

# BMO World Bond Fund (the “Fund”)

For the 12-month period ended September 30, 2022 (the “Period”)

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

Portfolio manager: Columbia Threadneedle Management Limited, London, England (the “portfolio manager”)

## 2022 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/gam/ca/advisor/legal-and-regulatory](http://www.bmo.com/gam/ca/advisor/legal-and-regulatory) 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 portfolio manager seeks to optimize portfolio holdings in an effort to mitigate portfolio risk, while seeking superior risk-adjusted returns. The portfolio manager uses a fundamental driven process focused on duration management, yield curve positioning, country allocation, security selection and asset allocation into highly rated agencies. The portfolio manager will select bonds based on their overall liquidity and with respect to the overall size of the issuing country. The portfolio manager also uses general environmental, social and governance (ESG) integration and positive screening in the security selection process. The Fund’s foreign currency exposure is typically fully hedged.

#### 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. However, the Manager reviewed the Fund using the standardized investment risk classification methodology prescribed by National Instrument 81-102

*Investment Funds* and determined on May 27, 2022 that the risk rating had changed from “low to medium” to “low”. 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 \$209 million to approximately \$180 million. Series A units of the Fund returned -12.10%. Please see the *Past Performance* section for information on the performance returns of the Fund’s other series.

During the Period, it was a difficult time for financial markets as rising interest rates and weaker equity and credit valuations resulted in losses across major asset classes. Major geopolitical developments included increasing tensions between China and the U.S. over Taiwan.

The U.S. Federal Reserve Board (“Fed”) ended its asset purchase program and raised interest rates from 0.25% to 3.25%.

The European Central Bank (“ECB”) took similar action, raising interest rates from 0.00% to 1.25%. Elevated inflation levels in Europe were exacerbated by the conflict in the Ukraine, which has pushed wholesale gas prices higher, while Russia has significantly reduced gas shipments.

In the U.K., the Bank of England (“BoE”) raised interest rates from 0.1% to 2.25%. In September, the U.K. government announced a mini-budget that introduced largely unfunded tax cuts, which caused an unexpected increase in gilt issuance. This led to significant volatility in the gilt market and caused U.K. pension funds to incur losses, forcing the BoE to intervene.



Mutual Funds

# BMO World Bond Fund

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The Bank of Japan maintained its accommodative monetary policy stance. This created strains for its own currency as well as for international bond markets.

The Fund's benchmark, the Bloomberg Global Aggregate Bond Index (C\$), returned -13.7% during the Period. The Fund's duration (sensitivity to interest rates) was lower than the benchmark's, which contributed to performance. In terms of cross-market trading, the Fund's underweight position in Italy and overweight position in Germany contributed to performance, as did its overweight position in China and underweight position in the U.S. Political instability in Italy and the closure of the ECB's asset purchase program, among other factors, provided opportunities to establish underweight positions in the Italian market at attractive levels. The Fund's cross-market position in China reflected the relative weakness of domestic growth, as well as relatively subdued levels of domestic inflation. A cautious approach to credit also contributed in the more volatile, higher interest rate environment.

The Fund's allocation to supranational debt relative to government debt detracted from performance as the global treasuries sector of the market underperformed government debt. Alongside rising discount rates, supranational debt had to contend with widening spread levels in a more risk-averse environment.

New positions in the Fund included a highly selective use of the new-issue market in credit. A cross-market trade, combining a short position in Italy and a long position in Germany, was established to take advantage of wider spreads. Tactical positions in Mexico and South Africa were initiated as these regions offered some of the highest real yields globally. A short-duration position in Japan was initiated to take advantage of increased volatility in the Japanese government bond market.

The Fund's exposure to cyclical corporate securities was reduced in anticipation of increasing challenges to corporate profitability in an environment of slowing growth. The Fund's duration was reduced somewhat, from 0.83 years to 0.48 years.

The Fund exited its underweight duration position in the U.S. as bond yields edged towards more neutral territory. The Fund's short-duration position in U.K. government bonds was sold given increased volatility and political instability in this market.

## **Multi-Series Structure Change**

Series D units are no longer available for purchase by new or existing investors effective June 10, 2022.

## **Portfolio Manager Change**

On May 27, 2022, BMO Asset Management Inc., an affiliate of the Manager, ceased to act as portfolio manager of the Fund and Columbia Threadneedle Management Limited (formerly BMO Asset Management Limited) became the portfolio manager of the Fund. Prior to May 27, 2022, Columbia Threadneedle Management Limited (formerly BMO Asset Management Limited) had acted as sub-advisor to the Fund.

*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 portfolio manager expects inflation and central bank activity to remain a focus as concerns about a potential recession and earnings downgrades weigh on equity and credit markets. Inflation is likely to persist in the short term despite tightening financial conditions, moderating supply constraints and various fiscal support programs to help consumers deal with elevated energy prices.

Growth is expected to weaken amid increasing pressure on corporate margins and further declines in the real disposable income of households.

Geopolitical tensions may remain elevated amid ongoing conflict in Ukraine and increased tension between the U.S. and China.

Longer-dated government bonds may not have peaked just yet, but they currently offer attractive yields and have the ability to offer some diversification for risky assets in a sharp risk-off moment.

The portfolio manager expects to see relatively wide trading ranges around instruments in interest rate and credit markets, and volatility may remain elevated as monetary policies begin to normalize.

After a period in which issuance in investment-grade credit markets has been relatively constrained, the portfolio manager believes new-issue premia on corporate bonds will increase to entice investors.

In February 2022, hostilities commenced in Ukraine. In response, a number of countries have imposed economic sanctions on Russia and certain Russian citizens and entities. The impact of the hostilities, economic sanctions and other measures may have wide-ranging global effects on price volatility for securities and commodities as well as the stability of global financial markets. It is uncertain how long the hostilities, economic sanctions and market instability will continue and whether they will escalate further.

# BMO World Bond Fund

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## RELATED PARTY TRANSACTIONS

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.

### Manager

BMO Investments Inc., an indirect, wholly-owned subsidiary of Bank of Montreal (“BMO”), is the Manager and trustee 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.

### Portfolio Manager

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

On May 27, 2022, BMO Asset Management Inc., an affiliate of the Manager, ceased to act as portfolio manager of the Fund and Columbia Threadneedle Management Limited (formerly BMO Asset Management Limited) became the portfolio manager of the Fund. Prior to May 27, 2022, BMO Asset Management Inc. as portfolio manager received from the Manager a management fee based on assets under management, calculated daily and payable monthly.

### 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 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. The annual fixed administration fee rate for each series of the Fund other than Series I is 0.30%. The administration fee is subject to applicable taxes. The Manager may, in certain cases, waive a portion of the administration fee that it receives from the Fund or from certain 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, Fund Expenses and/or operating expenses can be found in the Fund’s most recent simplified prospectus at [www.bmo.com/gam/ca/advisor/legal-and-regulatory](http://www.bmo.com/gam/ca/advisor/legal-and-regulatory) or [www.sedar.com](http://www.sedar.com).

### Buying and Selling Securities

During the Period, the Fund relied on standing instructions provided by the independent review committee (“IRC”) for any of the following related party transactions that may have occurred in the Fund (each, a “Related Party Transaction”):

- (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) trades of a security of any issuer from or to, another investment fund managed by the Manager or an affiliate of the Manager or a managed account managed by an affiliate of the Manager.

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.

# BMO World Bond 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. Effective on or after June 1, 2022, series of units of the Fund that pay a service fee are no longer available for purchase by investors who hold those securities in an account with BMO InvestorLine Inc.

## 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

|  | 2022     | Periods ended Sep. 30 |       |       |       |
|--|----------|-----------------------|-------|-------|-------|
|  | 2021     | 2020                  | 2019  | 2018  |       |
| Net assets, beginning of period                  | \$ 10.04 | 10.74                 | 11.05 | 10.48 | 10.54 |
| <b>Increase (decrease)</b>                       |          |                       |       |       |       |
| <b>from operations:</b>                          |          |                       |       |       |       |
| Total revenue                                    | \$ 0.18  | 0.22                  | 0.21  | 0.26  | 0.27  |
| Total expenses <sup>(2)</sup>                    | \$ -0.21 | -0.23                 | -0.24 | -0.24 | -0.24 |
| Realized gains (losses)                          |          |                       |       |       |       |
| for the period                                   | \$ 0.06  | 0.50                  | 0.34  | 0.88  | 1.30  |
| Unrealized gains (losses)                        |          |                       |       |       |       |
| for the period                                   | \$ -1.18 | -0.74                 | -0.04 | -0.10 | -1.14 |
| <b>Total increase (decrease)</b>                 |          |                       |       |       |       |
| <b>from operations <sup>(3)</sup></b>            | \$ -1.15 | -0.25                 | 0.27  | 0.80  | 0.19  |
| <b>Distributions:</b>                            |          |                       |       |       |       |
| From net investment income                       |          |                       |       |       |       |
| (excluding dividends)                            | \$ —     | —                     | 0.04  | 0.04  | 0.07  |
| From dividends                                   | \$ —     | —                     | —     | —     | —     |
| From capital gains                               | \$ 0.39  | 0.20                  | 0.37  | —     | —     |
| Return of capital                                | \$ 0.24  | 0.24                  | 0.20  | 0.20  | 0.17  |
| <b>Total Annual Distributions <sup>(4)</sup></b> | \$ 0.63  | 0.44                  | 0.61  | 0.24  | 0.24  |
| <b>Net assets, end of period</b>                 | \$ 8.26  | 10.04                 | 10.74 | 11.05 | 10.48 |

## Advisor Series Units

|  | 2022     | Periods ended Sep. 30 |       |       |       |
|--|----------|-----------------------|-------|-------|-------|
|  | 2021     | 2020                  | 2019  | 2018  |       |
| Net assets, beginning of period                  | \$ 9.29  | 9.94                  | 10.23 | 9.71  | 9.79  |
| <b>Increase (decrease)</b>                       |          |                       |       |       |       |
| <b>from operations:</b>                          |          |                       |       |       |       |
| Total revenue                                    | \$ 0.17  | 0.20                  | 0.19  | 0.24  | 0.25  |
| Total expenses <sup>(2)</sup>                    | \$ -0.19 | -0.22                 | -0.22 | -0.22 | -0.22 |
| Realized gains (losses)                          |          |                       |       |       |       |
| for the period                                   | \$ 0.07  | 0.47                  | 0.31  | 0.82  | 1.22  |
| Unrealized gains (losses)                        |          |                       |       |       |       |
| for the period                                   | \$ -1.10 | -0.70                 | -0.01 | -0.09 | -1.08 |
| <b>Total increase (decrease)</b>                 |          |                       |       |       |       |
| <b>from operations <sup>(3)</sup></b>            | \$ -1.05 | -0.25                 | 0.27  | 0.75  | 0.17  |
| <b>Distributions:</b>                            |          |                       |       |       |       |
| From net investment income                       |          |                       |       |       |       |
| (excluding dividends)                            | \$ —     | —                     | 0.04  | 0.04  | 0.05  |
| From dividends                                   | \$ —     | —                     | —     | —     | —     |
| From capital gains                               | \$ 0.37  | 0.17                  | 0.34  | —     | —     |
| Return of capital                                | \$ 0.24  | 0.24                  | 0.20  | 0.20  | 0.19  |
| <b>Total Annual Distributions <sup>(4)</sup></b> | \$ 0.61  | 0.41                  | 0.58  | 0.24  | 0.24  |
| <b>Net assets, end of period</b>                 | \$ 7.62  | 9.29                  | 9.94  | 10.23 | 9.71  |

## Series F Units

|  | 2022     | Periods ended Sep. 30 |       |       |       |
|--|----------|-----------------------|-------|-------|-------|
|  | 2021     | 2020                  | 2019  | 2018  |       |
| Net assets, beginning of period                  | \$ 11.26 | 11.94                 | 12.19 | 11.48 | 11.48 |
| <b>Increase (decrease)</b>                       |          |                       |       |       |       |
| <b>from operations:</b>                          |          |                       |       |       |       |
| Total revenue                                    | \$ 0.20  | 0.24                  | 0.23  | 0.29  | 0.29  |
| Total expenses <sup>(2)</sup>                    | \$ -0.08 | -0.09                 | -0.10 | -0.09 | -0.09 |
| Realized gains (losses)                          |          |                       |       |       |       |
| for the period                                   | \$ 0.07  | 0.56                  | 0.37  | 1.01  | 1.59  |
| Unrealized gains (losses)                        |          |                       |       |       |       |
| for the period                                   | \$ -1.34 | -0.86                 | -0.04 | -0.14 | -1.46 |
| <b>Total increase (decrease)</b>                 |          |                       |       |       |       |
| <b>from operations <sup>(3)</sup></b>            | \$ -1.15 | -0.15                 | 0.46  | 1.07  | 0.33  |
| <b>Distributions:</b>                            |          |                       |       |       |       |
| From net investment income                       |          |                       |       |       |       |
| (excluding dividends)                            | \$ 0.04  | 0.13                  | 0.23  | 0.23  | 0.27  |
| From dividends                                   | \$ —     | —                     | —     | —     | —     |
| From capital gains                               | \$ 0.45  | 0.20                  | 0.40  | —     | —     |
| Return of capital                                | \$ 0.32  | 0.23                  | 0.13  | 0.13  | 0.09  |
| <b>Total Annual Distributions <sup>(4)</sup></b> | \$ 0.81  | 0.56                  | 0.76  | 0.36  | 0.36  |
| <b>Net assets, end of period</b>                 | \$ 9.31  | 11.26                 | 11.94 | 12.19 | 11.48 |

# BMO World Bond Fund

## Series D Units

|  | 2022     | Periods ended Sep. 30 |       |       |                     |
|--|----------|-----------------------|-------|-------|---------------------|
|  |          | 2021                  | 2020  | 2019  | 2018 <sup>(*)</sup> |
| Net assets, beginning of period                  | \$ 9.77  | 10.43                 | 10.38 | 9.81  | 10.00*              |
| <b>Increase (decrease)</b>                       |          |                       |       |       |                     |
| <b>from operations:</b>                          |          |                       |       |       |                     |
| Total revenue                                    | \$ 0.17  | 0.22                  | 0.21  | 0.25  | 0.22                |
| Total expenses <sup>(2)</sup>                    | \$ -0.17 | -0.19                 | -0.19 | -0.18 | -0.17               |
| Realized gains (losses)                          |          |                       |       |       |                     |
| for the period                                   | \$ 0.03  | 0.51                  | 0.31  | 1.03  | 2.83                |
| Unrealized gains (losses)                        |          |                       |       |       |                     |
| for the period                                   | \$ -1.01 | -0.75                 | 0.10  | -0.17 | -2.99               |
| <b>Total increase (decrease)</b>                 |          |                       |       |       |                     |
| <b>from operations <sup>(3)</sup></b>            | \$ -0.98 | -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                               | \$ 0.43  | 0.22                  | 0.06  | —     | —                   |
| Return of capital                                | \$ 0.23  | 0.23                  | 0.12  | 0.12  | —                   |
| <b>Total Annual Distributions <sup>(4)</sup></b> | \$ 0.66  | 0.45                  | 0.29  | 0.23  | 0.16                |
| <b>Net assets, end of period</b>                 | \$ 8.02  | 9.77                  | 10.43 | 10.38 | 9.81                |

## Series I Units

|  | 2022     | Periods ended Sep. 30 |       |       |       |
|--|----------|-----------------------|-------|-------|-------|
|  |          | 2021                  | 2020  | 2019  | 2018  |
| Net assets, beginning of period                  | \$ 10.77 | 11.37                 | 11.51 | 10.78 | 11.26 |
| <b>Increase (decrease)</b>                       |          |                       |       |       |       |
| <b>from operations:</b>                          |          |                       |       |       |       |
| Total revenue                                    | \$ 0.20  | 0.20                  | 0.22  | 0.27  | 0.29  |
| Total expenses <sup>(2)</sup>                    | \$ 0.00  | -0.00                 | 0.00  | 0.00  | 0.01  |
| Realized gains (losses)                          |          |                       |       |       |       |
| for the period                                   | \$ 0.03  | -0.42                 | 0.36  | 0.93  | 0.62  |
| Unrealized gains (losses)                        |          |                       |       |       |       |
| for the period                                   | \$ -1.30 | 0.26                  | -0.05 | -0.13 | -0.38 |
| <b>Total increase (decrease)</b>                 |          |                       |       |       |       |
| <b>from operations <sup>(3)</sup></b>            | \$ -1.07 | 0.04                  | 0.53  | 1.07  | 0.54  |
| <b>Distributions:</b>                            |          |                       |       |       |       |
| From net investment income (excluding dividends) | \$ 0.19  | 0.25                  | 0.30  | 0.35  | 0.36  |
| From dividends                                   | \$ —     | —                     | —     | —     | —     |
| From capital gains                               | \$ —     | 0.22                  | 0.35  | —     | 0.57  |
| Return of capital                                | \$ 0.17  | 0.11                  | 0.06  | 0.01  | 0.00  |
| <b>Total Annual Distributions <sup>(4)</sup></b> | \$ 0.36  | 0.58                  | 0.71  | 0.36  | 0.93  |
| <b>Net assets, end of period</b>                 | \$ 9.35  | 10.77                 | 11.37 | 11.51 | 10.78 |

## Classic Series Units

|  | 2022     | Periods ended Sep. 30 |       |       |       |
|--|----------|-----------------------|-------|-------|-------|
|  |          | 2021                  | 2020  | 2019  | 2018  |
| Net assets, beginning of period                  | \$ 10.10 | 10.55                 | 10.64 | 9.92  | 9.85  |
| <b>Increase (decrease)</b>                       |          |                       |       |       |       |
| <b>from operations:</b>                          |          |                       |       |       |       |
| Total revenue                                    | \$ 0.18  | 0.22                  | 0.21  | 0.25  | 0.25  |
| Total expenses <sup>(2)</sup>                    | \$ -0.14 | -0.16                 | -0.16 | -0.15 | -0.16 |
| Realized gains (losses)                          |          |                       |       |       |       |
| for the period                                   | \$ 0.04  | 0.56                  | 0.32  | 0.85  | 1.24  |
| Unrealized gains (losses)                        |          |                       |       |       |       |
| for the period                                   | \$ -1.15 | -0.80                 | -0.01 | -0.10 | -1.08 |
| <b>Total increase (decrease)</b>                 |          |                       |       |       |       |
| <b>from operations <sup>(3)</sup></b>            | \$ -1.07 | -0.18                 | 0.36  | 0.85  | 0.25  |
| <b>Distributions:</b>                            |          |                       |       |       |       |
| From net investment income (excluding dividends) | \$ —     | 0.04                  | 0.13  | 0.13  | 0.16  |
| From dividends                                   | \$ —     | —                     | —     | —     | —     |
| From capital gains                               | \$ 0.52  | 0.22                  | 0.33  | —     | —     |
| Return of capital                                | \$ —     | 0.01                  | 0.00  | 0.00  | 0.00  |
| <b>Total Annual Distributions <sup>(4)</sup></b> | \$ 0.52  | 0.27                  | 0.46  | 0.13  | 0.16  |
| <b>Net assets, end of period</b>                 | \$ 8.48  | 10.10                 | 10.55 | 10.64 | 9.92  |

\* 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.

# BMO World Bond Fund

## Ratios and Supplemental Data

### Series A Units

|  | 2022       | Periods ended Sep. 30 |         |         |         |
|--|------------|-----------------------|---------|---------|---------|
|  |            | 2021                  | 2020    | 2019    | 2018    |
| Total net asset value (000's) <sup>(1)</sup> | \$ 105,066 | 127,116               | 133,407 | 155,141 | 165,061 |
| Number of units                              |            |                       |         |         |         |
| outstanding (000's) <sup>(1)</sup>           | 12,714     | 12,656                | 12,418  | 14,043  | 15,752  |
| Management expense ratio <sup>(2)</sup>      | % 2.27     | 2.27                  | 2.27    | 2.27    | 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    |
| Portfolio turnover rate <sup>(4)</sup>       | % 67.68    | 53.91                 | 83.00   | 49.89   | 14.23   |
| Net asset value per unit                     | \$ 8.26    | 10.04                 | 10.74   | 11.05   | 10.48   |

### Advisor Series Units

|  | 2022     | Periods ended Sep. 30 |       |       |       |
|--|----------|-----------------------|-------|-------|-------|
|  |          | 2021                  | 2020  | 2019  | 2018  |
| Total net asset value (000's) <sup>(1)</sup> | \$ 4,618 | 6,460                 | 6,698 | 6,879 | 6,772 |
| Number of units                              |          |                       |       |       |       |
| outstanding (000's) <sup>(1)</sup>           | 606      | 695                   | 674   | 673   | 697   |
| Management expense ratio <sup>(2)</sup>      | % 2.25   | 2.26                  | 2.26  | 2.25  | 2.27  |
| Management expense ratio                     |          |                       |       |       |       |
| before waivers or absorptions                | % 2.26   | 2.26                  | 2.26  | 2.26  | 2.27  |
| Trading expense ratio <sup>(3)</sup>         | % —      | —                     | —     | 0.03  | 0.03  |
| Portfolio turnover rate <sup>(4)</sup>       | % 67.68  | 53.91                 | 83.00 | 49.89 | 14.23 |
| Net asset value per unit                     | \$ 7.62  | 9.29                  | 9.94  | 10.23 | 9.71  |

### Series F Units

|  | 2022      | Periods ended Sep. 30 |        |        |        |
|--|-----------|-----------------------|--------|--------|--------|
|  |           | 2021                  | 2020   | 2019   | 2018   |
| Total net asset value (000's) <sup>(1)</sup> | \$ 19,988 | 21,742                | 20,254 | 23,011 | 21,558 |
| Number of units                              |           |                       |        |        |        |
| outstanding (000's) <sup>(1)</sup>           | 2,148     | 1,931                 | 1,697  | 1,888  | 1,878  |
| Management expense ratio <sup>(2)</sup>      | % 0.80    | 0.80                  | 0.80   | 0.80   | 0.80   |
| Management expense ratio                     |           |                       |        |        |        |
| before waivers or absorptions                | % 0.85    | 0.84                  | 0.84   | 0.83   | 0.83   |
| Trading expense ratio <sup>(3)</sup>         | % —       | —                     | —      | 0.03   | 0.03   |
| Portfolio turnover rate <sup>(4)</sup>       | % 67.68   | 53.91                 | 83.00  | 49.89  | 14.23  |
| Net asset value per unit                     | \$ 9.31   | 11.26                 | 11.94  | 12.19  | 11.48  |

### Series D Units

|  | 2022    | Periods ended Sep. 30 |       |       |                     |
|--|---------|-----------------------|-------|-------|---------------------|
|  |         | 2021                  | 2020  | 2019  | 2018 <sup>(5)</sup> |
| Total net asset value (000's) <sup>(1)</sup> | \$ 26   | 2,447                 | 3,009 | 142   | 36                  |
| Number of units                              |         |                       |       |       |                     |
| outstanding (000's) <sup>(1)</sup>           | 3       | 250                   | 288   | 14    | 4                   |
| Management expense ratio <sup>(2)</sup>      | % 1.87  | 1.89                  | 1.87  | 1.85  | 1.92                |
| Management expense ratio                     |         |                       |       |       |                     |
| before waivers or absorptions                | % 1.89  | 1.89                  | 1.87  | 1.85  | 2.80                |
| Trading expense ratio <sup>(3)</sup>         | % —     | —                     | —     | 0.03  | 0.03                |
| Portfolio turnover rate <sup>(4)</sup>       | % 67.68 | 53.91                 | 83.00 | 49.89 | 14.23               |
| Net asset value per unit                     | \$ 8.02 | 9.77                  | 10.43 | 10.38 | 9.81                |

### Series I Units

|  | 2022      | Periods ended Sep. 30 |       |       |       |
|--|-----------|-----------------------|-------|-------|-------|
|  |           | 2021                  | 2020  | 2019  | 2018  |
| Total net asset value (000's) <sup>(1)</sup> | \$ 49,652 | 50,866                | 3,205 | 4,233 | 4,389 |
| Number of units                              |           |                       |       |       |       |
| outstanding (000's) <sup>(1)</sup>           | 5,313     | 4,724                 | 282   | 368   | 407   |
| Management expense ratio <sup>+</sup>        | % —       | —                     | —     | —     | —     |
| Management expense ratio                     |           |                       |       |       |       |
| before waivers or absorptions <sup>+</sup>   | % —       | —                     | —     | —     | —     |
| Trading expense ratio <sup>(3)</sup>         | % —       | —                     | —     | 0.03  | 0.03  |
| Portfolio turnover rate <sup>(4)</sup>       | % 67.68   | 53.91                 | 83.00 | 49.89 | 14.23 |
| Net asset value per unit                     | \$ 9.35   | 10.77                 | 11.37 | 11.51 | 10.78 |

### Classic Series Units

|  | 2022    | Periods ended Sep. 30 |       |       |       |
|--|---------|-----------------------|-------|-------|-------|
|  |         | 2021                  | 2020  | 2019  | 2018  |
| Total net asset value (000's) <sup>(1)</sup> | \$ 369  | 811                   | 1,173 | 1,519 | 1,471 |
| Number of units                              |         |                       |       |       |       |
| outstanding (000's) <sup>(1)</sup>           | 43      | 80                    | 111   | 143   | 148   |
| Management expense ratio <sup>(2)</sup>      | % 1.54  | 1.55                  | 1.55  | 1.55  | 1.55  |
| Management expense ratio                     |         |                       |       |       |       |
| before waivers or absorptions                | % 1.54  | 1.55                  | 1.55  | 1.55  | 1.55  |
| Trading expense ratio <sup>(3)</sup>         | % —     | —                     | —     | 0.03  | 0.03  |
| Portfolio turnover rate <sup>(4)</sup>       | % 67.68 | 53.91                 | 83.00 | 49.89 | 14.23 |
| Net asset value per unit                     | \$ 8.48 | 10.10                 | 10.55 | 10.64 | 9.92  |

+ 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, 2022, 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.

# BMO World Bond Fund

## 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. The management fee is subject to applicable taxes. The Manager may, at its discretion, waive a portion or the entire amount of the management fee chargeable at any given time for each series of the Fund.

|                      | Annual Management Fee Rate*<br>% | As a Percentage of Management Fees |   |
|----------------------|----------------------------------|------------------------------------|---|
|                      |                                  | 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 reinvested in 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 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.

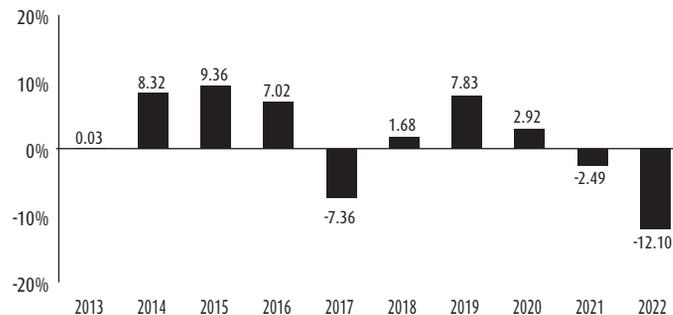
On May 4, 2018, the Manager announced that BMO Asset Management Limited would become a sub-advisor for the Fund. In addition, the investment strategies of the Fund changed to reflect the investment style of BMO Asset Management Limited.

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

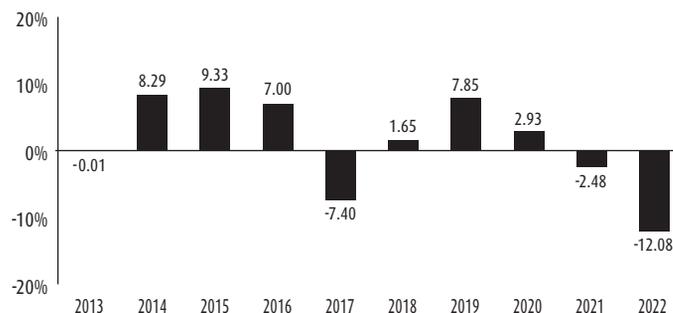
## Year-by-Year Returns

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

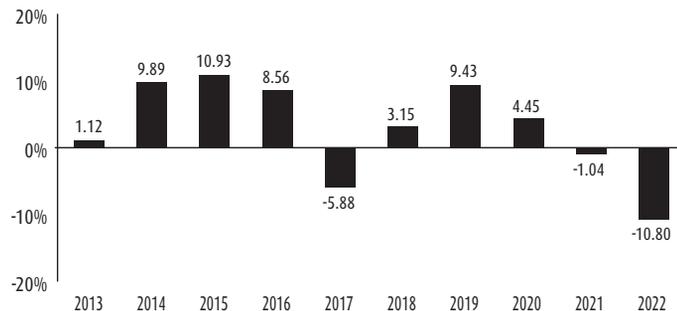


### Advisor Series Units

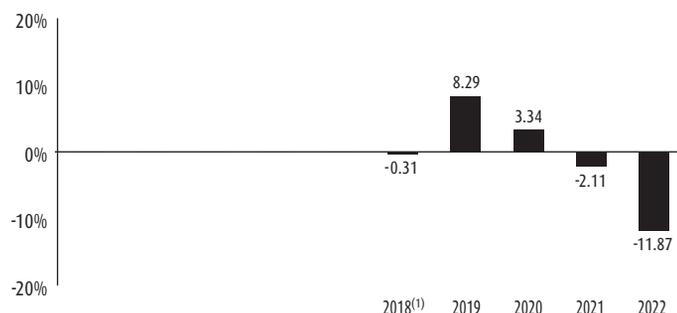


# BMO World Bond Fund

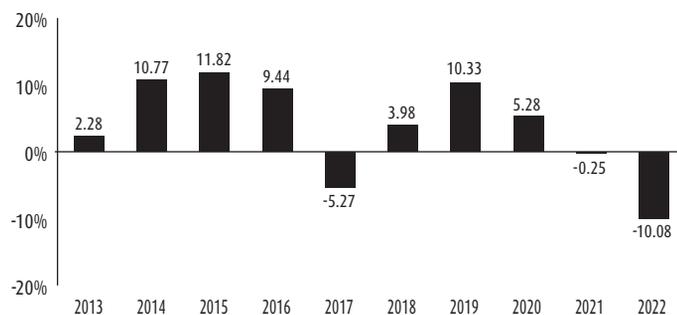
## Series F Units



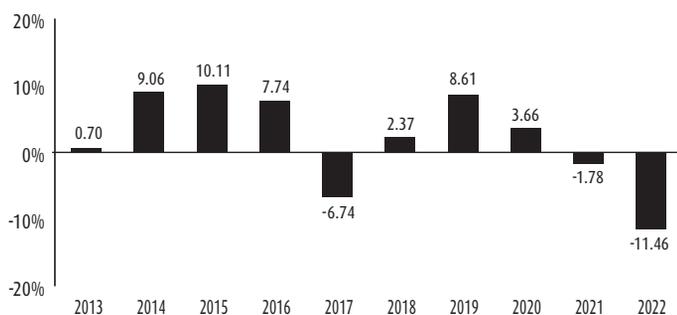
## Series D Units



## Series I Units



## Classic Series Units



<sup>(1)</sup> For the period beginning with the performance launch date of November 21, 2017 to September 30, 2018.

## 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 year | 3 years | 5 years | 10 years | Since Inception |
|--|---|--------|---------|---------|----------|-----------------|
| BMO World Bond Fund                                | % | -12.10 | -4.09   | -0.66   | 1.29     |                 |
| Bloomberg Global Aggregate Bond Index (C\$ hedged) | % | -12.30 | -3.26   | -0.09   | 1.68     |                 |

## Advisor Series Units

|  |   | 1 year | 3 years | 5 years | 10 years | Since Inception |
|--|---|--------|---------|---------|----------|-----------------|
| BMO World Bond Fund                                | % | -12.08 | -4.08   | -0.66   | 1.27     |                 |
| Bloomberg Global Aggregate Bond Index (C\$ hedged) | % | -12.30 | -3.26   | -0.09   | 1.68     |                 |

## Series F Units

|  |   | 1 year | 3 years | 5 years | 10 years | Since Inception |
|--|---|--------|---------|---------|----------|-----------------|
| BMO World Bond Fund                                | % | -10.80 | -2.67   | 0.80    | 2.74     |                 |
| Bloomberg Global Aggregate Bond Index (C\$ hedged) | % | -12.30 | -3.26   | -0.09   | 1.68     |                 |

## Series D Units

|  |   | 1 year | 3 years | 5 years | 10 years | Since Inception <sup>(1)</sup> |
|--|---|--------|---------|---------|----------|--------------------------------|
| BMO World Bond Fund                                | % | -11.87 | -3.76   |         |          | -0.79                          |
| Bloomberg Global Aggregate Bond Index (C\$ hedged) | % | -12.30 | -3.26   |         |          | -0.20                          |

## Series I Units

|  |   | 1 year | 3 years | 5 years | 10 years | Since Inception |
|--|---|--------|---------|---------|----------|-----------------|
| BMO World Bond Fund                                | % | -10.08 | -1.89   | 1.62    | 3.59     |                 |
| Bloomberg Global Aggregate Bond Index (C\$ hedged) | % | -12.30 | -3.26   | -0.09   | 1.68     |                 |

## Classic Series Units

|  |   | 1 year | 3 years | 5 years | 10 years | Since Inception |
|--|---|--------|---------|---------|----------|-----------------|
| BMO World Bond Fund                                | % | -11.46 | -3.40   | 0.05    | 1.99     |                 |
| Bloomberg Global Aggregate Bond Index (C\$ hedged) | % | -12.30 | -3.26   | -0.09   | 1.68     |                 |

<sup>(1)</sup> Return from the performance launch date of November 21, 2017 to September 30, 2022.

*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, 2022

| Portfolio Allocation              | % of Net Asset Value | Top 25 Holdings Issuer   | % of Net Asset Value |
|-----------------------------------|----------------------|--|----------------------|
| United States                     | 36.4                 | People's Republic of China, Unsecured, 1.990% Apr 9, 2025        | 5.4                  |
| Canada                            | 10.6                 | United States Treasury Notes, 1.375% Dec 31, 2028                | 4.3                  |
| China                             | 9.2                  | United States Treasury Notes, 0.625% Aug 15, 2030                | 3.8                  |
| Japan                             | 7.8                  | United States Treasury Notes, 1.500% Jan 31, 2027                | 3.7                  |
| Germany                           | 4.8                  | BMO Mid-Term US IG Corporate Bond Index ETF <sup>+</sup>         | 3.7                  |
| United Kingdom                    | 4.7                  | United States Treasury Notes, 2.625% Apr 15, 2025                | 2.8                  |
| Mexico                            | 4.5                  | Government of Canada, Unsecured, 0.750% Feb 1, 2024              | 2.7                  |
| Austria                           | 2.3                  | United States Treasury Bonds, 2.750% Feb 15, 2028                | 2.6                  |
| France                            | 2.3                  | Republic of Austria, Senior, Unsecured, Oct 20, 2028             | 2.3                  |
| Netherlands                       | 2.2                  | United Mexican States, Series M, Senior,                         |                      |
| Spain                             | 1.8                  | Unsecured, 5.750% Mar 5, 2026                                    | 2.2                  |
| Belgium                           | 1.7                  | Federal Republic of Germany, Series 181, Unsecured, Apr 11, 2025 | 2.2                  |
| United Arab Emirates              | 1.4                  | People's Republic of China, Unsecured, 3.810% Sep 14, 2050       | 2.2                  |
| Switzerland                       | 1.3                  | Government of Canada, Unsecured, 2.250% Jun 1, 2029              | 1.9                  |
| South Korea                       | 1.3                  | Government of Japan, Ten Year Bonds, Series 340,                 |                      |
| Supranational                     | 1.3                  | Senior, Unsecured, 0.400% Sep 20, 2025                           | 1.8                  |
| South Africa                      | 1.1                  | United States Treasury Bonds, 2.875% May 15, 2049                | 1.6                  |
| Cash/Receivables/Payables         | -0.4                 | Government of Japan, Ten Year Bonds, Series 332,                 |                      |
| Other                             | 5.7                  | Senior, Unsecured, 0.600% Dec 20, 2023                           | 1.6                  |
| <b>Total Portfolio Allocation</b> | <b>100.0</b>         | United States Treasury Bonds, 1.375% Nov 15, 2040                | 1.5                  |
|                                   |                      | United States Treasury Notes, 2.500% May 31, 2024                | 1.5                  |
|                                   |                      | United Mexican States, Series M, Senior,                         |                      |
|                                   |                      | Unsecured, 8.000% Nov 7, 2047                                    | 1.4                  |
|                                   |                      | United States Treasury Notes, 1.875% Feb 15, 2032                | 1.4                  |
|                                   |                      | United States Treasury Bonds, 1.250% Aug 15, 2031                | 1.4                  |
|                                   |                      | United States Treasury Bonds, 1.250% May 15, 2050                | 1.2                  |
|                                   |                      | Kingdom of Belgium, Series 96, Senior,                           |                      |
|                                   |                      | Unsecured, 2.750% Apr 22, 2039                                   | 1.2                  |
|                                   |                      | Government of Japan, Thirty Year Bonds, Series 41,               |                      |
|                                   |                      | Senior, Unsecured, 1.700% Dec 20, 2043                           | 1.0                  |
|                                   |                      | Republic of South Africa, Series 2048, Senior,                   |                      |
|                                   |                      | Unsecured, 8.750% Feb 28, 2048                                   | 1.0                  |
|                                   |                      | <b>Top Holdings as a Percentage of Total Net Asset Value</b>     | <b>56.4</b>          |
|                                   |                      | <b>Total Net Asset Value</b>                                     | <b>\$179,718,700</b> |

<sup>+</sup>The prospectus and other information about the underlying exchange traded fund(s) held in the portfolio are available 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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Mutual Funds