

# BMO Mutual Funds 2020

Annual Financial Statements

September 30, 2020

## BMO World Bond Fund

# Independent Auditor's Report

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To the Unitholders and Trustee of  
BMO Canadian Equity Fund  
BMO Canadian Small Cap Equity Fund  
BMO Resource Fund  
BMO Mortgage and Short-Term Income Fund  
BMO Money Market Fund  
BMO Bond Fund  
BMO Canadian Equity ETF Fund  
BMO Asset Allocation Fund  
BMO Dividend Fund  
BMO Precious Metals Fund  
BMO Monthly Income Fund  
BMO Diversified Income Portfolio  
BMO Global Infrastructure Fund  
BMO Emerging Markets Bond Fund  
BMO Core Plus Bond Fund  
BMO Core Bond Fund  
BMO Target Education Income Portfolio  
BMO Target Education 2025 Portfolio  
BMO Target Education 2030 Portfolio  
BMO Target Education 2035 Portfolio  
BMO Tactical Global Bond ETF Fund  
BMO Tactical Global Equity ETF Fund  
BMO Global Balanced Fund  
BMO U.S. Dividend Fund  
BMO Retirement Income Portfolio  
BMO Retirement Conservative Portfolio  
BMO Retirement Balanced Portfolio  
BMO SIA Focused Canadian Equity Fund  
BMO SIA Focused North American Equity Fund  
BMO Ascent™ Income Portfolio  
BMO Ascent™ Conservative Portfolio  
BMO Ascent™ Balanced Portfolio  
BMO Ascent™ Growth Portfolio  
BMO Ascent™ Equity Growth Portfolio  
BMO LifeStage Plus 2025 Fund  
BMO LifeStage Plus 2030 Fund  
BMO LifeStage Plus 2022 Fund  
BMO LifeStage Plus 2026 Fund  
BMO SelectTrust® Fixed Income Portfolio  
BMO FundSelect® Income Portfolio  
BMO FundSelect® Balanced Portfolio  
BMO FundSelect® Growth Portfolio  
BMO FundSelect® Equity Growth Portfolio  
BMO Fixed Income ETF Portfolio  
BMO Income ETF Portfolio  
BMO Conservative ETF Portfolio  
BMO Balanced ETF Portfolio  
BMO Growth ETF Portfolio  
BMO Equity Growth ETF Portfolio  
BMO World Bond Fund  
BMO Emerging Markets Fund  
BMO European Fund  
BMO North American Dividend Fund

BMO U.S. Equity ETF Fund  
BMO U.S. Equity Fund  
BMO Global Dividend Fund  
BMO International Equity Fund  
BMO Global Monthly Income Fund  
BMO Preferred Share Fund  
BMO Tactical Dividend ETF Fund  
BMO Global Strategic Bond Fund  
BMO U.S. High Yield Bond Fund  
BMO Tactical Balanced ETF Fund  
BMO Growth Opportunities Fund  
BMO Global Equity Fund  
BMO U.S. Equity Plus Fund  
BMO U.S. Dollar Money Market Fund  
BMO U.S. Dollar Equity Index Fund  
BMO U.S. Dollar Monthly Income Fund  
BMO U.S. Dollar Dividend Fund  
BMO U.S. Dollar Balanced Fund  
BMO Risk Reduction Equity Fund  
BMO Risk Reduction Fixed Income Fund  
BMO Covered Call Canadian Banks ETF Fund  
BMO Covered Call Europe High Dividend ETF Fund  
BMO Sustainable Opportunities Global Equity Fund (formerly BMO Fossil Fuel Free Fund)  
BMO Tactical Global Asset Allocation ETF Fund  
BMO Tactical Global Growth ETF Fund  
BMO Covered Call U.S. High Dividend ETF Fund  
BMO Women in Leadership Fund  
BMO International Equity ETF Fund  
BMO Japan Fund  
BMO Covered Call Canada High Dividend ETF Fund  
BMO Concentrated Global Equity Fund  
BMO Crossover Bond Fund  
BMO Global Multi-Sector Bond Fund  
BMO U.S. Small Cap Fund  
BMO Multi-Factor Equity Fund  
BMO Concentrated U.S. Equity Fund  
BMO Low Volatility Canadian Equity ETF Fund  
BMO USD Balanced ETF Portfolio  
BMO USD Conservative ETF Portfolio  
BMO USD Income ETF Portfolio  
BMO Target Education 2040 Portfolio  
BMO Sustainable Income Portfolio (formerly BMO Principle Income Portfolio)  
BMO Sustainable Conservative Portfolio (formerly BMO Principle Conservative Portfolio)  
BMO Sustainable Balanced Portfolio (formerly BMO Principle Balanced Portfolio)  
BMO Sustainable Growth Portfolio (formerly BMO Principle Growth Portfolio)  
BMO Low Volatility U.S. Equity ETF Fund

BMO Sustainable Opportunities Canadian Equity Fund

To the Shareholders of BMO Corporate Class Inc.

BMO Global Dividend Class  
BMO Canadian Equity Class  
BMO Global Equity Class  
BMO Global Energy Class  
BMO Dividend Class  
BMO Greater China Class  
BMO International Value Class  
BMO Global Low Volatility ETF Class  
BMO SelectClass® Income Portfolio  
BMO SelectClass® Balanced Portfolio  
BMO SelectClass® Growth Portfolio  
BMO SelectClass® Equity Growth Portfolio  
BMO Income ETF Portfolio Class  
BMO Balanced ETF Portfolio Class  
BMO Growth ETF Portfolio Class  
BMO Equity Growth ETF Portfolio Class  
BMO U.S. Equity Class  
BMO Asian Growth and Income Class  
*(individually, a Fund)*

# Independent Auditor's Report

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## Our opinion

In our opinion, the accompanying September 30, 2020 financial statements of each Fund present fairly, in all material respects, the financial position of each Fund, its financial performance and its cash flows as at and for the periods indicated in note 1 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

## What we have audited

The financial statements of each Fund comprise:

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

## Basis for opinion

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

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

## Independence

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

## Other information

Management is responsible for the other information of each Fund. The other information comprises the 2020 Annual Management Report of Fund Performance of each Fund.

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements of each Fund in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

# Independent Auditor's Report

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

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

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

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

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

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**  
**Toronto, Ontario**  
**December 17, 2020**

# BMO World Bond Fund

## STATEMENT OF FINANCIAL POSITION

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

As at	September 30 2020	September 30 2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	11,663	6,292
Investments		
Non-derivative financial assets	153,607	183,879
Derivative assets	404	368
Receivable for investments sold	6,683	—
Subscriptions receivable	90	75
Interest receivable	856	1,299
Distribution receivable from investment trusts	23	23
<b>Total assets</b>	<b>173,326</b>	<b>191,936</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Payable for investments purchased	5,101	793
Redemptions payable	125	100
Derivative liabilities	326	86
Accrued expenses	28	32
<b>Total liabilities</b>	<b>5,580</b>	<b>1,011</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>167,746</b>	<b>190,925</b>
<b>Net assets attributable to holders of redeemable units</b>		
Series A Units	133,407	155,141
Advisor Series Units	6,698	6,879
Series F Units	20,254	23,011
Series D Units	3,009	142
Series I Units	3,205	4,233
Classic Series Units	1,173	1,519
<b>Net assets attributable to holders of redeemable units per unit</b>		
Series A Units	\$ 10.74	\$ 11.05
Advisor Series Units	\$ 9.94	\$ 10.23
Series F Units	\$ 11.94	\$ 12.19
Series D Units	\$ 10.43	\$ 10.38
Series I Units	\$ 11.37	\$ 11.51
Classic Series Units	\$ 10.55	\$ 10.64

## STATEMENT OF COMPREHENSIVE INCOME

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

For the periods ended	September 30 2020	September 30 2019
<b>INCOME</b>		
Interest income	3,073	4,305
Dividend income	25	—
Distributions received from investment trusts	375	455
Other changes in fair value of investments and derivatives		
Net realized gain	5,484	18,929
Change in unrealized depreciation	(538)	(1,860)
Net gain in fair value of investments and derivatives	8,419	21,829
Foreign exchange gain (loss)	45	(3,043)
Total other income (loss)	45	(3,043)
<b>Total income</b>	<b>8,464</b>	<b>18,786</b>
<b>EXPENSES</b>		
Management fees (note 6)	3,008	3,294
Fixed administration fees (note 6)	576	626
Independent review committee fees (note 6)	1	1
Withholding taxes	18	(28)
Interest expense	—	1
Fund facts fees	0	0
Commissions and other portfolio transaction costs (note 6)	—	54
Operating expenses absorbed by the Manager (note 6)	(8)	(9)
<b>Total expenses</b>	<b>3,595</b>	<b>3,939</b>
<b>Increase in net assets attributable to holders of redeemable units</b>	<b>4,869</b>	<b>14,847</b>
<b>Increase in net assets attributable to holders of redeemable units</b>		
Series A Units	3,519	11,826
Advisor Series Units	172	504
Series F Units	815	1,990
Series D Units	142	9
Series I Units	173	394
Classic Series Units	48	124
<b>Increase in net assets attributable to holders of redeemable units per unit (note 8)</b>		
Series A Units	0.27	0.80
Advisor Series Units	0.27	0.75
Series F Units	0.46	1.07
Series D Units	0.43	0.93
Series I Units	0.53	1.07
Classic Series Units	0.36	0.85

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	September 30 2020	September 30 2019	For the periods ended	September 30 2020	September 30 2019
<b>Series A Units</b>			<b>Series F Units</b>		
<b>Net assets attributable to holders of redeemable units at beginning of period</b>	155,141	165,061	<b>Net assets attributable to holders of redeemable units at beginning of period</b>	23,011	21,558
Increase in net assets attributable to holders of redeemable units	3,519	11,826	Increase in net assets attributable to holders of redeemable units	815	1,990
<b>Distributions to holders of redeemable units from:</b>			<b>Distributions to holders of redeemable units from:</b>		
Net investment income	(545)	(598)	Net investment income	(401)	(425)
Net realized gains on investments and derivatives	(4,979)	—	Net realized gains on investments and derivatives	(708)	—
Return of capital	(2,606)	(2,954)	Return of capital	(236)	(244)
<b>Total distributions to holders of redeemable units</b>	<b>(8,130)</b>	<b>(3,552)</b>	<b>Total distributions to holders of redeemable units</b>	<b>(1,345)</b>	<b>(669)</b>
<b>Redeemable unit transactions</b>			<b>Redeemable unit transactions</b>		
Proceeds from redeemable units issued	10,297	8,977	Proceeds from redeemable units issued	5,902	8,657
Reinvestments of distributions to holders of redeemable units	8,110	3,544	Reinvestments of distributions to holders of redeemable units	877	428
Redemption of redeemable units	(35,530)	(30,715)	Redemption of redeemable units	(9,006)	(8,953)
<b>Net decrease from redeemable unit transactions</b>	<b>(17,123)</b>	<b>(18,194)</b>	<b>Net (decrease) increase from redeemable unit transactions</b>	<b>(2,227)</b>	<b>132</b>
<b>Net decrease in net assets attributable to holders of redeemable units</b>	<b>(21,734)</b>	<b>(9,920)</b>	<b>Net (decrease) increase in net assets attributable to holders of redeemable units</b>	<b>(2,757)</b>	<b>1,453</b>
<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>133,407</b>	<b>155,141</b>	<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>20,254</b>	<b>23,011</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>	6,879	6,772	<b>Net assets attributable to holders of redeemable units at beginning of period</b>	142	36
Increase in net assets attributable to holders of redeemable units	172	504	Increase in net assets attributable to holders of redeemable units	142	9
<b>Distributions to holders of redeemable units from:</b>			<b>Distributions to holders of redeemable units from:</b>		
Net investment income	(26)	(27)	Net investment income	(35)	(0)
Net realized gains on investments and derivatives	(212)	—	Net realized gains on investments and derivatives	(24)	—
Return of capital	(130)	(135)	Return of capital	(38)	(2)
<b>Total distributions to holders of redeemable units</b>	<b>(368)</b>	<b>(162)</b>	<b>Total distributions to holders of redeemable units</b>	<b>(97)</b>	<b>(2)</b>
<b>Redeemable unit transactions</b>			<b>Redeemable unit transactions</b>		
Proceeds from redeemable units issued	1,717	1,880	Proceeds from redeemable units issued	3,829	110
Reinvestments of distributions to holders of redeemable units	302	130	Reinvestments of distributions to holders of redeemable units	97	2
Redemption of redeemable units	(2,004)	(2,245)	Redemption of redeemable units	(1,104)	(13)
<b>Net increase (decrease) from redeemable unit transactions</b>	<b>15</b>	<b>(235)</b>	<b>Net increase from redeemable unit transactions</b>	<b>2,822</b>	<b>99</b>
<b>Net (decrease) increase in net assets attributable to holders of redeemable units</b>	<b>(181)</b>	<b>107</b>	<b>Net increase in net assets attributable to holders of redeemable units</b>	<b>2,867</b>	<b>106</b>
<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>6,698</b>	<b>6,879</b>	<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>3,009</b>	<b>142</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	September 30 2020	September 30 2019	For the periods ended	September 30 2020	September 30 2019
<b>Series I Units</b>			<b>Total Fund</b>		
<b>Net assets attributable to holders of redeemable units at beginning of period</b>	4,233	4,389	<b>Net assets attributable to holders of redeemable units at beginning of period</b>	190,925	199,287
Increase in net assets attributable to holders of redeemable units	173	394	Increase in net assets attributable to holders of redeemable units	4,869	14,847
<b>Distributions to holders of redeemable units from:</b>			<b>Distributions to holders of redeemable units from:</b>		
Net investment income	(99)	(127)	Net investment income	(1,123)	(1,196)
Net realized gains on investments and derivatives	(130)	—	Net realized gains on investments and derivatives	(6,101)	—
Return of capital	(18)	(5)	Return of capital	(3,028)	(3,340)
<b>Total distributions to holders of redeemable units</b>	<b>(247)</b>	<b>(132)</b>	<b>Total distributions to holders of redeemable units</b>	<b>(10,252)</b>	<b>(4,536)</b>
<b>Redeemable unit transactions</b>			<b>Redeemable unit transactions</b>		
Reinvestments of distributions to holders of redeemable units	247	132	Proceeds from redeemable units issued	21,745	19,648
Redemption of redeemable units	(1,201)	(550)	Reinvestments of distributions to holders of redeemable units	9,697	4,254
<b>Net decrease from redeemable unit transactions</b>	<b>(954)</b>	<b>(418)</b>	Redemption of redeemable units	(49,238)	(42,575)
<b>Net decrease in net assets attributable to holders of redeemable units</b>	<b>(1,028)</b>	<b>(156)</b>	<b>Net decrease from redeemable unit transactions</b>	<b>(17,796)</b>	<b>(18,673)</b>
<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>3,205</b>	<b>4,233</b>	<b>Net decrease in net assets attributable to holders of redeemable units</b>	<b>(23,179)</b>	<b>(8,362)</b>
			<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>167,746</b>	<b>190,925</b>
<b>Classic Series Units</b>					
<b>Net assets attributable to holders of redeemable units at beginning of period</b>	1,519	1,471			
Increase in net assets attributable to holders of redeemable units	48	124			
<b>Distributions to holders of redeemable units from:</b>					
Net investment income	(17)	(19)			
Net realized gains on investments and derivatives	(48)	—			
Return of capital	(0)	(0)			
<b>Total distributions to holders of redeemable units</b>	<b>(65)</b>	<b>(19)</b>			
<b>Redeemable unit transactions</b>					
Proceeds from redeemable units issued	—	24			
Reinvestments of distributions to holders of redeemable units	64	18			
Redemption of redeemable units	(393)	(99)			
<b>Net decrease from redeemable unit transactions</b>	<b>(329)</b>	<b>(57)</b>			
<b>Net (decrease) increase in net assets attributable to holders of redeemable units</b>	<b>(346)</b>	<b>48</b>			
<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>1,173</b>	<b>1,519</b>			

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	September 30 2020	September 30 2019
<b>Cash flows from operating activities</b>		
Increase in net assets attributable to holders of redeemable units	4,869	14,847
Adjustments for:		
Foreign exchange loss (gain) on cash	0	(7)
Net realized gain on sale of investments and derivatives	(5,484)	(18,929)
Change in unrealized depreciation of investments and derivatives	538	1,860
Decrease in futures margin receivable	—	6
Decrease in interest receivable	443	337
Decrease in distribution receivable from investment trusts	—	17
(Decrease) increase in accrued expenses	(4)	14
Amortization of premium and discounts	738	808
Non-cash distributions from investment trusts	(99)	—
Purchases of investments	(133,183)	(127,482)
Proceeds from sale and maturity of investments	171,256	152,750
Cash (outflows) inflows on derivatives	(5,665)	5,538
<b>Net cash from operating activities</b>	<b>33,409</b>	<b>29,759</b>
<b>Cash flows from financing activities</b>		
Distributions paid to holders of redeemable units, net of reinvested distributions	(555)	(282)
Proceeds from issuances of redeemable units	16,146	19,163
Amounts paid on redemption of redeemable units	(43,629)	(42,184)
<b>Net cash used in financing activities</b>	<b>(28,038)</b>	<b>(23,303)</b>
Foreign exchange (loss) gain on cash	(0)	7
Net increase in cash	5,371	6,456
Cash (bank indebtedness) at beginning of period	6,292	(171)
<b>Cash at end of period</b>	<b>11,663</b>	<b>6,292</b>
<b>Supplementary Information</b>		
Interest received, net of withholding taxes*	4,236	5,485
Dividends received, net of withholding taxes*	25	—
Distribution received from investment trusts, net of withholding taxes*	276	472
Interest expense paid*	—	1

\* 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 September 30, 2020 (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>China — 0.8%</b>					
<b>Armenia — 0.3%</b>				China Development Bank, Euro Medium					
First Abu Dhabi Bank P.J.S.C., Euro Medium				Term Notes, Senior, Unsecured, 1.250%					
Term Notes, Senior, Unsecured, 1.375%				Jan 21, 2023 .....					
	GBP 294	504	509		GBP 323	548	558		
				Industrial and Commercial Bank of China					
				Limited, Euro Medium Term Notes, Senior,					
				Unsecured, 1.500% Jul 31, 2022 .....					
					GBP 478	785	828		
						1,333	1,386		
<b>Australia — 6.1%</b>				<b>Colombia — 0.6%</b>					
Commonwealth of Australia, Series 146,				Republic of Colombia, Senior, Unsecured,					
Senior, Unsecured, 1.750% Nov 21, 2020 .....				4.375% Jul 12, 2021 .....					
	AUD 1,800	1,757	1,721		USD 750	740	1,025		
Commonwealth of Australia, Series 124,									
Senior, Unsecured, 5.750% May 15,									
	AUD 1,600	1,738	1,579	<b>Finland — 0.9%</b>					
Commonwealth of Australia, Series 128,				CRH Finland Services OYJ, Euro Medium Term					
Senior, Unsecured, 5.750% Jul 15, 2022 .....				Notes, Senior, Unsecured, Callable,					
	AUD 1,200	1,246	1,258	0.875% Nov 5, 2023 .....					
Commonwealth of Australia, Series 138,				EUR 100				151	160
Senior, Unsecured, 3.250% Apr 21, 2029 .....				Nordea Bank Abp, Euro Medium Term Notes,					
	AUD 200	186	231	Senior, Unsecured, 3.250% Jul 5, 2022 .....					
Commonwealth of Australia, Series 157,				EUR 800				1,110	1,325
Senior, Unsecured, 1.500% Jun 21, 2031 .....								1,261	1,485
	AUD 3,850	3,736	3,906	<b>France — 4.8%</b>					
Commonwealth of Australia, Series 144,				Banque Federative du Credit Mutuel S.A.,					
Senior, Unsecured, 3.750% Apr 21, 2037 .....				Senior, Unsecured, Notes, 2.125% Nov 21,					
	AUD 200	212	261	2022 .....					
Telstra Corporation Limited, Senior,				USD 620				817	851
Unsecured, Notes, 3.500% Sep 21, 2022 .....				Danone S.A., Euro Medium Term Notes,					
	EUR 800	1,034	1,337	Senior, Unsecured, Callable, 0.571%					
		9,909	10,293	Mar 17, 2027 .....					
				EUR 100				155	162
<b>Austria — 0.3%</b>				EssilorLuxottica, Euro Medium Term Notes,					
Republic of Austria, Senior, Unsecured,				Senior, Unsecured, Callable, 0.010%					
Notes, 3.150% Jun 20, 2044 .....				May 27, 2023 .....					
	EUR 167	447	452		EUR 400	590	626		
<b>Belgium — 0.8%</b>				Republic of France, Unsecured, 1.000%					
Anheuser-Busch InBev Worldwide Inc.,				May 25, 2027 .....					
Senior, Unsecured, Notes, Callable,				EUR 600				1,000	1,031
5.450% Jan 23, 2039 .....				Republic of France, Unsecured, 0.010%					
	USD 277	366	476	Nov 25, 2029 .....					
Kingdom of Belgium, Series 90, Senior,				EUR 570				888	916
Unsecured, 0.400% Jun 22, 2040 .....				Republic of France, Unsecured, 0.500%					
	EUR 500	735	811	May 25, 2040 .....					
		1,101	1,287		EUR 1,139	1,716	1,888		
<b>Canada — 2.5%</b>				Republic of France, 1.500% May 25, 2050 .....					
Government of Canada, Senior, Unsecured,				EUR 500				1,017	1,025
2.000% Jun 1, 2028 .....				Sanofi, Senior, Unsecured, Notes, 4.000%					
	1,054	1,123	1,177	Mar 29, 2021 .....					
Government of Canada, Unsecured, 2.250%				USD 550				540	746
Jun 1, 2029 .....				Societe Generale S.A., Euro Medium Term					
	2,660	2,802	3,054	Notes, Senior, Unsecured, Zero Coupon,					
		3,925	4,231	0.010% May 27, 2022 .....					
					EUR 500	747	782		
						7,470	8,027		
<b>Cayman Islands — 0.4%</b>				<b>Germany — 6.0%</b>					
Tencent Holdings Limited, Senior, Unsecured,				ADLER Real Estate AG, Senior, Unsecured,					
Notes, Callable, 3.280% Apr 11, 2024 .....				Notes, Callable, 1.500% Apr 17, 2022 .....					
	USD 478	638	679		EUR 100	150	151		
<b>Chile — 0.9%</b>				Aroundtown S.A., Euro Medium Term Notes,					
Republic of Chile, Senior, Unsecured, 3.250%				Senior, Unsecured, Callable, 3.625%					
Sep 14, 2021 .....				Apr 10, 2031 .....					
	USD 1,000	1,049	1,363		GBP 343	591	629		
Republic of Chile, Senior, Unsecured, 2.250%				BASF SE, Series 10Y, Senior, Unsecured,					
Oct 30, 2022 .....				Notes, 2.000% Dec 5, 2022 .....					
	USD 100	103	137		EUR 200	264	327		
		1,152	1,500	Bayer AG, Fixed to Floating, Junior, Notes,					
				Subordinated, Callable, 3.750% Jul 1,					
				2074 .....					
					EUR 200	296	324		

# BMO World Bond Fund

## SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at September 30, 2020 (All amounts in thousands of Canadian dollars, unless otherwise noted)

	Par Value (in thousands)	Cost (\$)	Fair Value (\$)		Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Bayer US Finance II LLC, Senior, Unsecured, Notes, Callable, 3.500% Jun 25, 2021.....	USD 424.....	559.....	576				
BMW International Investment BV, Euro Medium Term Notes, Senior, Unsecured, 1.250% Jul 11, 2022.....	GBP 186.....	305.....	323				
Bundesobligation, Series 177, Unsecured, 0.010% Apr 14, 2023.....	EUR 1,100.....	1,692.....	1,749				
Daimler Finance North America LLC, Series 144A, Senior, Unsecured, Notes, 2.550% Aug 15, 2022.....	USD 700.....	927.....	963				
Federal Republic of Germany, Unsecured, 0.250% Feb 15, 2027.....	EUR 800.....	1,279.....	1,327				
Federal Republic of Germany, Unsecured, 0.010% Aug 15, 2030.....	EUR 1,110.....	1,792.....	1,825				
RWE Finance BV, Euro Medium Term Notes, Senior, Unsecured, 6.500% Aug 10, 2021.....	EUR 200.....	264.....	330				
Siemens Financieringsmaatschappij N.V., Euro Medium Term Notes, Senior, Unsecured, 1.750% Mar 12, 2021.....	EUR 200.....	263.....	315				
Volkswagen International Finance N.V., Senior, Unsecured, Notes, 2.625% Nov 16, 2027.....	EUR 400.....	592.....	703				
Vonovia Finance B.V., Euro Medium Term Notes, Senior, Unsecured, Callable, 0.125% Apr 6, 2023.....	EUR 100.....	145.....	157				
Vonovia Finance B.V., Euro Medium Term Notes, Senior, Unsecured, Callable, 1.125% Sep 14, 2034.....	EUR 200.....	291.....	313				
		9,410.....	10,012				
<b>Indonesia — 1.7%</b>							
PT Indonesia Asahan Aluminium Tbk, Senior, Unsecured, Notes, 5.230% Nov 15, 2021.....	USD 203.....	265.....	282				
PT Indonesia Asahan Aluminium Tbk, Senior, Unsecured, Notes, 5.710% Nov 15, 2023.....	USD 200.....	260.....	295				
Republic of Indonesia, Senior, Unsecured, 4.875% May 5, 2021.....	USD 800.....	1,002.....	1,090				
Republic of Indonesia, Senior, Unsecured, 3.750% Apr 25, 2022.....	USD 800.....	1,001.....	1,108				
		2,528.....	2,775				
<b>Italy — 3.0%</b>							
Italy Buoni Poliennali Del Tesoro, 2.800% Mar 1, 2067.....	EUR 444.....	617.....	861				
Republic of Italy, Senior, Unsecured, 0.650% Nov 1, 2020.....	EUR 1,000.....	1,508.....	1,562				
Republic of Italy, Senior, Unsecured, 1.500% Jun 1, 2025.....	EUR 971.....	1,506.....	1,605				
Republic of Italy, Senior, Unsecured, 1.650% Dec 1, 2030.....	EUR 300.....	453.....	504				
Republic of Italy, Senior, Unsecured, 2.700% Mar 1, 2047.....	EUR 220.....	340.....	418				
		4,424.....	4,950				
<b>Japan — 14.1%</b>							
Government of Japan, Ten Year Bonds, Series 320, Senior, Unsecured, 1.000% Dec 20, 2021.....	JPY 112,200.....	1,092.....	1,436				
Government of Japan, Ten Year Bonds, Series 327, Senior, Unsecured, 0.800% Dec 20, 2022.....	JPY 117,500.....	1,279.....	1,514				
Government of Japan, Ten Year Bonds, Series 329, Senior, Unsecured, 0.800% Jun 20, 2023.....	JPY 68,100.....	718.....	882				
Government of Japan, Ten Year Bonds, Series 332, Senior, Unsecured, 0.600% Dec 20, 2023.....	JPY 298,800.....	3,119.....	3,861				
Government of Japan, Twenty Year Bonds, Series 79, Senior, Unsecured, 2.000% Jun 20, 2025.....	JPY 68,100.....	759.....	946				
Government of Japan, Twenty Year Bonds, Series 117, Senior, Unsecured, 2.100% Mar 20, 2030.....	JPY 265,450.....	3,489.....	4,017				
Government of Japan, Twenty Year Bonds, Series 116, Senior, Unsecured, 2.200% Mar 20, 2030.....	JPY 68,100.....	788.....	1,039				
Government of Japan, Ten Year Bonds, Series 140, Senior, Unsecured, 1.700% Sep 20, 2032.....	JPY 69,200.....	771.....	1,037				
Government of Japan, Twenty Year Bonds, Series 146, Senior, Unsecured, 1.700% Sep 20, 2033.....	JPY 68,100.....	724.....	1,029				
Government of Japan, Thirty Year Bonds, Series 26, Senior, Unsecured, 2.400% Mar 20, 2037.....	JPY 54,400.....	625.....	918				
Government of Japan, Twenty Year Bond, Series 163, Senior, Unsecured, 0.600% Dec 20, 2037.....	JPY 50,000.....	643.....	659				
Government of Japan, Thirty Year Bonds, Series 28, Senior, Unsecured, 2.500% Mar 20, 2038.....	JPY 40,800.....	482.....	704				
Government of Japan, Thirty Year Bonds, Series 33, Senior, Unsecured, 2.000% Sep 20, 2040.....	JPY 45,800.....	593.....	755				
Government of Japan, Thirty Year Bonds, Series 37, Senior, Unsecured, 1.900% Sep 20, 2042.....	JPY 62,600.....	900.....	1,030				
Government of Japan, Thirty Year Bonds, Series 39, Senior, Unsecured, 1.900% Jun 20, 2043.....	JPY 58,200.....	652.....	962				
Government of Japan, Thirty Year Bonds, Series 41, Senior, Unsecured, 1.700% Dec 20, 2043.....	JPY 84,100.....	1,099.....	1,348				
Government of Japan, Thirty Year Bonds, Series 66, Senior, Unsecured, 0.400% Mar 20, 2050.....	JPY 80,000.....	979.....	958				
Toyota Motor Finance (Netherlands) B.V., Senior, Unsecured, Notes, 1.375% May 23, 2023.....	GBP 339.....	583.....	594				
		19,295.....	23,689				

# BMO World Bond Fund

## SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at September 30, 2020 (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>Luxembourg — 0.1%</b>				<b>Qatar — 0.3%</b>			
CPI Property Group S.A., Euro Medium Term Notes, Senior, Unsecured, Callable, 2.750% Jan 22, 2028	GBP 145	243	243	State of Qatar, Senior, Unsecured, 3.375% Mar 14, 2024	USD 342	459	490
<b>Mexico — 2.1%</b>				<b>Romania — 0.3%</b>			
BBVA Bancomer S.A., Texas, Notes, Subordinated, 6.500% Mar 10, 2021	USD 100	98	136	Republic of Romania, Senior, Unsecured, Notes, 3.375% Jan 28, 2050	EUR 283	409	451
Pemex Project Funding Master Trust, Senior, Unsecured, Notes, 6.625% Jun 15, 2035	USD 800	958	876	<b>Saudi Arabia — 0.2%</b>			
United Mexican States, Senior, Unsecured, 2.750% Apr 22, 2023	EUR 1,100	1,454	1,809	Saudi Arabian Oil Company, Senior, Unsecured, Notes, 2.875% Apr 16, 2024	USD 200	265	275
United Mexican States, Series M, Senior, Unsecured, 8.000% Nov 7, 2047	MXN 10,000	753	680	<b>Singapore — 0.6%</b>			
		3,263	3,501	Republic of Singapore, Senior, Unsecured, 3.125% Sep 1, 2022	SGD 700	645	720
<b>Netherlands — 2.7%</b>				Republic of Singapore, Senior, Unsecured, 3.500% Mar 1, 2027	SGD 200	172	230
Bank Nederlandse Gemeenten N.V., Euro Medium Term Notes, Unsecured, 1.000% Mar 15, 2022	GBP 350	576	608			817	950
BMW International Investment BV, Euro Medium Term Notes, Senior, Unsecured, 0.750% Mar 8, 2024	GBP 439	768	754	<b>South Africa — 0.1%</b>			
Enel Finance International NV, Euro Medium Term Notes, Senior, Unsecured, Callable, 0.010% Jun 17, 2024	EUR 283	411	441	Anglo American Capital PLC, Euro Medium Term Notes, Senior, Unsecured, Callable, 1.625% Mar 11, 2026	EUR 141	213	229
Heineken NV, Euro Medium Term Notes, Senior, Unsecured, 3.500% Mar 19, 2024	EUR 300	391	525	<b>South Korea — 2.4%</b>			
ING Groep N.V., Euro Medium Term Notes, Senior, Unsecured, 3.000% Feb 18, 2026	GBP 200	340	374	Korea Development Bank, The, Senior, Unsecured, Notes, 3.000% Mar 19, 2022	USD 200	264	276
Koninklijke KPN N.V., Unsecured, Notes, 4.250% Mar 1, 2022	EUR 800	1,060	1,324	Korea Treasury Bonds, Series 2206, Senior, Unsecured, 3.750% Jun 10, 2022	KRW 800,000	832	956
RELX Finance B.V., Senior, Unsecured, Notes, Callable, 0.010% Mar 18, 2024	EUR 159	236	248	Korea Treasury Bonds, Series 2303, Senior, Unsecured, 3.000% Mar 10, 2023	KRW 1,300,000	1,312	1,556
Shell International Finance B.V., Euro Medium Term Notes, Senior, Unsecured, 0.375% Feb 15, 2025	EUR 200	294	318	Korea Treasury Bonds, Series 3122, Senior, Unsecured, 4.000% Dec 10, 2031	KRW 850,000	890	1,219
		4,076	4,592			3,298	4,007
<b>New Zealand — 0.7%</b>				<b>Spain — 2.6%</b>			
Dominion of New Zealand, Series 0940, Senior, Unsecured, 2.500% Sep 20, 2040	NZD 828	1,001	1,191	Banco Santander, S.A., Euro Medium Term Notes, Senior, Unsecured, 0.250% Jun 19, 2024	EUR 500	750	785
<b>Norway — 1.2%</b>				Kingdom of Spain, Senior, Unsecured, 3.800% Apr 30, 2024	EUR 750	1,142	1,347
Statoil ASA, Senior, Unsecured, Notes, 2.450% Jan 17, 2023	USD 400	408	557	Kingdom of Spain, Senior, Unsecured, 0.500% Apr 30, 2030	EUR 491	742	789
Statoil ASA, Senior, Unsecured, Notes, 5.100% Aug 17, 2040	USD 800	864	1,436	Kingdom of Spain, Senior, Unsecured, 1.250% Oct 31, 2030	EUR 490	832	841
		1,272	1,993	Kingdom of Spain, Senior, Unsecured, 3.450% Jul 30, 2066	EUR 100	188	271
<b>Portugal — 0.4%</b>				Santander Consumer Finance SA, Euro Medium Term Notes, Senior, Unsecured, 0.375% Jun 27, 2024	EUR 200	297	313
Government of Portugal, Senior, Unsecured, 0.700% Oct 15, 2027	EUR 397	617	651			3,951	4,346
<b>Supranational — 0.9%</b>				<b>Africa Finance Corporation, Senior, Unsecured, Notes, 3.125% Jun 16, 2025</b>			
				USD 449	599	608	

# BMO World Bond Fund

## SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at September 30, 2020 (All amounts in thousands of Canadian dollars, unless otherwise noted)

	Par Value (in thousands)	Cost (\$)	Fair Value (\$)		Par Value (in thousands)	Cost (\$)	Fair Value (\$)
European Investment Bank, Euro Medium Term Notes, Senior, Unsecured, Floating Rate, 0.403% Jun 29, 2023	GBP 540	950	932	The Royal Bank Of Scotland Group Public Limited Company, Senior, Unsecured, Notes, Callable, 4.519% Jun 25, 2024	USD 466	620	667
		1,549	1,540	United Kingdom Gilt, Unsecured, 0.875% Oct 22, 2029	GBP 2,570	4,714	4,692
<b>Sweden — 0.5%</b>				United Kingdom Gilt, Unsecured, 1.250% Oct 22, 2041	GBP 1,200	2,294	2,269
Swedbank AB, Euro Medium Term Notes, Senior, Unsecured, 1.625% Dec 28, 2022	GBP 486	847	856	United Kingdom Gilt, Unsecured, 0.625% Oct 22, 2050	GBP 260	436	429
						13,065	13,479
<b>Switzerland — 0.6%</b>				<b>United States — 19.8%</b>			
Basellandschaftliche Kantonbank, Senior, Unsecured, Notes, 1.000% Oct 4, 2022	CHF 200	218	297	AbbVie Inc., Series 144A, Senior, Unsecured, Notes, 2.300% Nov 21, 2022	USD 518	685	714
Swiss Confederation Government Bond, Unsecured, 0.500% May 27, 2030	CHF 445	712	707	Allstate Corporation, The, Senior, Unsecured, Notes, 3.150% Jun 15, 2023	USD 200	262	285
		930	1,004	Alphabet Inc., Senior, Unsecured, Notes, 3.625% May 19, 2021	USD 300	293	408
<b>United Kingdom — 8.0%</b>				Altria Group, Inc., Senior, Unsecured, Notes, Callable, 4.400% Feb 14, 2026	USD 59	78	90
Barclays PLC, Euro Medium Term Notes, Subordinated, 10.000% May 21, 2021	GBP 100	155	181	American Honda Finance Corporation, Senior, Unsecured, Notes, Callable, 1.000% Sep 10, 2025	USD 318	421	423
HSBC Holdings plc, Fixed to Floating, Senior, Unsecured, Notes, Callable, 3.000% Jul 22, 2028	GBP 208	364	382	Apple Inc., Senior, Unsecured, Notes, Callable, 2.513% Aug 19, 2024	500	510	531
HSBC Holdings plc, Series 955, Euro Medium Term Notes, Fixed to Floating, Subordinated, Callable, 5.375% Nov 4, 2030	GBP 450	854	909	AT&T Inc., Senior, Unsecured, Notes, Callable, 1.800% Sep 14, 2039	EUR 157	228	243
Imperial Tobacco Finance PLC, Series 23, Euro Medium Term Notes, Senior, Unsecured, 9.000% Feb 17, 2022	GBP 100	166	191	AT&T Inc., 3.500% Sep 15, 2053	USD 154	112	198
Legal & General Group Plc, Fixed to Floating, unsecured, Notes, Subordinated, Callable, 5.125% Nov 14, 2048	GBP 154	264	302	Bank of New York Mellon Corporation, The, Senior, Unsecured, Notes, Callable, 3.550% Sep 23, 2021	USD 200	266	274
Medtronic Global Holdings S.C.A., Series 0000, Senior, Unsecured, Notes, Callable, 0.375% Mar 7, 2023	EUR 170	256	268	Caterpillar Inc., Senior, Unsecured, Notes, 3.900% May 27, 2021	USD 300	293	409
Medtronic Global Holdings S.C.A., Series 0000, Senior, Unsecured, Notes, Callable, 0.250% Jul 2, 2025	EUR 185	276	291	Citigroup Inc., Senior, Unsecured, Notes, Callable, 2.750% Jan 24, 2024	GBP 248	427	450
Motability Operations Group plc, Euro Medium Term Notes, Senior, Unsecured, 0.375% Jan 3, 2026	EUR 365	544	580	Coca-Cola Company, The, Senior, Unsecured, Notes, 1.450% Jun 1, 2027	USD 600	832	822
RSA Insurance Group plc, Senior, Unsecured, Notes, Callable, 1.625% Aug 28, 2024	GBP 245	395	428	Colgate-Palmolive Company, Euro Medium Term Notes, Senior, Unsecured, Callable, 0.010% Nov 12, 2021	EUR 189	277	296
Standard Chartered PLC, Series 144A, Fixed to Floating, Senior, Unsecured, Notes, Callable, 3.785% May 21, 2025	USD 681	917	965	Commonwealth Edison Company, Senior, Unsecured, 6.450% Jan 15, 2038	USD 200	271	403
Tesco Corporate Treasury Services PLC, Euro Medium Term Notes, Senior, Unsecured, Callable, 1.375% Oct 24, 2023	EUR 309	461	498	Dell International L.L.C./EMC Corporation, Series 144A, Senior, Secured, Notes, Callable, 4.000% Jul 15, 2024	USD 697	933	1,003
Tesco Corporate Treasury Services PLC, Euro Medium Term Notes, Senior, Unsecured, Callable, 2.500% May 2, 2025	GBP 100	173	182	Digital Euro Finco, LLC, Senior, Unsecured, Callable, 2.500% Jan 16, 2026	EUR 186	283	319
Thames Water Utilities Finance Ltd., Series 44, Euro Medium Term Notes, Secured, 5.125% Sep 28, 2037	GBP 100	176	245	Duke Energy Corporation, Senior, Unsecured, Notes, Callable, 3.050% Aug 15, 2022	USD 200	199	277
				Fidelity National Information Services, Inc., Senior, Unsecured, Callable, 0.125% Dec 3, 2022	EUR 239	350	374
				Fidelity National Information Services, Inc., Senior, Unsecured, Notes, Callable, 0.750% May 21, 2023	EUR 154	232	245
				Fiserv, Inc., Senior, Unsecured, Notes, Callable, 0.375% Jul 1, 2023	EUR 100	150	157

# BMO World Bond Fund

## SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at September 30, 2020 (All amounts in thousands of Canadian dollars, unless otherwise noted)

	Par Value (in thousands)	Cost (\$)	Fair Value (\$)		Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Florida Power & Light Company, First Mortgage Bonds, Secured, Callable, 4.050% Jun 1, 2042	USD 800	801	1,327	United States Treasury Bonds, 2.875% May 15, 2049	USD 1,750	2,690	3,120
Fox Corporation, Senior, Unsecured, Notes, Callable, 4.030% Jan 25, 2024	USD 202	268	296	United States Treasury Notes, 1.625% Oct 31, 2026	USD 1,200	1,745	1,717
General Motors Financial Company, Inc., Senior, Unsecured, Notes, Callable, 4.200% Mar 1, 2021	USD 200	264	269	Walmart Inc., Senior, Unsecured, Notes, Callable, 2.850% Jul 8, 2024	USD 361	482	522
General Motors Financial Company, Inc., Senior, Unsecured, Notes, Callable, 5.100% Jan 17, 2024	USD 700	928	1,017	Walt Disney Company, The, Medium Term Notes, Senior, Unsecured, 2.450% Mar 4, 2022	USD 400	520	548
Goldman Sachs Group, Inc., The, Euro Medium Term Notes, Senior, Unsecured, Callable, Floating Rate, 0.107% Apr 21, 2023	EUR 654	950	1,022	Wells Fargo & Company, Euro Medium Term Notes, Senior, Unsecured, 2.625% Aug 16, 2022	EUR 710	865	1,161
Goldman Sachs Group, Inc., The, Euro Medium Term Notes, Senior, Unsecured, 3.125% Jul 25, 2029	GBP 101	173	196	Wells Fargo & Company, Euro Medium Term Notes, Senior, Unsecured, 2.500% May 2, 2029	GBP 276	479	507
Home Depot, Inc., The, Senior, Unsecured, Notes, 5.875% Dec 16, 2036	USD 200	231	399			29,615	33,278
Honeywell International Inc., Senior, Unsecured, Notes, Callable, 0.010% Mar 10, 2024	EUR 173	258	270	<b>Total Bonds &amp; Debentures — 86.7%</b>		<b>130,027</b>	<b>145,376</b>
HP Inc., Senior, Unsecured, Notes, 6.000% Sep 15, 2041	USD 200	242	324		Number of Units	Cost* (\$)	Fair Value (\$)
John Deere Capital Corporation, Medium Term Notes, Senior, Unsecured, 2.750% Mar 15, 2022	USD 400	400	551	<b>HOLDINGS IN INVESTMENT FUNDS</b>			
Kraft Foods Group Inc., Senior, Unsecured, Notes, 5.000% Jun 4, 2042	USD 200	225	289	<b>U.S. Fixed Income Fund — 4.9%</b>			
Metropolitan Life Global Funding I, Senior, Unsecured, Notes, 0.375% Apr 9, 2024	EUR 195	291	308	BMO Mid-Term US IG Corporate Bond Index ETF <sup>^</sup>	396,000	7,039	8,231
Micron Technology, Inc., Senior, Unsecured, Notes, 2.497% Apr 24, 2023	USD 49	70	68	<b>Total Holdings in Investment Funds — 4.9%</b>		<b>7,039</b>	<b>8,231</b>
Oracle Corporation, Senior, Unsecured, Notes, Callable, 1.900% Sep 15, 2021	USD 200	262	270	<b>Total Investment Portfolio — 91.6%</b>		<b>137,066</b>	<b>153,607</b>
PayPal Holdings, Inc., Senior, Unsecured, Notes, Callable, 2.400% Oct 1, 2024	USD 323	428	457	Total Unrealized Gain on Forward Currency Contracts — 0.2%			404
PepsiCo, Inc., Senior, Unsecured, Notes, 2.750% Mar 1, 2023	USD 350	368	493	Total Unrealized Loss on Forward Currency Contracts — (0.2)%			(326)
Prudential Financial, Inc., Fixed to Floating, Junior, Notes, Subordinated, Callable, 5.625% Jun 15, 2043	USD 350	369	494	Other Assets Less Liabilities — 8.4%			14,061
Stryker Corporation, Senior, Unsecured, Notes, Callable, 0.250% Dec 3, 2024	EUR 253	370	397	<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS — 100.0%</b>			<b>167,746</b>
Time Warner Cable Inc., Senior, Unsecured, Notes, Callable, 4.000% Sep 1, 2021	USD 200	197	272				
Truist Bank, Bankers Notes, Senior, Unsecured, Callable, 2.800% May 17, 2022	USD 385	518	532				
United States Treasury Bonds, 2.750% Feb 15, 2028	USD 2,656	4,218	4,113				
United States Treasury Bonds, 3.000% Feb 15, 2048	USD 1,786	3,116	3,231				
United States Treasury Bonds, 3.000% Aug 15, 2048	USD 654	785	1,187				

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

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

# BMO World Bond Fund

## SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at September 30, 2020 (All amounts in thousands of Canadian dollars, unless otherwise noted)

### UNREALIZED GAIN ON FORWARD CURRENCY CONTRACTS

Settlement Date	Currency Buy	Position (000s)	Currency Sell	Position (000s)	Contract Rate	Counterparty	Credit Rating**	Unrealized Gain
30-Oct-20	CAD	5,153	GBP	(2,997)	1.7195	HSBC Bank PLC	A-1	4
30-Oct-20	CAD	6,848	GBP	(3,970)	1.7249	Royal Bank of Canada	A-1+	26
30-Oct-20	CAD	6,848	GBP	(3,970)	1.7250	HSBC Bank PLC	A-1	27
30-Oct-20	CAD	27,439	USD	(20,525)	1.3368	Canadian Imperial Bank of Commerce	A-1	111
30-Oct-20	CAD	27,442	USD	(20,525)	1.3370	JP Morgan Securities Plc	A-1	114
30-Oct-20	CAD	23,275	JPY	(1,833,391)	0.0127	BNP Paribas SA	A-1	122
<b>Total Unrealized Gain on Forward Currency Contracts</b>								<b>404</b>

### UNREALIZED LOSS ON FORWARD CURRENCY CONTRACTS

Settlement Date	Currency Buy	Position (000s)	Currency Sell	Position (000s)	Contract Rate	Counterparty	Credit Rating**	Unrealized Loss
30-Oct-20	CAD	8,944	AUD	(9,474)	0.9442	Westpac Banking Corporation	A-1+	(90)
30-Oct-20	CAD	21,634	EUR	(13,874)	1.5593	Citigroup Global Markets Ltd.	A-1	(37)
30-Oct-20	CAD	21,638	EUR	(13,874)	1.5596	Bank of Montreal	A-1	(33)
30-Oct-20	CAD	1,109	NZD	(1,264)	0.8769	Westpac Banking Corporation	A-1+	(5)
30-Oct-20	CAD	685	MXN	(11,462)	0.0597	BNP Paribas SA	A-1	(3)
30-Oct-20	CAD	950	SGD	(976)	0.9732	Westpac Banking Corporation	A-1+	(2)
30-Oct-20	CAD	1,006	CHF	(697)	1.4438	Westpac Banking Corporation	A-1+	(2)
30-Oct-20	EUR	2,118	CAD	(3,322)	0.6376	Royal Bank of Canada	A-1+	(14)
30-Oct-20	USD	2,457	CAD	(3,288)	0.7472	HSBC Bank PLC	A-1	(17)
24-Nov-20	CAD	3,664	KRW	(3,316,840)	0.0011	Canadian Imperial Bank of Commerce	A-1	(123)
<b>Total Unrealized Loss on Forward Currency Contracts</b>								<b>(326)</b>

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

# BMO World Bond Fund

## NOTES TO THE FINANCIAL STATEMENTS

*(All amounts in thousands of Canadian dollars, except per unit data)  
September 30, 2020*

### 1. The 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 for the Fund are as at September 30, 2020 and September 30, 2019, as applicable. The Statement of Comprehensive Income, Statement of Changes in Net Assets Attributable to Holders of Redeemable Units, Statement of Cash Flows and related notes are for the period(s) ended September 30, 2020 and September 30, 2019, except for a Fund established during the period(s), which is presented from the date of inception (as noted in Note 8) to September 30 of the applicable period. Financial information provided for a series established during the period(s) is presented from the inception date as noted in Note 8 to September 30 of the applicable period.

These financial statements were authorized for issuance by the Board of Directors of the Manager on December 3, 2020.

### 2. Basis of preparation and presentation

These audited financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The financial

statements have been prepared on a historic cost basis, except for the revaluation of financial assets and financial liabilities (including derivative financial instruments) measured at fair value through profit or loss (“FVTPL”). Certain prior period balances have been reclassified to conform with the current period presentation.

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

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

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

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

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)  
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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 cost of the investments.

### **Fair value measurement**

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

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

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

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

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

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

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

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

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

The premium paid for purchasing an option is 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)  
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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. Changes in this value on each Valuation Date is recorded as “Derivative income (loss)” in the Statement of Comprehensive Income. Treasury bills or cash are held as margin against futures contracts.

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

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

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

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

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

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

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

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

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

The Fund enters into To-Be-Announced securities (“TBA”) to gain exposure to the underlying mortgage-backed securities (“MBS”), and may or may not take delivery at maturity. TBA securities are typically sold one to three months in advance of issuance, prior to the identification of the underlying pools of mortgage securities but with the interest payment provisions fixed in advance. The underlying

# BMO World Bond Fund

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

*(All amounts in thousands of Canadian dollars, except per unit data)  
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pools of mortgage securities are identified shortly before settlement and must meet certain parameters. As such, the TBA securities do not have a known maturity date as of year-end. Losses may arise due to changes in the value of the underlying securities, failure of the counterparty to perform under the contract, or if the issuer fails to issue the MBS due to political, economic or other factors. TBA securities are fair valued based upon quotations from independent security pricing sources. Any gain or loss from selling the TBA security before the underlying MBS is delivered is recorded as "Net realized gain (loss)" and any unrealized gain or loss from changes in the fair value of the TBA security held is recorded as "Change in unrealized appreciation (depreciation)" in the Statement of Comprehensive Income.

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

### **Cash**

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

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

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

### **Investments in subsidiaries, joint ventures and associates**

Subsidiaries are entities over which the Fund has control through its exposure or rights to variable returns from its investment and has the ability to affect those returns through its power over the entity. The Manager has determined that the Fund is an

investment entity and as such, it accounts for subsidiaries, if any, at fair value. Joint ventures are investments where the Fund exercises joint control through an agreement with other shareholders, and associates are investments in which the Fund exerts significant influence over operating, investing, and financing decisions (such as entities in which the Fund owns 20% - 50% of voting shares), all of which, if any, have been classified at FVTPL.

### **Unconsolidated structured entities**

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

# BMO World Bond Fund

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

*(All amounts in thousands of Canadian dollars, except per unit data)  
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### **Offsetting of financial assets and financial liabilities**

Financial instruments are presented at net or gross amounts in the Statement of Financial Position depending on the existence of intention and legal right to offset opposite positions of such instruments held with the same counterparties. Amounts offset in the Statement of Financial Position are related to transactions for which the Fund has legally enforceable rights to offset and intends to settle the positions on a net basis. Amounts not offset in the Statement of Financial Position relate to positions where there is no legally enforceable right to offset, or the legal right to offset is only in the event of default, insolvency or bankruptcy, or where the Fund has no intention to settle on a net basis. Refer to Note 8 for details.

### **Income recognition**

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

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

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

### **Foreign currency translation**

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

(depreciation)" respectively, in the Statement of Comprehensive Income. Foreign exchange gains (losses) relating to cash, receivables and payables are included in "Foreign exchange gain (loss)" in the Statement of Comprehensive Income.

### **Securities lending**

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

For those Funds participating in the program, aggregate values of securities on loan, the collateral held as at September 30, 2020 and September 30, 2019 and information about the security lending income earned by the Fund are disclosed in Note 8, where applicable.

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

### **Short-term trading penalty**

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

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

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

# BMO World Bond Fund

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

(All amounts in thousands of Canadian dollars, except per unit data)  
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### 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 used the purchase method of accounting for fund mergers. Under the purchase method of accounting, one of the Funds in each merger is identified as the acquiring fund, and is referred to as the "Continuing Fund", and the other Fund involved in the merger is referred to as the "Terminated Fund". In determining the acquirer, the Manager considered factors such as the comparison of the relative NAV of the funds as well as consideration of the continuation of certain aspects of the Continuing Fund such as: investment advisors, investment objectives and practices, type of portfolio securities and management fees and other expenses. Where applicable, refer to Note 8 for the details of any fund merger transactions.

### 4. Critical accounting judgements and estimates

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

#### Accounting judgements:

##### Functional and presentation currency

The Fund's unitholders are mainly Canadian residents, with the subscriptions and redemptions of the redeemable units denominated in Canadian dollars. The Fund invests in Canadian and U.S. dollars and other foreign denominated securities, as applicable. The performance of the Fund is measured and reported

to the investors in Canadian dollars. The Manager considers the Canadian dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Canadian dollars, which is the Fund's functional and presentation currency.

##### Classification and measurement of investment portfolio

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

#### Accounting estimates:

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

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

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

### 5. Units and unit transactions

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

# BMO World Bond Fund

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

*(All amounts in thousands of Canadian dollars, except per unit data)  
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subscriptions and redemptions of units except as disclosed in Note 8. The relevant movements in redeemable units are shown in the Statement of Changes in Net Assets Attributable to Holders of Redeemable Units.

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

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

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

### ETF Series Units

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

If the subscription or redemption order is accepted, the Fund will issue or redeem ETF Series Units to/from the designated broker or the ETF dealer by no later than the third trading day after the date on which the subscription or redemption order is accepted, in the case of a fund that invests a portion of its portfolio

assets in T+3 securities; by no later than the second trading date after the date on which the subscription or redemption order is accepted, in the case of a fund that does not invest a portion of its portfolio assets in T+3 securities or a shorter period as may be determined by the Manager in response to changes in applicable law or general changes to settlement procedures in applicable markets.

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

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

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

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

## 6. Related party transactions

### (a) Management fees

The Manager is responsible for the day-to-day management of the Fund and its investment portfolio in compliance with the Fund's constating documents. The Manager provides key management personnel to the Fund, monitors and evaluates the performance of the

# BMO World Bond Fund

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

*(All amounts in thousands of Canadian dollars, except per unit data)  
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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 Sustainable Opportunities Global Equity Fund, BMO Tactical Global Asset Allocation ETF Fund, BMO Tactical Global Growth ETF Fund, BMO Women in Leadership Fund, BMO International Value Fund, BMO Japan Fund, BMO Covered Call Canada High Dividend ETF Fund, BMO Concentrated Global Equity Fund, BMO Crossover Bond Fund, BMO Global Multi-Sector Bond Fund, BMO U.S. Small Cap Fund, BMO Multi-Factor Equity Fund, BMO SIA Focused Canadian Equity Fund, BMO SIA Focused North American Equity Fund, BMO Concentrated U.S. Equity Fund and BMO Low Volatility Canadian Equity ETF Fund (the "Variable Operating Expense Series"), including audit and legal fees and expenses; custodian and transfer agency fees; costs attributable to the issue, redemption and change of securities, including the cost of the securityholder record keeping system; expenses incurred in respect of preparing and distributing prospectuses, financial reports and other types of reports, statements and communications to securityholders; fund accounting and valuation costs; filing fees, including those incurred by the Manager (collectively the "Administration Expenses"). In return, the Fund pays a fixed administration fee to the Manager. The fixed administration fee is calculated daily as a fixed annual percentage of the 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 expenses directly. These operating expenses include Administration Expenses and Fund Expenses.

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

The Fund may execute trades with and through BMO Nesbitt Burns Inc., an affiliate of the Manager, based on established standard brokerage agreements at market prices. These fees are included in "Commissions and other portfolio transaction costs" in the Statement of Comprehensive Income. Refer to Note 8 for related party fees charged to the Fund during the period(s) ended September 30, 2020 and September 30, 2019, where applicable.

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

In order to establish a new Fund, the Manager, makes an initial investment in the Fund. Pursuant to the policies of the Canadian Securities Administrators, an initial investor cannot redeem its investments until an additional \$500 has been received from other investors with respect to the same class of units. Refer to Note 8 for the investment in units of the Fund held by the Manager as at September 30, 2020 and September 30, 2019, where applicable.

# BMO World Bond Fund

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

*(All amounts in thousands of Canadian dollars, except per unit data)  
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### **(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 risks of the underlying fund(s), depending on the investment objectives and the type of securities held by the

underlying fund(s). The decision to buy or sell an underlying fund is based on the investment guidelines and positions, rather than the exposure of the underlying fund(s).

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

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

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

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

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

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

# 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)  
September 30, 2020*

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## **(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)

(All amounts in thousands of Canadian dollars, except per unit data)  
September 30, 2020

### 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 registered dealers.

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 disclosed in the table below.

For the periods ended (in thousands of units)	Sep. 30, 2020	Sep. 30, 2019
<b>Series A Units</b>		
Units issued and outstanding, beginning of period	14,043	15,752
Issued	961	842
Issued on reinvestment of distributions	765	333
Redeemed during the period	(3,351)	(2,884)
Units issued and outstanding, end of period	12,418	14,043
<b>Advisor Series Units</b>		
Units issued and outstanding, beginning of period	673	697
Issued	172	189
Issued on reinvestment of distributions	30	13
Redeemed during the period	(201)	(226)
Units issued and outstanding, end of period	674	673
<b>Series F Units</b>		
Units issued and outstanding, beginning of period	1,888	1,878
Issued	498	742
Issued on reinvestment of distributions	75	37
Redeemed during the period	(764)	(769)
Units issued and outstanding, end of period	1,697	1,888
<b>Series D Units</b>		
Units issued and outstanding, beginning of period	14	4
Issued	371	11
Issued on reinvestment of distributions	9	0
Redeemed during the period	(106)	(1)
Units issued and outstanding, end of period	288	14
<b>Series I Units</b>		
Units issued and outstanding, beginning of period	368	407
Issued on reinvestment of distributions	22	12
Redeemed during the period	(108)	(51)
Units issued and outstanding, end of period	282	368

# BMO World Bond Fund

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

(All amounts in thousands of Canadian dollars, except per unit data)  
September 30, 2020

For the periods ended (in thousands of units)	Sep. 30, 2020	Sep. 30, 2019
<b>Classic Series Units</b>		
Units issued and outstanding, beginning of period	143	148
Issued	—	3
Issued on reinvestment of distributions	6	2
Redeemed during the period	(38)	(10)
Units issued and outstanding, end of period	111	143

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

As at September 30, 2020 and September 30, 2019, there were no differences between the Fund's NAV per unit and its Net Assets per unit calculated in accordance with IFRS.

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

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

For the periods ended	Sep. 30, 2020	Sep. 30, 2019
<b>Series A Units</b>		
Increase in net assets attributable to holders of redeemable units	3,519	11,826
Weighted average units outstanding during the period (in thousands of units)	13,136	14,820
Increase in net assets attributable to holders of redeemable units per unit	0.27	0.80
<b>Advisor Series Units</b>		
Increase in net assets attributable to holders of redeemable units	172	504
Weighted average units outstanding during the period (in thousands of units)	647	675
Increase in net assets attributable to holders of redeemable units per unit	0.27	0.75
<b>Series F Units</b>		
Increase in net assets attributable to holders of redeemable units	815	1,990
Weighted average units outstanding during the period (in thousands of units)	1,769	1,854
Increase in net assets attributable to holders of redeemable units per unit	0.46	1.07

For the periods ended	Sep. 30, 2020	Sep. 30, 2019
<b>Series D Units</b>		
Increase in net assets attributable to holders of redeemable units	142	9
Weighted average units outstanding during the period (in thousands of units)	334	10
Increase in net assets attributable to holders of redeemable units per unit	0.43	0.93

### Series I Units

Increase in net assets attributable to holders of redeemable units	173	394
Weighted average units outstanding during the period (in thousands of units)	323	364
Increase in net assets attributable to holders of redeemable units per unit	0.53	1.07

### Classic Series Units

Increase in net assets attributable to holders of redeemable units	48	124
Weighted average units outstanding during the period (in thousands of units)	136	146
Increase in net assets attributable to holders of redeemable units per unit	0.36	0.85

### (d) Income taxes

As at the tax year-ended December 2019, the Fund had the following capital and non-capital losses available for income tax purposes:

Total Capital Losses (\$)	Total Non-Capital Losses (\$)	Non-Capital Losses That Expire in		
		2031 (\$)	2032 (\$)	2033 and thereafter (\$)
140	—	—	—	—

### (e) Related party transactions

#### Management fees and administration fees

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

# BMO World Bond Fund

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

(All amounts in thousands of Canadian dollars, except per unit data)  
September 30, 2020

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 September 30, 2020 amounted to \$23 (September 30, 2019 — \$27).

The outstanding accrued fixed administration fees due to the Manager are included in “Accrued expenses” in the Statement of Financial Position and as at September 30, 2020 amounted to \$4 (September 30, 2019 — \$5).

### Expenses

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

### Brokerage commissions and soft dollars

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

For the periods ended	Sep. 30, 2020 (\$)	Sep. 30, 2019 (\$)
Total brokerage amounts paid	—	2
Total brokerage amounts paid to related parties	—	—

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

### Units held by the Manager

The Manager held the following units of the Fund:

#### As at Sep. 30, 2020

Series	Number of Units	Value of Units (\$)
Series D Units	107	1
Series I Units	13	0

#### As at Sep. 30, 2019

Series	Number of Units	Value of Units (\$)
Series D Units	104	1
Series I Units	12	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 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 Sep. 30, 2020

Currencies	Cash and other current receivables & payables (\$)	Investments (monetary & non-monetary) (\$)	Forward currency contracts (\$)	Net currency exposure (\$)	As a % of Net Assets (%)
Australian Dollar	79	8,956	(9,034)	1	0.0
Euro	3,589	39,757	(40,034)	3,312	2.0
Japanese Yen	36	23,095	(23,153)	(22)	(0.0)
Mexican Peso	15	680	(688)	7	0.0
New Zealand Dollar	1	1,191	(1,114)	78	0.0
Norwegian Krone	0	—	—	0	0.0
Pound Sterling	(4,978)	18,571	(18,792)	(5,199)	(3.1)
Singapore Dollar	2	950	(952)	0	0.0
South Korean Won	25	3,731	(3,787)	(31)	(0.0)

# BMO World Bond Fund

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

(All amounts in thousands of Canadian dollars, except per unit data)  
September 30, 2020

### As at Sep. 30, 2020

Currencies	Cash and other current receivables & payables (\$)	Investments (monetary & non-monetary) (\$)	Forward currency contracts (\$)	Net currency exposure (\$)	As a % of Net Assets (%)
Swedish Krona	0	—	—	0	0.0
Swiss Franc	4	1,004	(1,008)	(0)	(0.0)
U.S. Dollar	3,640	42,679	(51,385)	(5,066)	(3.0)
<b>Total</b>	<b>2,413</b>	<b>140,614</b>	<b>(149,947)</b>	<b>(6,920)</b>	<b>(4.1)</b>

### As at Sep. 30, 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	104	7,650	(7,769)	(15)	(0.0)
Euro	342	49,545	(50,081)	(194)	(0.1)
Japanese Yen	38	27,550	(27,737)	(149)	(0.1)
Mexican Peso	92	6,106	(61)	6,137	3.2
Pound Sterling	(499)	13,811	(13,959)	(647)	(0.3)
Singapore Dollar	2	914	(918)	(2)	(0.0)
South Korean Won	1,575	3,666	(5,310)	(69)	(0.0)
Swiss Franc	3	278	(282)	(1)	(0.0)
U.S. Dollar	554	59,262	(67,563)	(7,747)	(4.1)
<b>Total</b>	<b>2,211</b>	<b>168,782</b>	<b>(173,680)</b>	<b>(2,687)</b>	<b>(1.4)</b>

As at September 30, 2020 and September 30, 2019, 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 decreased or increased, respectively, by approximately \$346 (September 30, 2019 — \$134). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

### Interest rate risk

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

Number of years	Interest Rate Exposure as at Sep. 30, 2020	Interest Rate Exposure as at Sep. 30, 2019
Less than one year	12,526	20,151
One to three years	34,770	41,941
Three to five years	22,355	31,213
Five to ten years	32,123	28,355
Greater than ten years	43,602	54,394
<b>Total</b>	<b>145,376</b>	<b>176,054</b>

As at September 30, 2020 and September 30, 2019, 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 decreased or increased, respectively, by approximately \$10,933 (September 30, 2019 — \$12,442). 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.

### Other market risk

As at September 30, 2020 and September 30, 2019, the Fund did not have significant exposure to other market risk as it invested fully in fixed income securities.

### Credit risk

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

Credit Rating	As a % of Net Assets as at	
	Sep. 30, 2020	Sep. 30, 2019
AAA	22.3	21.6
AA	14.2	10.8
A	26.9	30.5
BBB	23.1	14.3
BB	0.4	0.7
Unrated	—	14.5
<b>Total</b>	<b>86.9</b>	<b>92.4</b>

# BMO World Bond Fund

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

(All amounts in thousands of Canadian dollars, except per unit data)  
September 30, 2020

### Securities lending

There were no assets involved in securities lending transactions as at September 30, 2020 and September 30, 2019.

### Concentration risk

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

As at	Sep. 30, 2020	Sep. 30, 2019
<b>Bonds &amp; Debentures</b>		
Armenia	0.3%	—%
Australia	6.1%	4.7%
Austria	0.3%	0.3%
Belgium	0.8%	1.5%
Canada	2.5%	3.5%
Cayman Islands	0.4%	—%
Chile	0.9%	0.9%
China	0.8%	0.3%
Colombia	0.6%	0.5%
Comoros	—%	0.4%
Czech Republic	—%	0.4%
Finland	0.9%	1.5%
France	4.8%	6.7%
Germany	6.0%	4.6%
Indonesia	1.7%	2.2%
Ireland	—%	0.7%
Italy	3.0%	1.7%
Japan	14.1%	14.7%
Luxembourg	0.1%	—%
Mexico	2.1%	4.7%
Netherlands	2.7%	2.2%
New Zealand	0.7%	—%
Norway	1.2%	1.0%
Portugal	0.4%	—%
Qatar	0.3%	0.3%
Romania	0.3%	—%
Saudi Arabia	0.2%	0.1%
Singapore	0.6%	0.5%
South Africa	0.1%	0.1%
South Korea	2.4%	2.1%
Spain	2.6%	4.4%
Supranational	0.9%	0.5%
Sweden	0.5%	1.2%
Switzerland	0.6%	0.2%

As at	Sep. 30, 2020	Sep. 30, 2019
United Kingdom	8.0%	5.1%
United States	19.8%	25.2%
<b>Holdings in Investment Funds</b>		
U.S. Fixed Income Fund	4.9%	4.1%
<b>Other Assets Less Liabilities</b>		
	8.4%	3.7%
	<b>100.0%</b>	<b>100.0%</b>

### (g) Fair value hierarchy

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

#### As at Sep. 30, 2020

Financial assets	Level 1	Level 2	Level 3	Total
Debt Securities	9,302	136,074	—	145,376
Investment Funds	8,231	—	—	8,231
Derivatives	—	404	—	404
<b>Total</b>	<b>17,533</b>	<b>136,478</b>	<b>—</b>	<b>154,011</b>

#### Financial liabilities

Derivatives	—	(326)	—	(326)
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#### As at Sep. 30, 2019

Financial assets	Level 1	Level 2	Level 3	Total
Debt Securities	16,290	159,764	—	176,054
Investment Funds	7,825	—	—	7,825
Derivatives	—	368	—	368
<b>Total</b>	<b>24,115</b>	<b>160,132</b>	<b>—</b>	<b>184,247</b>

#### Financial liabilities

Derivatives	—	(86)	—	(86)
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# BMO World Bond Fund

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

(All amounts in thousands of Canadian dollars, except per unit data)  
September 30, 2020

### 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, 2019 to September 30, 2020, \$145 of debt securities were transferred from Level 2 to Level 1 due to increased availability of quoted prices in the active market.

During the period from October 1, 2018 to September 30, 2019, \$308 of debt securities were transferred from Level 2 to Level 1 due to increased availability of quoted prices in the active market. \$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.

### (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 Sep. 30, 2020	Assets	Liabilities
Gross Amounts of Recognized Financial Assets (Liabilities)	404	(326)
Amounts Set-off in the Statement of Financial Position	—	—
Net Amounts Presented in the Statement of Financial Position	404	(326)
Related Amounts not Set-off in the Statement of Financial Position		
Financial Instrument	—	—
Cash Collateral Received (Pledged)	—	—
Net Amount	404	(326)

As at Sep. 30, 2019	Assets	Liabilities
Gross Amounts of Recognized Financial Assets (Liabilities)	368	(86)
Amounts Set-off in the Statement of Financial Position	—	—
Net Amounts Presented in the Statement of Financial Position	368	(86)
Related Amounts not Set-off in the Statement of Financial Position		
Financial Instrument	—	—
Cash Collateral Received (Pledged)	—	—
Net Amount	368	(86)

### (i) Unconsolidated structured entities

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

As at Sep. 30, 2020	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	8,231	0.5
<b>Total</b>	<b>8,231</b>	

As at Sep. 30, 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	7,825	0.5
<b>Total</b>	<b>7,825</b>	

### 9. Significant event

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

# BMO World Bond Fund

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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

*(All amounts in thousands of Canadian dollars, except per unit data)  
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environments, inherent controls risk and cyber-risks; while the main impacts on investments includes increase in market risks, market volatility and liquidity risk, with its impacts on valuations.

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

# Management's Responsibility for Financial Reporting

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

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

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

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

Ross F. Kappelé,  
*Head, Investment Fund Manager Line of Business*  
BMO Investments Inc.  
December 3, 2020

Robert J. Schauer,  
*Chief Financial Officer*  
BMO Mutual Funds  
December 3, 2020

**BMO Investments Inc.**

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[www.bmo.com/mutualfunds](http://www.bmo.com/mutualfunds) and [www.bmo.com/gam/ca](http://www.bmo.com/gam/ca)

**Independent Auditor**

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

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

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

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Mutual Funds