.400% Jan 31, 2020	EUR 1,200	1,711	1,824	United Kingdom Treasury Gilt, 4.250% Dec 7, 2040	GBP 800	1,795	2,097
Kingdom of Spain, Senior, Unsecured, 3.800% Apr 30, 2024	EUR 1,500	2,346	2,652			9,510	10,271
Kingdom of Spain, Senior, Unsecured, 2.750% Oct 31, 2024	EUR 1,200	1,796	2,040	<b>United States — 18.8%</b>			
Kingdom of Spain, Senior, Unsecured, 5.900% Jul 30, 2026	EUR 200	348	412	Allstate Corporation, The, Senior, Unsecured, Notes, 3.150% Jun 15, 2023	USD 200	264	270
Kingdom of Spain, Senior, Unsecured, 4.200% Jan 31, 2037	EUR 1,500	2,515	3,098	Alphabet, Inc., Senior, Unsecured, Notes, 3.625% May 19, 2021	USD 300	292	411
		8,716	10,026	Altria Group, Inc., Senior, Unsecured, Notes, 9.250% Aug 6, 2019	USD 167	199	228
<b>Supernational — 0.5%</b>				Altria Group, Inc., Senior, Unsecured, Notes, Callable, 4.400% Feb 14, 2026	USD 59	78	81
European Investment Bank, Euro Medium Term Notes, Senior, Unsecured, Floating Rate, Jun 29, 2023	GBP 540	950	942	AT&T Inc., Senior, Unsecured, Notes, 5.350% Sep 1, 2040	USD 125	125	175
<b>Sweden — 1.3%</b>				Bank of New York Mellon Corporation, The, Senior, Unsecured, Notes, Callable, 3.550% Sep 23, 2021	USD 200	273	273
Nordea Bank AB, Euro Medium Term Notes, Senior, Unsecured, 3.250% Jul 5, 2022	EUR 800	1,125	1,321	Caterpillar Inc., Senior, Unsecured, Notes, 3.900% May 27, 2021	USD 300	293	412
Svenska Handelsbanken AB, Euro Medium Term Notes, Senior, Unsecured, 2.250% Aug 27, 2020	EUR 200	303	310	Citigroup Inc., Senior, Unsecured, Notes, 2.500% Jul 29, 2019	USD 200	282	267
Swedbank AB, Euro Medium Term Notes, Senior, Unsecured, 1.625% Dec 28, 2022	GBP 486	846	841	Citigroup Inc., Senior, Unsecured, Notes, Callable, 2.750% Jan 24, 2024	GBP 248	427	443
		2,274	2,472	Coca-Cola Company, The, Senior, Unsecured, Notes, 0.125% Sep 22, 2022	EUR 222	332	334
<b>Switzerland — 0.2%</b>				Commonwealth Edison Company, Secured, Notes, First Mortgage, 6.450% Jan 15, 2038	USD 200	263	352
Basellandschaftliche Kantonalbank, Senior, Unsecured, Notes, 1.000% Oct 4, 2022	CHF 200	217	281	CVS Health Corporation, Senior, Unsecured, Notes, Callable, 4.000% Dec 5, 2023	USD 350	373	480
<b>United Kingdom — 5.3%</b>				Dell International LLC/EMC Corp., Series 144A, Senior, Secured, Notes, Callable, 4.000% Jul 15, 2024	USD 697	932	938
Barclays Bank PLC, Euro Medium Term Notes, Subordinated, 10.000% May 21, 2021	GBP 100	171	202	Digital Euro Finco, LLC, Senior, Unsecured, Notes, Callable, 2.500% Jan 16, 2026	EUR 186	283	292
HSBC Bank PLC, Series 955, Euro Medium Term Notes, Fixed to Floating, Subordinated, Callable, 5.375% Nov 4, 2030	GBP 550	1,051	1,106	Duke Energy Corporation, Senior, Unsecured, Notes, Callable, 3.050% Aug 15, 2022	USD 200	200	269
HSBC Holdings plc, Fixed to Floating, Senior, Unsecured, Notes, Callable, 3.000% Jul 22, 2028	GBP 208	364	371	Florida Power & Light Company, First Mortgage Bonds, Secured, Callable, 4.050% Jun 1, 2042	USD 800	800	1,124
Imperial Tobacco Finance PLC, Series 23, Euro Medium Term Notes, Senior, Unsecured, 9.000% Feb 17, 2022	GBP 100	181	207	Fox Corporation, Series 144A, Senior, Unsecured, Notes, Callable, 4.030% Jan 25, 2024	USD 202	268	280
Legal & General Group PLC, Fixed to Floating, Unsecured, Notes, Subordinated, Callable, 5.125% Nov 14, 2048	GBP 154	264	283	General Motors Financial Company, Inc., Senior, Unsecured, Notes, Callable, 4.200% Mar 1, 2021	USD 200	269	271
Rolls-Royce PLC, Senior, Unsecured, Notes, 6.750% Apr 30, 2019	GBP 400	822	699	General Motors Financial Company, Inc., Senior, Unsecured, Notes, Callable, 5.100% Jan 17, 2024	USD 700	927	972
Royal Bank of Scotland Group plc, The, Fixed to Floating, Senior, Unsecured, Notes, Callable, 4.519% Jun 25, 2024	USD 466	620	636	Goldman Sachs Group, Inc., The, Euro Medium Term Notes, Senior, Unsecured, 3.125% Jul 25, 2029	GBP 101	173	180
Tesco Corporate Treasury Services PLC, Euro Medium Term Notes, Senior, Unsecured, Callable, 1.375% Oct 24, 2023	EUR 309	461	467	Home Depot, Inc., The, Senior, Unsecured, Notes, 5.875% Dec 16, 2036	USD 200	232	336
Thames Water Utilities Finance Ltd., Series 44, Euro Medium Term Notes, Secured, 5.125% Sep 28, 2037	GBP 100	177	222				
United Kingdom Treasury Gilt, 4.750% Mar 7, 2020	GBP 650	1,211	1,174				

# BMO World Bond Fund

## SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

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

	Par Value (in thousands)	Cost (\$)	Fair Value (\$)		Number of Units	Cost* (\$)	Fair Value (\$)
HP Inc., Senior, Unsecured, Notes, 6.000% Sep 15, 2041	USD 200	244	285	<b>HOLDINGS IN INVESTMENT FUNDS</b>			
John Deere Capital Corporation, Medium Term Notes, Senior, Unsecured, 2.750% Mar 15, 2022	USD 400	400	538	BMO Mid-Term US IG Corporate Bond Index ETF <sup>^</sup>			
JPMorgan Chase & Co., Senior, Unsecured, Notes, 4.950% Mar 25, 2020	USD 1,300	1,289	1,773	792,000			
Kraft Foods Group Inc., Senior, Unsecured, Notes, 5.000% Jun 4, 2042	USD 200	225	253	14,827			
Medtronic Global Holdings S.C.A., Series 0000, Senior, Unsecured, Notes, Callable, 0.375% Mar 7, 2023	EUR 170	256	257	15,032			
New York City, General Obligation, Subseries C-1, Build America Bonds, Sinkable, 5.517% Oct 1, 2037	USD 1,900	1,872	3,150	<b>Total Holdings in Investment Funds — 7.8%</b>			
Oracle Corporation, Senior, Unsecured, Notes, 2.250% Oct 8, 2019	USD 200	265	267	<b>Total Investment Portfolio — 94.4%</b>			
Oracle Corporation, Senior, Unsecured, Notes, Callable, 1.900% Sep 15, 2021	USD 200	263	263	<b>Total Unrealized Gain on Forward Currency Contracts — 0.6%</b>			
PepsiCo, Inc., Senior, Unsecured, Notes, 2.750% Mar 1, 2023	USD 350	362	471	<b>Other Assets Less Liabilities — 5.0%</b>			
Pfizer Inc., Senior, Unsecured, Notes, 2.100% May 15, 2019	USD 200	265	267	<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS - 100.0%</b>			
Pioneer Natural Resources Company, Senior, Unsecured, Notes, 7.500% Jan 15, 2020	USD 200	192	277	160,294			
Prudential Financial, Inc., Fixed to Floating, Junior, Notes, Subordinated, Callable, 5.625% Jun 15, 2043	USD 350	369	488	181,747			
Synchrony Financial, Senior, Unsecured, Notes, Callable, 4.375% Mar 19, 2024	USD 93	124	126	1,164			
Time Warner Cable Inc., Senior, Unsecured, Notes, Callable, 4.000% Sep 1, 2021	USD 200	197	271	9,795			
United States Treasury Bonds, 3.375% May 15, 2044	USD 270	382	399	+ 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.			
United States Treasury Bonds, 2.750% Aug 15, 2047	USD 2,200	2,493	2,905	^ The fund is managed or sub-advised by the manager.			
United States Treasury Bonds, 3.000% Aug 15, 2048	USD 2,588	3,096	3,588				
United States Treasury Inflation Indexed Bonds, 0.500% Jan 15, 2028	USD 1,638	2,076	2,185				
United States Treasury Inflation Indexed Bonds, 1.000% Feb 15, 2048	USD 1,470	1,885	2,008				
United States Treasury Notes, 2.250% Feb 15, 2027	USD 4,238	5,211	5,624				
Walt Disney Company, The, Medium Term Notes, Senior, Unsecured, 2.450% Mar 4, 2022	USD 400	521	533				
Wells Fargo & Company, Global Medium Term Notes, Senior, Unsecured, 2.600% Jul 22, 2020	USD 200	282	267				
Wells Fargo & Company, Euro Medium Term Notes, Senior, Unsecured, 2.625% Aug 16, 2022	EUR 1,000	1,217	1,618				
		30,771	36,201				
<b>Total Bonds &amp; Debentures — 86.6%</b>		<b>145,467</b>	<b>166,715</b>				

# BMO World Bond Fund

## SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

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

### UNREALIZED GAIN ON FORWARD CURRENCY CONTRACTS

Settlement Date	Currency Buy	Position	Currency Sell	Position	Contract Rate	Counterparty	Credit Rating**	Unrealized Gain
1-Apr-19	CAD	85	USD	(63)	1.3416	Canadian Imperial Bank of Commerce	A-1	0
26-Apr-19	CAD	27,959	JPY	(2,296,829)	0.0122	Bank of Montreal	A-1	222
30-Apr-19	CAD	285	CHF	(211)	1.3520	Canadian Imperial Bank of Commerce	A-1	1
30-Apr-19	CAD	62	MXN	(900)	0.0692	Canadian Imperial Bank of Commerce	A-1	1
30-Apr-19	CAD	1,743	SGD	(1,760)	0.9903	Canadian Imperial Bank of Commerce	A-1	8
30-Apr-19	CAD	8,234	AUD	(8,660)	0.9509	HSBC Bank PLC UK	A-1+	18
30-Apr-19	CAD	31,661	USD	(23,625)	1.3401	JP Morgan Securities Inc	A-1	112
30-Apr-19	CAD	31,663	USD	(23,625)	1.3402	Bank of Montreal	A-1	114
30-Apr-19	CAD	6,157	GBP	(3,469)	1.7751	Rabobank USA Finance	A-1	116
30-Apr-19	CAD	6,160	GBP	(3,469)	1.7757	ING Bank N.V.	A-1+	118
30-Apr-19	CAD	27,263	EUR	(18,020)	1.5129	Westpac Banking Corporation	A-1+	205
30-Apr-19	CAD	27,275	EUR	(18,020)	1.5136	RBC Europe Limited	A-1+	217
13-May-19	CAD	5,568	KRW	(4,702,099)	0.0012	Canadian Imperial Bank of Commerce	A-1	32
<b>Total Unrealized Gain on Forward Currency Contracts</b>								<b>1,164</b>

### FUTURES CONTRACTS

Country	Contract	Expiry Date	Number of Contracts	Contract Rate	Notional Cost (\$)	Fair Market Value
Italy	Euro-BTP Italian Government Bond Futures	Jun-2019	(2)	126.7900 EUR	(383)	(388)
United States	US Treasury Long Bond (CBT) Futures	Jun-2019	(2)	145.4844 USD	(383)	(400)
<b>Total Futures Contracts</b>					<b>(766)</b>	<b>(788)</b>

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

# BMO World Bond Fund

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## NOTES TO THE FINANCIAL STATEMENTS

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

March 31, 2019

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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, ETF Series Units, Series T4 Units, Series T5 Units, Series T6 Units, Series T8 Units, Series M Units, Series F Units, Series F Hedged Units, Series F2 Units, Series F4 Units, Series F6 Units, Series D Units, Series G Units, Series I Units, Series N Units, Series NBA Units, Series O Units, Series L Units, Series R Units, Series S Units and/or Classic Series Units. Each series is intended for different kinds of investors and has different management fees and fixed administration fees. Refer to Note 8 for the series issued for this Fund as well as the management and administration fee rates for each series.

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

The Statement of Financial Position and related notes of each of the Funds are as at March 31, 2019 and September 30, 2018, as applicable. The Statement of Comprehensive Income, Statement of Changes in Net Assets Attributable to Holders of Redeemable Units, Statement of Cash Flows and related notes are for the period(s) ended March 31, 2019 and March 31, 2018, except for a Fund established during the period(s) which is presented from the date of inception (as noted in Note 8) to March 31 of the applicable period. Financial information provided for a series established during the period(s) is presented from the inception date as noted in Note 8 to March 31 of the applicable period.

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

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

### 2. Basis of preparation and presentation

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

### 3. Summary of significant accounting policies

#### Financial instruments

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

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

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

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

# BMO 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)

March 31, 2019

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### Cost of investments

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

### Fair value measurement

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

For exchange-traded securities, close prices are considered to be fair value if they fall within the bid-ask spread. In circumstances where the close price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

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

For bonds, debentures, asset-backed securities and other debt securities, fair value is determined as the last traded market price or close price, where the close price falls within the bid-ask spread of the security. Short-term investments, if any, are held at amortized cost, which approximates fair value due to their short-term nature.

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

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

For the Series A Hedged Units, Advisor Series Hedged Units and Series F Hedged Units (the "Hedged Series"),

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

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

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

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

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

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

# BMO 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)

March 31, 2019

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

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

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

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

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

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

Interest rate swap contracts are agreements between two parties to exchange periodic interest payments

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

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

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

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

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

### Cash

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

# BMO World Bond Fund

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

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

March 31, 2019

### Other assets and other liabilities

Other assets and other liabilities generally include receivables for investments sold, subscription receivable, interest receivable, dividend receivable, distribution receivable from investment trusts, payable for investments purchased, redemption payable, distributions payable and accrued expenses. These financial assets and financial liabilities are short-term in nature and are subsequently measured at amortized cost, which approximates their fair value.

### Investments in subsidiaries, joint ventures and associates

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

### Unconsolidated structured entities

The Manager has determined that the underlying funds in which the Fund may invest are unconsolidated structured entities. This determination is based on the fact that decision making about the underlying funds is not governed by the voting right or other similar right held by the Fund. Similarly, investments in securitizations, asset-backed securities and mortgage-backed securities are determined to be interests in unconsolidated structured entities.

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

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

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

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

### Offsetting of financial assets and financial liabilities

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

### Income recognition

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

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

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

# BMO World Bond Fund

NOTES TO THE FINANCIAL STATEMENTS (cont'd)  
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value and the inflation compensation accrued from the original issue date. Interest is accrued on each Valuation Date based on the inflation adjusted par value at that time and is included in "Interest income" in the Statement of Comprehensive Income.

## Foreign currency translation

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

## Securities lending

A Fund may engage in securities lending pursuant to the terms of agreements with State Street and BNY Mellon (the "security lending agent" and the "former security lending agent", respectively). BNY Mellon was the security lending agent until December 3, 2018, when State Street became the lending agent. The aggregate market value of all securities loaned by the Fund cannot exceed 50% of the NAV of the Fund. The Fund will receive collateral of at least 102% of the value of securities on loan. Collateral will generally be comprised of obligations of or guarantee by the Government of Canada or a province thereof, or by the United States government or its agencies, but it may include obligations of other governments with appropriate credit ratings. Further, the program entered into provides for 100% indemnification by the securities lending agent and parties related to the Fund's custodian, to the Fund for any defaults by borrowers.

For those Funds participating in the program, aggregate values of securities on loan, the collateral held as at March 31, 2019 and September 30, 2018, where applicable, and information about the security lending income earned by the Fund are disclosed in Note 8.

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

## Short-term trading penalty

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

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

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

## Taxation

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

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

## Fund mergers

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

# BMO World Bond Fund

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

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as consideration of the continuation of such aspects of the Continuing Fund as: investment advisors, investment objectives and practices, type of portfolio securities, and management fees and expenses. Where applicable, refer to Note 8 for the details of the merger transactions.

#### **4. Critical accounting judgements and estimates**

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

##### **Accounting judgements:**

##### **Functional and presentation currency**

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

##### **Classification and measurement of investment portfolio**

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

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

##### **Accounting estimates:**

##### **Fair value measurement of securities not quoted in an active market**

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

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

#### **5. Units and unit transactions**

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

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

Redeemable units of the Fund are offered for sale on a continuous basis and may be purchased or redeemed on any Valuation Date at the NAV per unit of a particular series. The NAV per unit of a series for the purposes of subscription or redemption is computed by dividing the NAV of the Fund attributable to the series (that is, the total fair value of the assets attributable to the series less the liabilities attributable to the series)

# BMO World Bond Fund

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

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by the total number of units of the series of the Fund outstanding at such time on each Valuation Date, in accordance with Part 14 of National Instrument ("NI") 81-106 Investment Fund Continuous Disclosure for the purpose of processing unitholder transactions. Net Assets are determined in accordance with IFRS and may differ to the Funds' NAV. Where a Funds' NAV is not equal to its Net Assets, a reconciliation is shown in Note 8.

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

### 6. Related party transactions

#### (a) Management fees

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

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

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

#### (b) Fixed administration fees

The Manager pays certain operating expenses of each Fund except for BMO Ascent Income Portfolio, BMO Ascent Conservative Portfolio, BMO Ascent Balanced Portfolio, BMO Ascent Growth Portfolio, BMO Ascent Equity Growth Portfolio, BMO FundSelect Balanced Portfolio (Series NBA only), BMO FundSelect Growth Portfolio (Series NBA only), BMO FundSelect Equity Growth Portfolio (Series NBA only), BMO Covered Call Canadian Banks ETF Fund, BMO Covered Call U.S. High Dividend ETF Fund, BMO Covered Call Europe High Dividend ETF Fund, BMO Fossil Fuel Free Fund, BMO Tactical Global Asset Allocation ETF Fund, BMO Tactical Global Growth ETF Fund, BMO Women in Leadership Fund, BMO International Equity Fund, BMO Japan Fund, BMO Covered Call Canada High

Dividend ETF Fund, BMO Concentrated Global Equity Fund, BMO Crossover Bond Fund, BMO Global Multi-Sector Bond Fund, BMO U.S. Small Cap Fund, BMO Multi-Factor Equity Fund, BMO SIA Focused Canadian Equity Fund and BMO SIA Focused North American Equity Fund (the "Variable Operating Expense Series"), including audit and legal fees and expenses; custodian and transfer agency fees; costs attributable to the issue, redemption and change of securities, including the cost of the securityholder record keeping system; expenses incurred in respect of preparing and distributing prospectuses, financial reports and other types of reports, statements and communications to securityholders; fund accounting and valuation costs; filing fees, including those incurred by the Manager (collectively the "Administration Expenses"). In return, the Fund pays a fixed administration fee to the Manager. The fixed administration fee is calculated daily as a fixed annual percentage of the average NAV of the Fund. Refer to Note 8 for the fixed administration fee rates charged to the Fund, where applicable.

#### (c) Fund expenses

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

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

#### (d) Variable administration fees

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

# BMO World Bond Fund

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### **(e) Commissions and other portfolio transaction costs**

The Fund may execute trades with and through BMO Nesbitt Burns Inc., an affiliate of the Manager, based on established standard brokerage agreements at market prices. These fees are included in "Commissions and other portfolio transaction costs" in the Statement of Comprehensive Income. Refer to Note 8 for related party fees charged to the Fund during the period(s) ended March 31, 2019 and March 31, 2018, where applicable.

### **(f) Initial investments**

In order to establish a new Fund, the Manager makes an initial investment in the Fund. Pursuant to the policies of the Canadian Securities Administrators, an initial investor cannot redeem its investments until an additional \$500 has been received from other investors with respect to the same class of units. Refer to Note 8 for the investment in units of the Fund held by the Manager as at March 31, 2019 and September 30, 2018, where applicable.

### **(g) Other related party transactions**

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

## **7. Financial instruments risks**

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

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

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

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

### **(a) Currency risk**

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

### **(b) Interest rate risk**

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

# BMO World Bond Fund

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exposure to interest rate risk, if any, is further discussed in Note 8.

## **(c) Other market risk**

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

## **(d) Credit risk**

Credit risk is the risk that a loss could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. Credit risk exposure for over-the-counter derivative instruments is based on the Fund's unrealized gain of the contractual obligations with the counterparty as at the reporting date. The credit exposure of other assets is represented by its carrying amount. The Fund's exposure to credit risk, if any, is further discussed in Note 8.

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

## **(e) Liquidity risk**

The Fund's exposure to liquidity risk is concentrated in the daily cash redemptions of units, and other liabilities. The Fund primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Fund retains sufficient cash positions to maintain liquidity. The Fund may, from time to time, enter into over-the-counter derivative contracts or invest in unlisted securities, which are not traded in an organized market and may be illiquid. Securities for which a market quotation could not be obtained and may be illiquid are identified in the Schedule of Investment Portfolio. The proportion of

illiquid securities to the NAV of the Fund is monitored by the Manager to ensure it does not exceed the regulatory limit and does not significantly affect the liquidity required to meet the Fund's financial obligations.

# BMO World Bond Fund

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

### (a) Fund and Series information and change in units

The Fund is authorized to issue an unlimited number of units in each of Series A Units, 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 Units	May 6, 1993
Advisor Series Units	May 29, 2012
Series F Units	October 24, 2008
Series D Units	November 20, 2017
Series I Units	May 9, 2008
Classic Series Units	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, 2019	Mar. 31, 2018
<b>Series A Units</b>		
Units issued and outstanding, beginning of period	15,752	21,383
Issued	497	662
Issued on reinvestment of distributions	174	231
Redeemed during the period	(1,668)	(2,250)
Units issued and outstanding, end of period	14,755	20,026
<b>Advisor Series Units</b>		
Units issued and outstanding, beginning of period	697	826
Issued	60	77
Issued on reinvestment of distributions	7	8
Redeemed during the period	(76)	(159)
Units issued and outstanding, end of period	688	752
<b>Series F Units</b>		
Units issued and outstanding, beginning of period	1,878	1,818
Issued	518	368
Issued on reinvestment of distributions	18	16
Redeemed during the period	(494)	(482)
Units issued and outstanding, end of period	1,920	1,720
<b>Series D Units</b>		
Units issued and outstanding, beginning of period	4	—
Issued	9	1
Issued on reinvestment of distributions	0	0
Redeemed during the period	(1)	—
Units issued and outstanding, end of period	12	1

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For the periods ended (in thousands of units)	Mar. 31, 2019	Mar. 31, 2018
<b>Series I Units</b>		
Units issued and outstanding, beginning of period	407	50,091
Issued	—	112
Issued on reinvestment of distributions	6	763
Redeemed during the period	(51)	(4,459)
Units issued and outstanding, end of period	362	46,507
<b>Classic Series Units</b>		
Units issued and outstanding, beginning of period	148	163
Issued on reinvestment of distributions	2	3
Redeemed during the period	(3)	(12)
Units issued and outstanding, end of period	147	154

## (b) Reconciliation of NAV to Net Assets

As at March 31, 2019 and September 30, 2018, there were no differences between the Fund's NAV per unit and its Net Assets per unit calculated for each Series in accordance with IFRS.

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

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

For the periods ended	Mar. 31, 2019	Mar. 31, 2018
<b>Series A Units</b>		
Increase in net assets attributable to holders of redeemable units	4,939	10,823
Weighted average units outstanding during the period (in thousands of units)	15,244	20,654
Increase in net assets attributable to holders of redeemable units per unit	0.32	0.52

For the periods ended	Mar. 31, 2019	Mar. 31, 2018
<b>Advisor Series Units</b>		
Increase in net assets attributable to holders of redeemable units	211	368
Weighted average units outstanding during the period (in thousands of units)	684	764
Increase in net assets attributable to holders of redeemable units per unit	0.31	0.48
<b>Series F Units</b>		
Increase in net assets attributable to holders of redeemable units	811	1,102
Weighted average units outstanding during the period (in thousands of units)	1,806	1,686
Increase in net assets attributable to holders of redeemable units per unit	0.45	0.65
<b>Series D Units</b>		
Increase in net assets attributable to holders of redeemable units	3	0
Weighted average units outstanding during the period (in thousands of units)	8	1
Increase in net assets attributable to holders of redeemable units per unit	0.40	0.43
<b>Series I Units</b>		
Increase in net assets attributable to holders of redeemable units	166	33,731
Weighted average units outstanding during the period (in thousands of units)	364	48,808
Increase in net assets attributable to holders of redeemable units per unit	0.46	0.69
<b>Classic Series Units</b>		
Increase in net assets attributable to holders of redeemable units	52	84
Weighted average units outstanding during the period (in thousands of units)	149	162
Increase in net assets attributable to holders of redeemable units per unit	0.35	0.52

# BMO World Bond Fund

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

As at the tax year-ended December 2018, 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		
		2030 (\$)	2031 (\$)	2032 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 Units	1.750	0.300
Advisor Series Units	1.750	0.300
Series F Units	0.450	0.300
Series D Units	1.400	0.300
Series I Units	*	*
Classic Series Units	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, 2019 amounted to \$278 (September 30, 2018 — \$15).

The outstanding accrued fixed administration fees due to the Manager are included in "Accrued expenses" in the Statement of Financial Position and as at March 31, 2019 amounted to \$53 (September 30, 2018 — \$3).

### 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, 2019 and March 31, 2018.

## Units held by the Manager

The Manager held the following units of the Fund:

### As at Mar. 31, 2019

Series	Number of Units	Value of Units (\$)
Series D Units	103	1
Series I Units	12	0

### As at Sep. 30, 2018

Series	Number of Units	Value of Units (\$)
Series D Units	102	1
Series I Units	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 principal (notional) amount of forward currency contracts, if any).

### As at Mar. 31, 2019

Currencies	Cash and other current receivables & payables (\$)	Investments (monetary & non-monetary) (\$)	Forward currency contracts (\$)	Net currency exposure (\$)	As a % of Net Assets (%)
Australian Dollar	110	8,107	(8,216)	1	0.0
Euro	704	53,394	(54,116)	(18)	(0.0)

# BMO World Bond Fund

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## As at Mar. 31, 2019

Currencies	Cash and other current receivables & payables (\$)	Investments (monetary & non-monetary) (\$)	Forward currency contracts (\$)	Net currency exposure (\$)	As a % of Net Assets (%)
Japanese Yen	931	26,896	(27,737)	90	0.0
Mexican Peso	89	6,066	(62)	6,093	3.2
Pound Sterling	145	11,929	(12,083)	(9)	(0.0)
Singapore Dollar	9	1,725	(1,735)	(1)	(0.0)
South Korean Won	29	5,501	(5,537)	(7)	(0.0)
Swiss Franc	1	281	(283)	(1)	(0.0)
U.S. Dollar	356	47,757	(63,182)	(15,069)	(7.8)
<b>Total</b>	<b>2,374</b>	<b>161,656</b>	<b>(172,951)</b>	<b>(8,921)</b>	<b>(4.6)</b>

## As at Sep. 30, 2018

Currencies	Cash and other current receivables & payables (\$)	Investments (monetary & non-monetary) (\$)	Forward currency contracts (\$)	Net currency exposure (\$)	As a % of Net Assets (%)
Australian Dollar	140	9,894	(10,020)	14	0.0
Euro	912	69,288	(70,298)	(98)	(0.0)
Japanese Yen	38	30,451	(30,464)	25	0.0
Mexican Peso	88	6,011	(61)	6,038	3.0
Pound Sterling	161	17,284	(17,395)	50	0.0
Singapore Dollar	8	1,649	(1,655)	2	0.0
South African Rand	27	2,206	(2,224)	9	0.0
South Korean Won	52	10,403	(10,513)	(58)	(0.0)
Swiss Franc	3	276	(278)	1	0.0
U.S. Dollar	303	34,653	(49,053)	(14,097)	(7.1)
<b>Total</b>	<b>1,732</b>	<b>182,115</b>	<b>(191,961)</b>	<b>(8,114)</b>	<b>(4.1)</b>

As at March 31, 2019 and September 30, 2018, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all variables held constant, the Net Assets of the Fund could possibly have increased or decreased, respectively, by approximately \$446 (September 30, 2018 — \$406). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at March 31, 2019 and September 30, 2018, the Fund was also exposed to indirect currency risk to the extent that the underlying fund 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, 2019	Sep. 30, 2018
Less than one year	23,129	15,759
One to three years	21,115	33,065
Three to five years	45,091	46,383
Five to ten years	20,137	21,657
Greater than ten years	57,243	65,251
<b>Total</b>	<b>166,715</b>	<b>182,115</b>

As at March 31, 2019 and September 30, 2018, 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 \$12,010 (September 30, 2018 — \$13,505). 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, 2019 and September 30, 2018, the Fund was also exposed to indirect interest rate risk to the extent that the underlying fund invested in interest-bearing financial instruments.

# BMO World Bond Fund

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

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### Other market risk

As at March 31, 2019 and September 30, 2018, 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, 2019	Sep. 30, 2018
AAA	25.7	14.4
AA	16.3	29.6
A	28.5	31.7
BBB	16.0	14.5
BB	0.7	1.6
Unrated	—	0.5
<b>Total</b>	<b>87.2</b>	<b>92.3</b>

As at March 31, 2019 and September 30, 2018, the Fund was also exposed to indirect credit risk to the extent that the underlying fund invested in debt instruments, preferred securities and derivatives.

### Securities lending

There were no assets involved in securities lending transactions as at March 31, 2019 and September 30, 2018.

### Concentration risk

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

As at	Mar. 31, 2019	Sep. 30, 2018
<b>Bonds &amp; Debentures</b>		
Australia	4.9%	5.6%
Austria	0.7%	0.9%
Belgium	2.7%	1.3%
Brazil	0.1%	0.2%
Canada	2.6%	—%
Chile	0.9%	0.9%
Colombia	0.5%	0.5%
Czech Republic	0.4%	0.4%
France	5.1%	8.1%
Germany	6.4%	8.1%
Indonesia	2.2%	2.3%
Ireland	0.7%	0.7%
Israel	0.2%	0.2%

As at	Mar. 31, 2019	Sep. 30, 2018
Italy	1.4%	2.4%
Japan	14.0%	15.3%
Mexico	5.2%	5.0%
Netherlands	2.2%	2.0%
Norway	0.9%	0.8%
Qatar	0.2%	—%
Singapore	0.9%	0.8%
Slovakia	—%	1.7%
South Africa	0.1%	1.1%
South Korea	3.0%	5.2%
Spain	5.2%	5.0%
Supernational	0.5%	2.2%
Sweden	1.3%	1.2%
Switzerland	0.2%	0.1%
United Kingdom	5.3%	8.0%
United States	18.8%	11.4%
<b>Holdings in Investment Funds</b>	<b>7.8%</b>	<b>7.0%</b>
<b>Other Assets Less Liabilities</b>	<b>5.6%</b>	<b>1.6%</b>
	<b>100.0%</b>	<b>100.0%</b>

### (g) Fair value hierarchy

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

#### As at Mar. 31, 2019

Financial assets	Level 1	Level 2	Level 3	Total
Debt Securities	8,862	157,853	—	166,715
Investment Funds	15,032	—	—	15,032
Derivatives	—	1,164	—	1,164
<b>Total</b>	<b>23,894</b>	<b>159,017</b>	<b>—</b>	<b>182,911</b>

# BMO World Bond Fund

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

As at Sep. 30, 2018				
Financial assets	Level 1	Level 2	Level 3	Total
Debt Securities	10,573	171,542	—	182,115
Investment Funds	14,023	—	—	14,023
Derivatives	—	1,795	—	1,795
<b>Total</b>	<b>24,596</b>	<b>173,337</b>	<b>—</b>	<b>197,933</b>
Financial liabilities				
Derivatives	—	(20)	—	(20)

## 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, 2018 to March 31, 2019, \$2,190 of debt securities were transferred from Level 1 to Level 2 due to reduced observability of the inputs used to value these securities.

During the period from October 1, 2017 to September 30, 2018, there were no transfers between the levels.

## (h) Offsetting financial assets and financial liabilities

The following tables present the amounts that have been offset in the Statement of Financial Position. Amounts offset in the Statement of Financial Position include transactions for which the Fund has a legally enforceable right to offset and intends to settle the positions on a net basis.

As at Mar. 31, 2019	Assets	Liabilities
Gross Amounts of Recognized Financial Assets (Liabilities)	1,164	—
Amounts Set-off in the Statement of Financial Position	—	—
Net Amounts Presented in the Statement of Financial Position	1,164	—
Related Amounts not Set-off in the Statement of Financial Position		
Financial Instrument	—	—
Cash Collateral Received (Pledged)	—	—
<b>Net Amount</b>	<b>1,164</b>	<b>—</b>

As at Sep. 30, 2018	Assets	Liabilities
Gross Amounts of Recognized Financial Assets (Liabilities)	1,795	(20)
Amounts Set-off in the Statement of Financial Position	—	—
Net Amounts Presented in the Statement of Financial Position	1,795	(20)
Related Amounts not Set-off in the Statement of Financial Position		
Financial Instrument	(20)	20
Cash Collateral Received (Pledged)	—	—
<b>Net Amount</b>	<b>1,775</b>	<b>—</b>

## (i) Unconsolidated structured entities

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

As at Mar. 31, 2019	Carrying amount	Carrying amount as a % of the underlying fund's Net Assets
<b>Securities</b>		
BMO Mid-Term US IG Corporate Bond Index ETF	15,032	1.1
<b>Total</b>	<b>15,032</b>	

As at Sep. 30, 2018	Carrying amount	Carrying amount as a % of the underlying fund's Net Assets
<b>Securities</b>		
BMO Mid-Term US IG Corporate Bond Index ETF	14,023	1.0
<b>Total</b>	<b>14,023</b>	

## 9. IFRS 9 transition

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

# BMO World Bond Fund

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

## As at Oct. 1, 2018

Financial Assets	Held for Trading	Designated as FVTPL	Loans and Receivables**	FVTPL
Opening balance - under IAS 39	1,795	196,138	1,751	—
On the basis of change from IAS 39 to IFRS 9:				
- reclassification of investments to FVTPL*	(1,795)	(196,138)	—	197,933
Total change on transition to IFRS 9	(1,795)	(196,138)	—	197,933
Opening balance - under IFRS 9	—	—	1,751	197,933

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

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

## As at Oct. 1, 2018

Financial Liabilities	Held for Trading	Other Financial Liabilities**	FVTPL
Opening balance - under IAS 39	20	206	—
On the basis of change from IAS 39 to IFRS 9:			
- reclassification of securities sold short and derivatives*	(20)	—	20
Total change on transition to IFRS 9	(20)	—	20
Opening balance - under IFRS 9	—	206	20

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

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

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

- If you purchased BMO Mutual Funds through a BMO Bank of Montreal branch or BMO Online Banking, please call 1-800-665-7700.
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