

# BMO World Bond Fund (the “Fund”)

For the 12-month period ended September 30, 2021 (the “Period”)

Manager: BMO Investments Inc. (the “Manager” or “BMOI”)

Portfolio manager: BMO Asset Management Inc., Toronto, Ontario (the “portfolio manager”)

Sub-advisor: BMO Asset Management Limited, London, England

## 2021 Annual Management Report of Fund Performance

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Fund. If the annual financial statements of the Fund do not accompany the mailing of this report, you may obtain a copy of the annual financial statements at your request, and at no cost, by calling 1-800-665-7700 and 1-800-668-7327, by writing to us at BMO Investments Inc., First Canadian Place, 100 King Street West, 43rd Floor, Toronto, Ontario, M5X 1A1 or by visiting our website at [www.bmo.com/mutualfunds](http://www.bmo.com/mutualfunds) and [www.bmo.com/gam/ca](http://www.bmo.com/gam/ca) or SEDAR at [www.sedar.com](http://www.sedar.com). You may also contact us using one of these methods to request a copy of the Fund’s interim financial report, proxy voting policies and procedures, proxy voting disclosure record and/or quarterly portfolio disclosure.

### MANAGEMENT DISCUSSION OF FUND PERFORMANCE

#### Investment Objective and Strategies

The Fund’s objectives are to provide a high level of interest income and some opportunity for growth in the value of your investment. The Fund invests primarily in bonds and debentures maturing in more than one year, issued by governments and corporations around the world and by supranational agencies such as the World Bank.

The sub-advisor seeks to optimize portfolio holdings in an effort to mitigate portfolio risk, while seeking superior risk-adjusted returns. The sub-advisor uses a fundamental driven process focused on duration management, yield curve positioning, country allocation, security selection and asset allocation into highly rated agencies. The sub-advisor will select bonds based on their overall liquidity and with respect to the overall size of the issuing country. The sub-advisor also uses a responsible investment approach in the security selection process.

#### Risk

The risks associated with an investment in the Fund remain as disclosed in the Fund’s most recent simplified prospectus or any amendments thereto and fund facts. During the Period, there were no changes to the Fund that materially affected the overall risk level associated with an investment in the Fund. The Manager reviewed the Fund using the standardized investment risk classification methodology prescribed by National Instrument 81-102 *Investment Funds* and determined on May 26, 2021 that the risk rating of the Fund had not changed. The Manager reviews the Fund’s investment risk level and reference index, if any, at least annually.

#### Results of Operations

During the Period, the Fund’s total net asset value changed from approximately \$168 million to approximately \$209 million. Series A units of the Fund returned -2.49%. Please see the *Past Performance* section for information on the performance returns of the Fund’s other series.

During the Period, the global economy gradually reopened as COVID-19 cases continued declining in response to increased vaccination rates. The market rebound that began in the first quarter of 2020 resulted in strong performance for global fixed income. Interest rates rose globally as market stresses eased and inflation and growth expectations increased. The Bloomberg Global Aggregate Bond Index (C\$ hedged) returned -0.6% over the Period.

Central banks delivered a supportive message to financial markets that monetary policy should remain accommodative as long as price increases remained transitory. Policymakers pointed to a range of temporary factors that were pushing inflation above target, such as higher energy prices. However, supply-chain disruptions that resulted from increased demand heightened the level of uncertainty around central banks’ outlook for inflation.

This uncertainty led developed market central banks to adopt an increasingly more cautious tone, reinforcing the idea that peak central bank support had passed. The U.S. Federal Reserve Board (“Fed”) revised upward its projections for inflation in September 2021, while confirming that tapering of asset purchases would begin in November 2021.

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At its September 2021 meeting, the European Central Bank also announced a slowdown in the rate of asset purchases.

While interest rates rose throughout most of the Period in response to stronger growth and inflationary pressures, credit continued to enjoy strong levels of demand, as relatively robust corporate earnings and low discount rates helped underpin valuations. In China, the “common prosperity” policy dominated headlines as online tutoring, technology and gaming in Macau faced increased regulatory pressure.

An underweight duration position (interest rate sensitivity) in developed markets, primarily focused on the U.S. and U.K., contributed to the Fund’s performance. Tactical positioning in South Africa also contributed to performance. South Africa offered some of the highest real yields available globally amid a significant recovery in investor risk appetite for higher-yielding assets. Other factors to support South African bond valuations were stable monetary policy and relatively muted currency volatility. Exposure to Spanish and Italian sovereign debt contributed to performance as they benefited from the prospect of greater growth and the relatively stable political climate in both Spain and Italy.

An overweight position in Mexico detracted from performance, as did holdings in New Zealand inflation-linked debt. The Fund held a tactical overweight position in Mexico with the expectation of a further reduction in real yields in that market. New Zealand’s debt performed poorly in February 2021 after the country’s government instructed the Reserve Bank of New Zealand to take account of the country’s rampant housing market in setting monetary policy. This led to a sell-off in the New Zealand bond market affecting both conventional and inflation-linked bonds.

The sub-advisor added a number of new issues to the Fund, taking advantage of new-issue activity in the primary market. The Fund’s short duration position was increased, as the sub-advisor became more cautious about the outlook for interest rate risk. New Zealand inflation-linked debt was eliminated from the Fund, as was an overweight position in Italian sovereign debt. The sub-advisor continued to take profits on those corporate securities that were trading at a premium to par and that offered limited further positive potential. The Fund’s overweight allocation to Canada versus the U.S. was reduced.

*For information on the Fund’s performance and composition, please refer to the Past Performance section and Summary of Investment Portfolio section of this report.*

## Recent Developments

The sub-advisor expects growth to continue slowing but to remain well above historical averages. Inflation is expected to stay firm as supply shortages, including labour, put pressure on many central banks’ “transitory message.” Tapering of asset purchase programs should begin in the fourth quarter of 2021, but the sub-advisor still believes that interest rate increases in the U.S. and eurozone are not expected until late 2022. Within emerging markets, the sub-advisor expects interest rate increases in response to higher inflation.

The sub-advisor expects bond yields to rise to accommodate increased supply and higher inflationary risk. Despite high valuations, fundamentals within credit remain supportive, leading the sub-advisor to anticipate more upgrades than downgrades in the coming months. However, the sub-advisor expects continued volatility in the fourth quarter of 2021 and, as such, will remain selective in the Fund’s corporate security selection.

## RELATED PARTY TRANSACTIONS

BMO Investments Inc., an indirect, wholly-owned subsidiary of Bank of Montreal (“BMO”), is the Manager of the Fund. The Manager is paid a management fee by the Fund as compensation for its services, which is described in the “Management Fees” section later in this document.

From time to time, the Manager may, on behalf of the Fund, enter into transactions or arrangements with or involving other members of BMO Financial Group, or certain other persons or companies that are related or connected to the Manager (each a “Related Party”). The purpose of this section is to provide a brief description of any transaction involving the Fund and a Related Party.

## Portfolio Manager

The Fund’s portfolio manager is BMO Asset Management Inc. (“BMOAM”), an affiliate of the Manager and BMO Asset Management Limited, also an affiliate of the Manager, is a sub-advisor to BMOAM. BMOAM provides portfolio management services to the Fund. BMOAM receives from the Manager a management fee based on assets under management, calculated daily and payable monthly.

On November 8, 2021, BMO Financial Group announced that it had completed the previously announced sale of the entities that represent its EMEA asset management business to Ameriprise Financial, Inc. As a result of the closing of this transaction, BMO Asset Management Limited is no longer an affiliate of the Manager.

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## Administration Fee and Operating Expenses

The Fund pays a fixed administration fee to the Manager in respect of each series other than Series I. The Manager in return pays the operating expenses of these series of the Fund, other than certain specified expenses that are paid directly by the Fund (“Fund Expenses”). Fund Expenses, include 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 National Instrument 81-107 *Independent Review Committee for Investment Funds*, including compensation and expenses payable to the Fund’s independent review committee (“IRC”) members, taxes 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. Fund Expenses are allocated proportionately among the relevant series. If the Fund Expenses are specific to a series, the Fund Expenses are allocated to that series. The fixed administration fee is calculated as a fixed annual percentage of the net asset value of each relevant series of the Fund. Separate fees and expenses are negotiated and paid directly by each Series I investor. Further details about the fixed administration fee and/or Fund Expenses can be found in the Fund’s most recent simplified prospectus at [www.bmo.com/mutualfunds](http://www.bmo.com/mutualfunds) and [www.bmo.com/gam/ca](http://www.bmo.com/gam/ca) or [www.sedar.com](http://www.sedar.com).

## Buying and Selling Securities

During the Period, the Fund relied on standing instructions provided by the IRC for any of the following related party transactions that may have occurred in the Fund:

- (a) investments in securities issued by BMO, an affiliate of the Manager, or any other issuer related to the Manager;
- (b) investments in a class of non-government debt securities and/or equity securities of an issuer during the period of distribution of those securities to the public and/or the 60-day period following the distribution period where BMO Nesbitt Burns Inc., an affiliate of the Manager, or any other affiliate of the Manager acted as an underwriter in the distribution;
- (c) trades in debt securities in the secondary market with BMO Nesbitt Burns Inc., an affiliate of the Manager, that is trading with the Fund as principal; and

(d) inter-fund trades

(each, a “Related Party Transaction”).

In accordance with the IRC’s standing instructions, in making a decision to cause the Fund to enter into a Related Party Transaction, the Manager and the portfolio manager of the Fund are required to comply with the Manager’s written policies and procedures governing the Related Party Transaction and report periodically to the IRC, describing each instance that the Manager relied on the standing instructions and its compliance or non-compliance with the governing policies and procedures. The governing policies and procedures are designed to ensure that each Related Party Transaction (i) is made free from any influence of BMO, BMO Nesbitt Burns Inc. or an associate or affiliate of BMO and/or BMO Nesbitt Burns Inc., and without taking into account any considerations relevant to BMO, BMO Nesbitt Burns Inc. or an associate or affiliate of BMO and/or BMO Nesbitt Burns Inc.; (ii) represents the business judgment of the Manager, uninfluenced by considerations other than the best interests of the Fund; and (iii) achieves a fair and reasonable result for the Fund.

## Distribution Services

The Manager markets and distributes the Fund through BMO branches and/or (depending on the series) through registered dealers and brokers, including BMO InvestorLine Inc. and BMO Nesbitt Burns Inc., both affiliates of the Manager. The Manager pays to these affiliates a service fee called a “trailing commission” based on the average daily value of the units and/or shares that are held in investor accounts. This service fee is paid monthly or quarterly and varies by purchase option and by series.

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## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the periods indicated.

### The Fund's Net Assets per Unit <sup>(1)</sup>

#### Series A Units

|  | 2021     | Periods ended Sep. 30 |       |       | 2017  |
|--|----------|-----------------------|-------|-------|-------|
|  | 2020     | 2019                  | 2018  |       |       |
| Net assets, beginning of period                  | \$ 10.74 | 11.05                 | 10.48 | 10.54 | 12.50 |
| <b>Increase (decrease)</b>                       |          |                       |       |       |       |
| <b>from operations:</b>                          |          |                       |       |       |       |
| Total revenue                                    | \$ 0.22  | 0.21                  | 0.26  | 0.27  | 0.28  |
| Total expenses <sup>(2)</sup>                    | \$ -0.23 | -0.24                 | -0.24 | -0.24 | -0.24 |
| Realized gains (losses)                          |          |                       |       |       |       |
| for the period                                   | \$ 0.50  | 0.34                  | 0.88  | 1.30  | 0.05  |
| Unrealized gains (losses)                        |          |                       |       |       |       |
| for the period                                   | \$ -0.74 | -0.04                 | -0.10 | -1.14 | -0.97 |
| <b>Total increase (decrease)</b>                 |          |                       |       |       |       |
| <b>from operations <sup>(3)</sup></b>            | \$ -0.25 | 0.27                  | 0.80  | 0.19  | -0.88 |
| <b>Distributions:</b>                            |          |                       |       |       |       |
| From net investment income                       |          |                       |       |       |       |
| (excluding dividends)                            | \$ —     | 0.04                  | 0.04  | 0.07  | 0.10  |
| From dividends                                   | \$ —     | —                     | —     | —     | —     |
| From capital gains                               | \$ 0.20  | 0.37                  | —     | —     | 0.83  |
| Return of capital                                | \$ 0.24  | 0.20                  | 0.20  | 0.17  | 0.14  |
| <b>Total Annual Distributions <sup>(4)</sup></b> | \$ 0.44  | 0.61                  | 0.24  | 0.24  | 1.07  |
| <b>Net assets, end of period</b>                 | \$ 10.04 | 10.74                 | 11.05 | 10.48 | 10.54 |

#### Advisor Series Units

|  | 2021     | Periods ended Sep. 30 |       |       | 2017  |
|--|----------|-----------------------|-------|-------|-------|
|  | 2020     | 2019                  | 2018  |       |       |
| Net assets, beginning of period                  | \$ 9.94  | 10.23                 | 9.71  | 9.79  | 11.44 |
| <b>Increase (decrease)</b>                       |          |                       |       |       |       |
| <b>from operations:</b>                          |          |                       |       |       |       |
| Total revenue                                    | \$ 0.20  | 0.19                  | 0.24  | 0.25  | 0.26  |
| Total expenses <sup>(2)</sup>                    | \$ -0.22 | -0.22                 | -0.22 | -0.22 | -0.23 |
| Realized gains (losses)                          |          |                       |       |       |       |
| for the period                                   | \$ 0.47  | 0.31                  | 0.82  | 1.22  | 0.05  |
| Unrealized gains (losses)                        |          |                       |       |       |       |
| for the period                                   | \$ -0.70 | -0.01                 | -0.09 | -1.08 | -0.96 |
| <b>Total increase (decrease)</b>                 |          |                       |       |       |       |
| <b>from operations <sup>(3)</sup></b>            | \$ -0.25 | 0.27                  | 0.75  | 0.17  | -0.88 |
| <b>Distributions:</b>                            |          |                       |       |       |       |
| From net investment income                       |          |                       |       |       |       |
| (excluding dividends)                            | \$ —     | 0.04                  | 0.04  | 0.05  | 0.09  |
| From dividends                                   | \$ —     | —                     | —     | —     | —     |
| From capital gains                               | \$ 0.17  | 0.34                  | —     | —     | 0.58  |
| Return of capital                                | \$ 0.24  | 0.20                  | 0.20  | 0.19  | 0.15  |
| <b>Total Annual Distributions <sup>(4)</sup></b> | \$ 0.41  | 0.58                  | 0.24  | 0.24  | 0.82  |
| <b>Net assets, end of period</b>                 | \$ 9.29  | 9.94                  | 10.23 | 9.71  | 9.79  |

#### Series F Units

|  | 2021     | Periods ended Sep. 30 |       |       | 2017  |
|--|----------|-----------------------|-------|-------|-------|
|  | 2020     | 2019                  | 2018  |       |       |
| Net assets, beginning of period                  | \$ 11.94 | 12.19                 | 11.48 | 11.48 | 13.14 |
| <b>Increase (decrease)</b>                       |          |                       |       |       |       |
| <b>from operations:</b>                          |          |                       |       |       |       |
| Total revenue                                    | \$ 0.24  | 0.23                  | 0.29  | 0.29  | 0.31  |
| Total expenses <sup>(2)</sup>                    | \$ -0.09 | -0.10                 | -0.09 | -0.09 | -0.09 |
| Realized gains (losses)                          |          |                       |       |       |       |
| for the period                                   | \$ 0.56  | 0.37                  | 1.01  | 1.59  | 0.08  |
| Unrealized gains (losses)                        |          |                       |       |       |       |
| for the period                                   | \$ -0.86 | -0.04                 | -0.14 | -1.46 | -1.33 |
| <b>Total increase (decrease)</b>                 |          |                       |       |       |       |
| <b>from operations <sup>(3)</sup></b>            | \$ -0.15 | 0.46                  | 1.07  | 0.33  | -1.03 |
| <b>Distributions:</b>                            |          |                       |       |       |       |
| From net investment income                       |          |                       |       |       |       |
| (excluding dividends)                            | \$ 0.13  | 0.23                  | 0.23  | 0.27  | 0.33  |
| From dividends                                   | \$ —     | —                     | —     | —     | —     |
| From capital gains                               | \$ 0.20  | 0.40                  | —     | —     | 0.53  |
| Return of capital                                | \$ 0.23  | 0.13                  | 0.13  | 0.09  | 0.03  |
| <b>Total Annual Distributions <sup>(4)</sup></b> | \$ 0.56  | 0.76                  | 0.36  | 0.36  | 0.89  |
| <b>Net assets, end of period</b>                 | \$ 11.26 | 11.94                 | 12.19 | 11.48 | 11.48 |

#### Series D Units

|  | 2021     | Periods ended Sep. 30 |                     |                    |
|--|----------|-----------------------|---------------------|--------------------|
|  | 2020     | 2019                  | 2018 <sup>(5)</sup> |                    |
| Net assets, beginning of period                  | \$ 10.43 | 10.38                 | 9.81                | 10.00 <sup>†</sup> |
| <b>Increase (decrease)</b>                       |          |                       |                     |                    |
| <b>from operations:</b>                          |          |                       |                     |                    |
| Total revenue                                    | \$ 0.22  | 0.21                  | 0.25                | 0.22               |
| Total expenses <sup>(2)</sup>                    | \$ -0.19 | -0.19                 | -0.18               | -0.17              |
| Realized gains (losses)                          |          |                       |                     |                    |
| for the period                                   | \$ 0.51  | 0.31                  | 1.03                | 2.83               |
| Unrealized gains (losses)                        |          |                       |                     |                    |
| for the period                                   | \$ -0.75 | 0.10                  | -0.17               | -2.99              |
| <b>Total increase (decrease)</b>                 |          |                       |                     |                    |
| <b>from operations <sup>(3)</sup></b>            | \$ -0.21 | 0.43                  | 0.93                | -0.11              |
| <b>Distributions:</b>                            |          |                       |                     |                    |
| From net investment income                       |          |                       |                     |                    |
| (excluding dividends)                            | \$ 0.00  | 0.11                  | 0.11                | 0.16               |
| From dividends                                   | \$ —     | —                     | —                   | —                  |
| From capital gains                               | \$ 0.22  | 0.06                  | —                   | —                  |
| Return of capital                                | \$ 0.23  | 0.12                  | 0.12                | —                  |
| <b>Total Annual Distributions <sup>(4)</sup></b> | \$ 0.45  | 0.29                  | 0.23                | 0.16               |
| <b>Net assets, end of period</b>                 | \$ 9.77  | 10.43                 | 10.38               | 9.81               |

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## Series I Units

|  | 2021     | Periods ended Sep. 30 |       |       |       |
|--|----------|-----------------------|-------|-------|-------|
|  |          | 2020                  | 2019  | 2018  | 2017  |
| Net assets, beginning of period                  | \$ 11.37 | 11.51                 | 10.78 | 11.26 | 13.76 |
| <b>Increase (decrease)</b>                       |          |                       |       |       |       |
| <b>from operations:</b>                          |          |                       |       |       |       |
| Total revenue                                    | \$ 0.20  | 0.22                  | 0.27  | 0.29  | 0.30  |
| Total expenses <sup>(2)</sup>                    | \$ -0.00 | 0.00                  | 0.00  | 0.01  | 0.00  |
| Realized gains (losses)                          |          |                       |       |       |       |
| for the period                                   | \$ -0.42 | 0.36                  | 0.93  | 0.62  | 0.06  |
| Unrealized gains (losses)                        |          |                       |       |       |       |
| for the period                                   | \$ 0.26  | -0.05                 | -0.13 | -0.38 | -1.01 |
| <b>Total increase (decrease)</b>                 |          |                       |       |       |       |
| <b>from operations <sup>(3)</sup></b>            | \$ 0.04  | 0.53                  | 1.07  | 0.54  | -0.65 |
| <b>Distributions:</b>                            |          |                       |       |       |       |
| From net investment income (excluding dividends) | \$ 0.25  | 0.30                  | 0.35  | 0.36  | 0.63  |
| From dividends                                   | \$ —     | —                     | —     | —     | —     |
| From capital gains                               | \$ 0.22  | 0.35                  | —     | 0.57  | 1.15  |
| Return of capital                                | \$ 0.11  | 0.06                  | 0.01  | 0.00  | 0.01  |
| <b>Total Annual Distributions <sup>(4)</sup></b> | \$ 0.58  | 0.71                  | 0.36  | 0.93  | 1.79  |
| <b>Net assets, end of period</b>                 | \$ 10.77 | 11.37                 | 11.51 | 10.78 | 11.26 |

## Classic Series Units

|  | 2021     | Periods ended Sep. 30 |       |       |       |
|--|----------|-----------------------|-------|-------|-------|
|  |          | 2020                  | 2019  | 2018  | 2017  |
| Net assets, beginning of period                  | \$ 10.55 | 10.64                 | 9.92  | 9.85  | 11.58 |
| <b>Increase (decrease)</b>                       |          |                       |       |       |       |
| <b>from operations:</b>                          |          |                       |       |       |       |
| Total revenue                                    | \$ 0.22  | 0.21                  | 0.25  | 0.25  | 0.26  |
| Total expenses <sup>(2)</sup>                    | \$ -0.16 | -0.16                 | -0.15 | -0.16 | -0.15 |
| Realized gains (losses)                          |          |                       |       |       |       |
| for the period                                   | \$ 0.56  | 0.32                  | 0.85  | 1.24  | 0.05  |
| Unrealized gains (losses)                        |          |                       |       |       |       |
| for the period                                   | \$ -0.80 | -0.01                 | -0.10 | -1.08 | -0.90 |
| <b>Total increase (decrease)</b>                 |          |                       |       |       |       |
| <b>from operations <sup>(3)</sup></b>            | \$ -0.18 | 0.36                  | 0.85  | 0.25  | -0.74 |
| <b>Distributions:</b>                            |          |                       |       |       |       |
| From net investment income (excluding dividends) | \$ 0.04  | 0.13                  | 0.13  | 0.16  | 0.18  |
| From dividends                                   | \$ —     | —                     | —     | —     | —     |
| From capital gains                               | \$ 0.22  | 0.33                  | —     | —     | 0.79  |
| Return of capital                                | \$ 0.01  | 0.00                  | 0.00  | 0.00  | 0.00  |
| <b>Total Annual Distributions <sup>(4)</sup></b> | \$ 0.27  | 0.46                  | 0.13  | 0.16  | 0.97  |
| <b>Net assets, end of period</b>                 | \$ 10.10 | 10.55                 | 10.64 | 9.92  | 9.85  |

<sup>a</sup> Initial net assets.

<sup>(1)</sup> This information is derived from the Fund's audited annual financial statements.

<sup>(2)</sup> Includes commissions and other portfolio transaction costs and withholding taxes.

<sup>(3)</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>(4)</sup> Distributions were either paid in cash or reinvested in additional units of the Fund, or both. The allocation of the distributions from each of income, dividends, capital gains and return of capital is based on the Manager's estimate as at September 30 of the period shown, as applicable, which is the Fund's financial year-end. However, the actual allocation of distributions is determined as at December 15, the Fund's tax year-end. Accordingly, the actual allocation among income, dividends, capital gains and return of capital may differ from these estimates.

<sup>(5)</sup> The information shown in this column is for the period beginning November 20, 2017 (the series' inception date) and ending September 30, 2018.

## Ratios and Supplemental Data

### Series A Units

|  | 2021       | Periods ended Sep. 30 |         |         |         |
|--|------------|-----------------------|---------|---------|---------|
|  |            | 2020                  | 2019    | 2018    | 2017    |
| Total net asset value (000's) <sup>(1)</sup> | \$ 127,116 | 133,407               | 155,141 | 165,061 | 225,378 |
| Number of units                              |            |                       |         |         |         |
| outstanding (000's) <sup>(1)</sup>           | 12,656     | 12,418                | 14,043  | 15,752  | 21,383  |
| Management expense ratio <sup>(2)</sup>      | % 2.27     | 2.27                  | 2.27    | 2.23    | 2.23    |
| Management expense ratio                     |            |                       |         |         |         |
| before waivers or absorptions                | % 2.27     | 2.27                  | 2.27    | 2.27    | 2.27    |
| Trading expense ratio <sup>(3)</sup>         | % —        | —                     | 0.03    | 0.03    | 0.00    |
| Portfolio turnover rate <sup>(4)</sup>       | % 53.91    | 83.00                 | 49.89   | 14.23   | 14.04   |
| Net asset value per unit                     | \$ 10.04   | 10.74                 | 11.05   | 10.48   | 10.54   |

### Advisor Series Units

|  | 2021     | Periods ended Sep. 30 |       |       |       |
|--|----------|-----------------------|-------|-------|-------|
|  |          | 2020                  | 2019  | 2018  | 2017  |
| Total net asset value (000's) <sup>(1)</sup> | \$ 6,460 | 6,698                 | 6,879 | 6,772 | 8,085 |
| Number of units                              |          |                       |       |       |       |
| outstanding (000's) <sup>(1)</sup>           | 695      | 674                   | 673   | 697   | 826   |
| Management expense ratio <sup>(2)</sup>      | % 2.26   | 2.26                  | 2.25  | 2.27  | 2.27  |
| Management expense ratio                     |          |                       |       |       |       |
| before waivers or absorptions                | % 2.26   | 2.26                  | 2.26  | 2.27  | 2.27  |
| Trading expense ratio <sup>(3)</sup>         | % —      | —                     | 0.03  | 0.03  | 0.00  |
| Portfolio turnover rate <sup>(4)</sup>       | % 53.91  | 83.00                 | 49.89 | 14.23 | 14.04 |
| Net asset value per unit                     | \$ 9.29  | 9.94                  | 10.23 | 9.71  | 9.79  |

### Series F Units

|  | 2021      | Periods ended Sep. 30 |        |        |        |
|--|-----------|-----------------------|--------|--------|--------|
|  |           | 2020                  | 2019   | 2018   | 2017   |
| Total net asset value (000's) <sup>(1)</sup> | \$ 21,742 | 20,254                | 23,011 | 21,558 | 20,871 |
| Number of units                              |           |                       |        |        |        |
| outstanding (000's) <sup>(1)</sup>           | 1,931     | 1,697                 | 1,888  | 1,878  | 1,818  |
| Management expense ratio <sup>(2)</sup>      | % 0.80    | 0.80                  | 0.80   | 0.80   | 0.80   |
| Management expense ratio                     |           |                       |        |        |        |
| before waivers or absorptions                | % 0.84    | 0.84                  | 0.83   | 0.83   | 0.83   |
| Trading expense ratio <sup>(3)</sup>         | % —       | —                     | 0.03   | 0.03   | 0.00   |
| Portfolio turnover rate <sup>(4)</sup>       | % 53.91   | 83.00                 | 49.89  | 14.23  | 14.04  |
| Net asset value per unit                     | \$ 11.26  | 11.94                 | 12.19  | 11.48  | 11.48  |

### Series D Units

|  | 2021     | Periods ended Sep. 30 |       |                     |
|--|----------|-----------------------|-------|---------------------|
|  |          | 2020                  | 2019  | 2018 <sup>(5)</sup> |
| Total net asset value (000's) <sup>(1)</sup> | \$ 2,447 | 3,009                 | 142   | 36                  |
| Number of units                              |          |                       |       |                     |
| outstanding (000's) <sup>(1)</sup>           | 250      | 288                   | 14    | 4                   |
| Management expense ratio <sup>(2)</sup>      | % 1.89   | 1.87                  | 1.85  | 1.92                |
| Management expense ratio                     |          |                       |       |                     |
| before waivers or absorptions                | % 1.89   | 1.87                  | 1.85  | 2.80                |
| Trading expense ratio <sup>(3)</sup>         | % —      | —                     | 0.03  | 0.03                |
| Portfolio turnover rate <sup>(4)</sup>       | % 53.91  | 83.00                 | 49.89 | 14.23               |
| Net asset value per unit                     | \$ 9.77  | 10.43                 | 10.38 | 9.81                |

### Series I Units

|  | 2021      | Periods ended Sep. 30 |       |       |         |
|--|-----------|-----------------------|-------|-------|---------|
|  |           | 2020                  | 2019  | 2018  | 2017    |
| Total net asset value (000's) <sup>(1)</sup> | \$ 50,866 | 3,205                 | 4,233 | 4,389 | 563,945 |
| Number of units                              |           |                       |       |       |         |
| outstanding (000's) <sup>(1)</sup>           | 4,724     | 282                   | 368   | 407   | 50,091  |
| Management expense ratio <sup>+</sup>        | % —       | —                     | —     | —     | —       |
| Management expense ratio                     |           |                       |       |       |         |
| before waivers or absorptions <sup>+</sup>   | % —       | —                     | —     | —     | —       |
| Trading expense ratio <sup>(3)</sup>         | % —       | —                     | 0.03  | 0.03  | 0.00    |
| Portfolio turnover rate <sup>(4)</sup>       | % 53.91   | 83.00                 | 49.89 | 14.23 | 14.04   |
| Net asset value per unit                     | \$ 10.77  | 11.37                 | 11.51 | 10.78 | 11.26   |

# BMO World Bond Fund

## Classic Series Units

|  |    | Periods ended Sep. 30 |       |       |       |       |
|--|----|-----------------------|-------|-------|-------|-------|
|  |    | 2021                  | 2020  | 2019  | 2018  | 2017  |
| Total net asset value (000's) <sup>(1)</sup> | \$ | 811                   | 1,173 | 1,519 | 1,471 | 1,608 |
| Number of units                              |    |                       |       |       |       |       |
| outstanding (000's) <sup>(1)</sup>           |    | 80                    | 111   | 143   | 148   | 163   |
| Management expense ratio <sup>(2)</sup>      | %  | 1.55                  | 1.55  | 1.55  | 1.55  | 1.56  |
| Management expense ratio                     |    |                       |       |       |       |       |
| before waivers or absorptions                | %  | 1.55                  | 1.55  | 1.55  | 1.55  | 1.56  |
| Trading expense ratio <sup>(3)</sup>         | %  | —                     | —     | 0.03  | 0.03  | 0.00  |
| Portfolio turnover rate <sup>(4)</sup>       | %  | 53.91                 | 83.00 | 49.89 | 14.23 | 14.04 |
| Net asset value per unit                     | \$ | 10.10                 | 10.55 | 10.64 | 9.92  | 9.85  |

+ Operating expenses are paid by BMOII and management fees are paid directly to BMOII as negotiated with the investor.

<sup>(1)</sup> This information is provided as at September 30 of the period shown.

<sup>(2)</sup> Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

<sup>(3)</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. For the financial periods-ended September 30, 2021 and September 30, 2020, no commissions or other portfolio transactions costs were incurred by the Fund. As a result, the trading expense ratio for these periods was nil.

<sup>(4)</sup> The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

<sup>(5)</sup> The information shown in this column is for the period beginning November 20, 2017 (the series' inception date) and ending September 30, 2018.

## Management Fees

The Manager is responsible for the day-to-day management of the business and operations of the Fund. The Manager monitors and evaluates the Fund's performance, pays for the investment advice provided by the Fund's portfolio manager and provides certain administrative services required by the Fund. As compensation for its services, the Manager is entitled to receive a management fee payable monthly, calculated based on the daily net asset value of each series of the Fund at the annual rate set out in the table below.

|                      | As a Percentage of Management Fees |                          |   |
|----------------------|------------------------------------|--------------------------|---|
|                      | Annual Management Fee Rate*<br>%   | Dealer Compensation<br>% | General Administration, Investment Advice and Profit<br>% |
| Series A Units       | 1.75                               | 29                       | 71  |
| Advisor Series Units | 1.75                               | 31                       | 69  |
| Series F Units       | 0.45                               | 0                        | 100   |
| Series D Units       | 1.40                               | 11                       | 89  |
| Series I Units       | —                                  | —                        | —   |
| Classic Series Units | 1.10                               | 22                       | 78  |

\* For Series I Units, separate Series I fees are negotiated and paid directly by each Series I investor. The combined management and administration fees for Series I Units will not exceed the management fee charged for Advisor Series or Series A Units.

## PAST PERFORMANCE

The Fund's performance information assumes that all distributions made by the Fund in the periods shown were used to purchase additional securities of the Fund and is based on the net asset value of the Fund. The reinvestment of distributions increases returns. The performance information does not take into account sales, redemption, distribution, other optional charges or income taxes payable that, if applicable, would have reduced returns or performance. Please remember that how the Fund has performed in the past does not indicate how it will perform in the future.

The returns of each series may differ from one another for a number of reasons, including if the series was not issued and outstanding for the entire reporting period and because of the different levels of management fees and expenses allocated and payable by each series.

On June 1, 2012, BMO Guardian Global Bond Fund merged into the Fund.

On April 29, 2013, BMO Asset Management Inc. replaced Insight Investment Management (Global) Limited as portfolio manager of the Fund. In addition, the investment strategies of the Fund changed to reflect the investment style of BMO Asset Management Inc.

On May 4, 2018, the Manager announced that BMO Asset Management Limited, an affiliate of the Manager, would become a sub-advisor for the Fund. In addition, the investment strategies of the Fund changed to reflect the investment style of BMO Asset Management Limited.

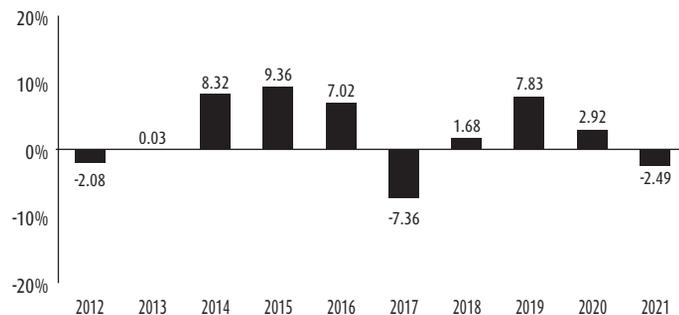
These changes could have affected the performance of the Fund, had they been in effect throughout the performance measurement periods presented.

# BMO World Bond Fund

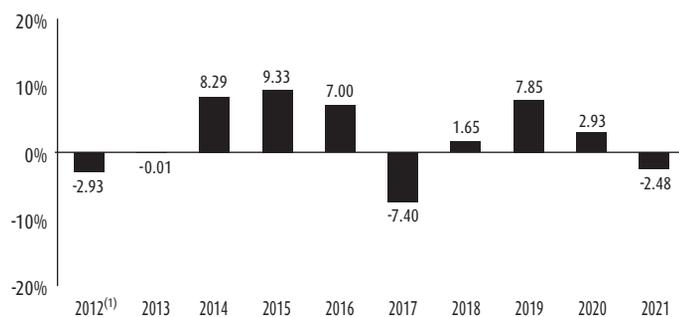
## Year-by-Year Returns

The following bar charts show the performance of each series of the Fund for each of the financial years shown, and illustrate how the Fund's performance has changed from year to year. The charts show in percentage terms how an investment made on the first day of each financial year would have increased or decreased by the last day of each financial year.

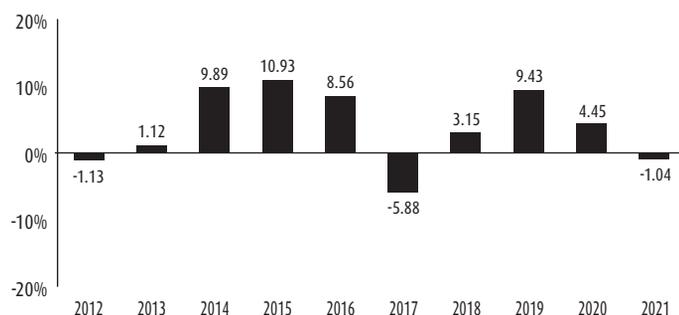
### Series A Units



### Advisor Series Units



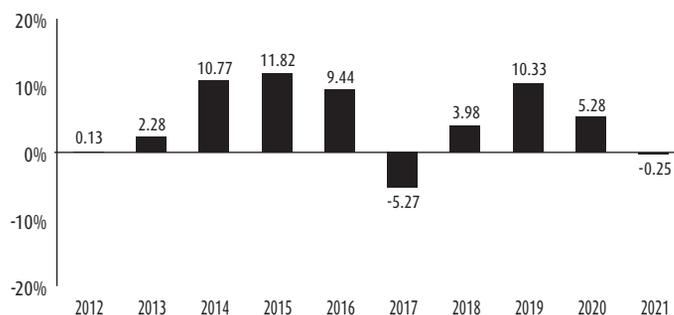
### Series F Units



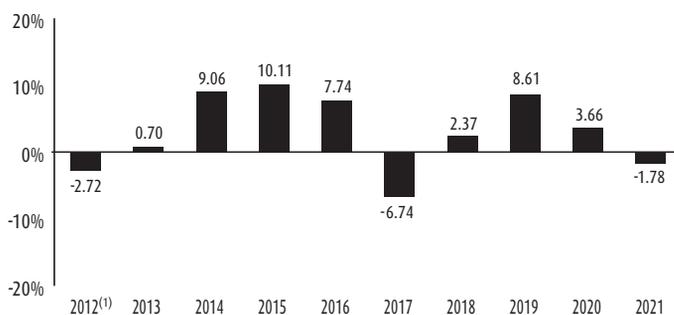
### Series D Units



### Series I Units



### Classic Series Units



<sup>(1)</sup> For the period beginning with the performance launch date of June 1, 2012 to September 30, 2012.

<sup>(2)</sup> For the period beginning with the performance launch date of November 21, 2017 to September 30, 2018.

# BMO World Bond Fund

## Annual Compound Returns

This table compares the historical annual compound returns of the Fund with its benchmark, the Bloomberg Global Aggregate Bond Index (C\$ hedged), a broad-based index.

The Bloomberg Global Aggregate Bond Index (C\$ hedged) provides a broad-based measure of the global investment-grade fixed rate debt markets. The Bloomberg Global Aggregate Bond Index (C\$ hedged) contains three major components: the U.S. Aggregate Index, the Pan-European Aggregate Index, and the Asian-Pacific Aggregate Index.

### Series A Units

|   |   | 1<br>year | 3<br>years | 5<br>years | 10<br>years | Since<br>Inception |
|---|---|-----------|------------|------------|-------------|--------------------|
| BMO World Bond Fund                                   | % | -2.49     | 2.67       | 0.38       | 2.39        |                    |
| Bloomberg Global Aggregate<br>Bond Index (C\$ Hedged) | % | -0.63     | 4.24       | 2.44       | 3.67        |                    |

### Advisor Series Units

|   |   | 1<br>year | 3<br>years | 5<br>years | 10<br>years | Since<br>Inception <sup>(1)</sup> |
|---|---|-----------|------------|------------|-------------|-----------------------------------|
| BMO World Bond Fund                                   | % | -2.48     | 2.68       | 0.38       |             | 2.44                              |
| Bloomberg Global Aggregate<br>Bond Index (C\$ Hedged) | % | -0.63     | 4.24       | 2.44       |             | 3.46                              |

### Series F Units

|   |   | 1<br>year | 3<br>years | 5<br>years | 10<br>years | Since<br>Inception |
|---|---|-----------|------------|------------|-------------|--------------------|
| BMO World Bond Fund                                   | % | -1.04     | 4.19       | 1.89       | 3.81        |                    |
| Bloomberg Global Aggregate<br>Bond Index (C\$ Hedged) | % | -0.63     | 4.24       | 2.44       | 3.67        |                    |

### Series D Units

|   |   | 1<br>year | 3<br>years | 5<br>years | 10<br>years | Since<br>Inception <sup>(2)</sup> |
|---|---|-----------|------------|------------|-------------|-----------------------------------|
| BMO World Bond Fund                                   | % | -2.11     | 3.08       |            |             | 2.31                              |
| Bloomberg Global Aggregate<br>Bond Index (C\$ Hedged) | % | -0.63     | 4.24       |            |             | 3.20                              |

### Series I Units

|   |   | 1<br>year | 3<br>years | 5<br>years | 10<br>years | Since<br>Inception |
|---|---|-----------|------------|------------|-------------|--------------------|
| BMO World Bond Fund                                   | % | -0.25     | 5.03       | 2.68       | 4.71        |                    |
| Bloomberg Global Aggregate<br>Bond Index (C\$ Hedged) | % | -0.63     | 4.24       | 2.44       | 3.67        |                    |

### Classic Series Units

|   |   | 1<br>year | 3<br>years | 5<br>years | 10<br>years | Since<br>Inception <sup>(1)</sup> |
|---|---|-----------|------------|------------|-------------|-----------------------------------|
| BMO World Bond Fund                                   | % | -1.78     | 3.41       | 1.09       |             | 3.17                              |
| Bloomberg Global Aggregate<br>Bond Index (C\$ Hedged) | % | -0.63     | 4.24       | 2.44       |             | 3.46                              |

<sup>(1)</sup> Return from the performance launch date of June 1, 2012 to September 30, 2021.

<sup>(2)</sup> Return from the performance launch date of November 21, 2017 to September 30, 2021.

*A commentary on the market and/or information regarding the relative performance of the Fund as compared to its benchmark can be found under the Results of Operations section of this report.*

# BMO World Bond Fund

## SUMMARY OF INVESTMENT PORTFOLIO

As at September 30, 2021

| <b>Portfolio Allocation</b>       | <b>% of Net Asset Value</b> | <b>Top 25 Holdings Issuer</b>   | <b>% of Net Asset Value</b> |
|-----------------------------------|-----------------------------|---|-----------------------------|
| United States                     | 24.0                        | United States Treasury Notes, 0.625% Aug 15, 2030   | 5.2                         |
| Japan                             | 14.3                        | People's Republic of China, Unsecured, 1.990% Apr 9, 2025   | 4.6                         |
| China                             | 8.5                         | United States Treasury Notes, 0.125% Aug 31, 2022   | 4.2                         |
| France                            | 8.0                         | Government of Japan, Twenty Year Bonds, Series 117, Senior, Unsecured, 2.100% Mar 20, 2030                      | 3.9                         |
| Canada                            | 6.1                         | Cash/Receivables/Payables   | 3.9                         |
| Germany                           | 6.0                         | BMO Mid-Term US IG Corporate Bond Index ETF <sup>+</sup>  | 3.6                         |
| United Kingdom                    | 4.3                         | Republic of France, Unsecured, 2.250% Oct 25, 2022  | 3.6                         |
| Mexico                            | 4.1                         | United States Treasury Bonds, 2.750% Feb 15, 2028   | 2.6                         |
| Cash/Receivables/Payables         | 3.9                         | Federal Republic of Germany, Unsecured, 0.010% Aug 15, 2030   | 2.4                         |
| Australia                         | 3.5                         | People's Republic of China, Unsecured, 3.810% Sep 14, 2050  | 2.3                         |
| Spain                             | 3.1                         | United Mexican States, Series M, Senior, Unsecured, 5.750% Mar 5, 2026  | 1.9                         |
| South Korea                       | 1.9                         | Kingdom of Spain, Senior, Unsecured, 0.850% Jul 30, 2037  | 1.9                         |
| Italy                             | 1.8                         | Government of Canada, Unsecured, 2.250% Jun 1, 2029   | 1.8                         |
| Supranational                     | 1.7                         | Government of Japan, Ten Year Bonds, Series 332, Senior, Unsecured, 0.600% Dec 20, 2023                         | 1.7                         |
| Netherlands                       | 1.4                         | Commonwealth of Australia, Series 157, Senior, Unsecured, 1.500% Jun 21, 2031                                   | 1.6                         |
| United Arab Emirates              | 1.3                         | United Mexican States, Series M, Senior, Unsecured, 8.000% Nov 7, 2047  | 1.3                         |
| Other                             | 6.1                         | United States Treasury Bonds, 2.875% May 15, 2049   | 1.3                         |
| <b>Total Portfolio Allocation</b> | <b>100.0</b>                | Republic of Italy, Senior, Unsecured, 0.250% Mar 15, 2028   | 1.2                         |
|                                   |                             | Government of Japan, Thirty Year Bonds, Series 41, Senior, Unsecured, 1.700% Dec 20, 2043                       | 1.2                         |
|                                   |                             | Government of Japan, Ten Year Bonds, Series 340, Senior, Unsecured, 0.400% Sep 20, 2025                         | 1.1                         |
|                                   |                             | Republic of France, Unsecured, 1.000% May 25, 2027  | 1.0                         |
|                                   |                             | People's Republic of China, Senior, Unsecured, Notes, 0.250% Nov 25, 2030                                       | 1.0                         |
|                                   |                             | Commonwealth of Australia, Series 144, Senior, Unsecured, 3.750% Apr 21, 2037                                   | 0.7                         |
|                                   |                             | Standard Chartered PLC, Series 144A, Fixed to Floating, Senior, Unsecured, Notes, Callable, 3.785% May 21, 2025 | 0.7                         |
|                                   |                             | State of North Rhine-Westphalia, Euro Medium Term Notes, Senior, Unsecured, 0.500% Jan 15, 2052                 | 0.7                         |
|                                   |                             | <b>Top Holdings as a Percentage of Total Net Asset Value</b>  | <b>55.4</b>                 |
|                                   |                             | <b>Total Net Asset Value</b>  | <b>\$209,441,526</b>        |

<sup>+</sup>The prospectus and other information about the underlying exchange traded fund(s) held in the portfolio are available on the internet at [www.sedar.com](http://www.sedar.com) and [www.bmo.com/etflegal](http://www.bmo.com/etflegal).

The summary of investment portfolio may change due to the Fund's ongoing portfolio transactions. Updates are available quarterly.

**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)

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).

**Caution regarding forward-looking statements**

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Fund may invest in and the risks detailed from time to time in BMO Mutual Funds' simplified prospectus. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Fund, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, BMO Investments Inc. does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

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