

# BMO SelectClass<sup>®</sup> Balanced Portfolio (the “Fund”)

For the 12-month period ended September 30, 2019 (the “Period”)

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

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

## 2019 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 objective is to provide a balanced portfolio by investing primarily in a mix of mutual funds that invest in fixed income and equity securities. The Fund may also invest directly in fixed income securities and cash or cash equivalents.

The portfolio manager employs a strategic asset allocation strategy. They may invest up to 100% of the Fund’s assets primarily in securities of other mutual funds and exchange traded funds, including funds managed by the Manager or one of its affiliates or associates; however, the portfolio manager will invest the assets to a greater extent in mutual funds. The portfolio manager allocates assets among the underlying mutual funds and exchange traded funds based on each underlying fund’s investment objectives and strategies, among other factors.

#### 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. On May 10, 2019, the Manager reviewed the Fund using the standardized investment risk classification methodology prescribed by National Instrument 81-102 *Investment Funds* and determined 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 \$2,206 million to approximately \$1,868 million. Series A shares of the Fund returned 3.02%. Please see the *Past Performance* section for information on the performance returns of the Fund’s other series.

The Period began with heightened concerns over a re-escalation of U.S.-China trade tensions. This, combined with increasing concerns over a slowing of global growth led fixed income to perform well as long-term rates fell. The U.S. Federal Reserve Board (“Fed”) delivered their final rate increase of the cycle despite criticism from President Trump. The slower growth environment impacted oil prices worldwide with Canadian Energy stocks suffering both insult and injury. Refinery outages and distribution constraints drove the discount of Western Canada Select (“WCS”) versus West Texas Intermediate (“WTI”) to a record high of US\$50 per barrel.

The 2019 year began on a higher note with equities rebounding from their Christmas Eve lows, primarily driven by a sharp reversal in the Fed’s commentary, from hawkish to dovish, citing the increased risks to the economy created by global trade disruptions. Other central banks similarly adopted a benign tone, resulting in a rebound in 10-year interest rates. Energy stocks benefitted from oil prices recovering to the US\$60 per barrel range with the WCS-WTI spread narrowing back to its long-term average of US\$13-US\$15 per barrel. Strong job creation, a stabilization

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of housing prices and new construction benefitted Canadian equities, as well as a slightly stronger Canadian dollar in the first half of the Period.

Spring brought a return to worry as the U.S. announced their intentions to increase tariffs on Chinese goods. In addition, Canada was caught in the middle of the arrest of Huawei chief financial officer in Vancouver at the direction of the U.S. Attorney General, which pursued extradition under charges of investor fraud. The coincidence of this with U.S. efforts to sanction the use of Huawei products by America and its allies could not be ignored. President Trump escalated his Twitter criticism of the Fed, while Jerome Powell continued to balance continued strong economic data, persistently low inflation and increasing calls for an “insurance cut”. Oil fell sharply on concerns of slowing global growth with WTI falling from its April peak of US\$66.30 per barrel to a low of just over US\$51 per barrel by mid-June, before settling into a tight range of US\$55-US\$60 per barrel until mid-September’s drone attacks on Saudi oil facilities.

In the final quarter of the Period, trade tensions remained a focus as the back and forth tone of developments led to a sharp rotation from equities to fixed income, driving yields on U.S. 10-year treasuries even lower. This downward move in rates was compounded by two cuts in the Fed rate, lowering the upper target rate from 2.5% to 2%. This resulted in a brief inversion of the ten-to-two year U.S. treasury yield curve, the most widely watched leading indicator of potential forthcoming recession.

As of the end of September, the U.S. market implied that there is a 73% probability of a third rate cut in the December meeting despite upside surprises in several economic releases. This cut was widely priced in, but the Fed’s return to open market transactions in the repurchasing agreement market raised eyebrows as they attempted to address liquidity issues driven by end of the quarter cash demands among corporate participants.

The European Central Bank contributed to the falling rate environment, lowering their overnight lending rate by 10 basis points to -0.50% and announcing the restart of their monthly asset purchases. German Manufacturing indices continued to show economic contraction with the likelihood of a eurozone recession increasing. The U.K. added to worries as Brexit drama reached a head with Prime Minister Boris Johnson proroguing parliament to avoid having his intent for a no-deal departure blocked. His efforts were thwarted by the upper courts, allowing parliament to reconvene, which contributed to the ongoing uncertainty.

Overall during the Period, equity returns were lacklustre with a strengthening Canadian dollar further detracting from most international markets’ returns, except the U.S. The Fund diversified its equity exposure into low-volatility exposures, reducing the overall sensitivity of the Fund to market gyrations.

Among fixed income markets, rates fell globally throughout the Period with 10-year U.S. treasuries declining 118 basis points (“bps”) to end at 1.68%, a level last seen in October 2016. Canadian rates mirrored the move, falling 89 bps to 1.38%. More shockingly, while falling less on an absolute basis, German bonds fell 32 bps to leave the 10-year yield at a -0.21%, which may be a harsh (and arguably exaggerated) commentary on expectations of future long-term growth. As a result, Canadian fixed income securities, as measured by the FTSE Canada Universe Bond Index, returned 9.7% during the Period. Investment grade U.S. corporate bonds performed well, a function of the combination of falling rates and increased demand as investors stretched for higher yields. U.S. high-yield bonds were less successful as their higher sensitivity to equity market conditions made them less attractive to investors. The Fund maintained an underweight to both high-yield and investment grade corporate bonds during the Period, favouring the relative risk allocation of equities.

The Manager confirms that the Fund did not borrow money during the Period.

*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 number of warning flags on the global investment landscape continues to grow. In the U.S., political wrangling is moving to the forefront and there is weaker job creation and manufacturing output data. There is renewed escalation of protests in Hong Kong and lingering concerns over the Saudi-Iran military conflict. While there appears to be somewhat of a bottoming in German manufacturing, it is still unclear as to what catalyst will emerge to reverse the damage already done by reduced global trade and exports due to trade wars. The strong U.S. dollar has reflected the nervousness of the market, rising despite well telegraphed Fed rate cuts. Given the importance of foreign earnings among the multinationals that reside in the S&P 500 Index, the consensus estimates of 10% earnings growth for U.S. equities in 2020 would appear optimistic.

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The Canadian economy continues to muddle along with job creation and housing starts both acting as positive tailwinds. Economic growth rebounded sharply in the second quarter of 2019, while manufacturing activity has been more resilient compared to other developed economies. Oil has become a smaller component of the overall equity market and remains nonetheless an important driver of overall economic growth. The gold component of the Materials sector has acted as a hedge against overall market volatility. While there have been observations regarding the relative levels of consumer debt and mortgage lending, the nature of Canadian bank lending policies is far more conservative than in the U.S., providing a relative level of security should there be a sharper downturn in global growth.

The Fund continues to hold a modest overweight to equities versus bonds as trade-wars linger and the earnings outlook deteriorates. In this context, the portfolio manager favours U.S. and Canadian equities, while being underweight in Europe, Australasia, and Far East equities, where the growth pain is more acute. They remain neutral on emerging markets equities, as their current relative valuation to developed markets is near the long-term average with uncertainties regarding trade disputes and higher tariffs overshadowing any higher short-term growth potential.

Although the downward move in government bond yields looks overdone, its magnitude has been surprising to most investors and demand for safe-haven assets could run further, despite the poor implied relative valuations resulting from inverted curves and negative yields. The portfolio manager's longer-term view is that the current yield environment is unsustainable barring a sudden sharp global economic slowdown. However, they have adopted a more neutral duration position versus the benchmark with the continued volatility and headline risk.

On December 6, 2018, the Fund's independent review committee (the "IRC") was decreased to five members when John McBride retired as an IRC member. On December 31, 2018, Louise Vaillancourt ceased to act as Chair of the IRC. On January 1, 2019, Marlene Davidge was appointed as Chair of the IRC. On April 4, 2019, the Fund's IRC was decreased to four members when Louise Vaillancourt retired as an IRC member.

## RELATED PARTY TRANSACTIONS

BMO Investments Inc., an indirect, wholly-owned subsidiary of Bank of Montreal ("BMO"), is the Manager of the Fund. 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. 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.

### Administration Fee and Operating Expenses

The Fund pays a fixed administration fee to the Manager in respect of each series. 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 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 average net asset value of each relevant series of the Fund. 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).

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## Buying and Selling Securities

During the Period, the Fund relied on standing instructions provided by the IRC with respect to one or more of the following related party transactions:

- (a) investments in securities of BMO, an affiliate of 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, acted as an underwriter in the distribution;
- (c) trades in debt securities in the secondary market with BMO Nesbitt Burns Inc. who 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 make a Related Party Transaction, the Manager and 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.

## Brokerage Commissions

The Fund pays standard brokerage commissions at market rates to BMO Nesbitt Burns Inc., an affiliate of the Manager, for executing a portion of its trades. The brokerage commissions charged to the Fund (excluding exchange and other fees) during the periods indicated, were as follows:

	Period ended Sep. 30, 2019 \$000	Period ended Sep. 30, 2018 \$000
Total brokerage commissions	184	98
Brokerage commissions paid to BMO Nesbitt Burns Inc.	29	62

## 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.

## 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.

	Annual Management Fee Rate %	As a Percentage of Management Fees	
		Dealer Compensation %	General Administration, Investment Advice and Profit %
Series A Shares	2.00	50	50
Advisor Series Shares	2.00	50	50
Series T5 Shares	2.00	51	49
Series T6 Shares	2.00	50	50
Series T8 Shares	2.00	47	53
Series F Shares	1.00	0	100
Series D Shares	1.25	20	80

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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 Share <sup>(1)</sup>

#### Series A Shares

		Periods ended Sep. 30				
		2019	2018	2017	2016	2015
Net assets, beginning of period	\$	16.90	16.79	16.71	16.48	15.87
<b>Increase (decrease) from operations:</b>						
Total revenue	\$	0.97	0.82	0.71	1.19	0.73
Total expenses <sup>(2)</sup>	\$	-0.41	-0.42	-0.41	-0.40	-0.45
Realized gains (losses) for the period	\$	0.46	0.63	0.87	0.66	0.97
Unrealized gains (losses) for the period	\$	-0.58	-0.16	-0.44	-0.57	-0.52
<b>Total increase (decrease) from operations <sup>(3)</sup></b>	\$	0.44	0.87	0.73	0.88	0.73
<b>Distributions:</b>						
From income (excluding dividends)	\$	—	—	—	—	—
From dividends	\$	0.09	0.10	0.11	0.08	0.07
From capital gains	\$	0.38	0.62	0.53	0.64	—
Return of capital	\$	—	—	—	—	—
<b>Total Annual Distributions <sup>(4)</sup></b>	\$	0.47	0.72	0.64	0.72	0.07
<b>Net assets, end of period</b>	\$	16.92	16.90	16.79	16.71	16.48

#### Advisor Series Shares

		Periods ended Sep. 30				
		2019	2018	2017	2016	2015
Net assets, beginning of period	\$	16.85	16.73	16.64	16.42	15.80
<b>Increase (decrease) from operations:</b>						
Total revenue	\$	1.01	0.82	0.70	1.19	0.73
Total expenses <sup>(2)</sup>	\$	-0.41	-0.42	-0.41	-0.40	-0.45
Realized gains (losses) for the period	\$	0.39	0.62	0.87	0.62	0.98
Unrealized gains (losses) for the period	\$	-0.51	-0.18	-0.44	-0.51	-0.60
<b>Total increase (decrease) from operations <sup>(3)</sup></b>	\$	0.48	0.84	0.72	0.90	0.66
<b>Distributions:</b>						
From income (excluding dividends)	\$	—	—	—	—	—
From dividends	\$	0.08	0.09	0.11	0.08	0.06
From capital gains	\$	0.38	0.62	0.53	0.64	—
Return of capital	\$	—	—	—	—	—
<b>Total Annual Distributions <sup>(4)</sup></b>	\$	0.46	0.71	0.64	0.72	0.06
<b>Net assets, end of period</b>	\$	16.87	16.85	16.73	16.64	16.42

## Series T5 Shares

		Periods ended Sep. 30				
		2019	2018	2017	2016	2015
Net assets, beginning of period	\$	10.32	10.78	11.28	11.72	11.84
<b>Increase (decrease) from operations:</b>						
Total revenue	\$	0.60	0.51	0.49	0.82	0.54
Total expenses <sup>(2)</sup>	\$	-0.24	-0.26	-0.27	-0.28	-0.33
Realized gains (losses) for the period	\$	0.24	0.40	0.57	0.46	0.71
Unrealized gains (losses) for the period	\$	-0.32	-0.10	-0.29	-0.37	-0.37
<b>Total increase (decrease) from operations <sup>(3)</sup></b>	\$	0.28	0.55	0.50	0.63	0.55
<b>Distributions:</b>						
From income (excluding dividends)	\$	—	—	—	—	—
From dividends	\$	0.04	0.06	0.07	0.06	0.05
From capital gains	\$	0.23	0.39	0.35	0.45	—
Return of capital	\$	0.48	0.54	0.55	0.58	0.59
<b>Total Annual Distributions <sup>(4)</sup></b>	\$	0.75	0.99	0.97	1.09	0.64
<b>Net assets, end of period</b>	\$	9.83	10.32	10.78	11.28	11.72

## Series T6 Shares

		Periods ended Sep. 30				
		2019	2018	2017	2016	2015
Net assets, beginning of period	\$	9.38	9.90	10.47	10.98	11.20
<b>Increase (decrease) from operations:</b>						
Total revenue	\$	0.53	0.47	0.43	0.78	0.50
Total expenses <sup>(2)</sup>	\$	-0.22	-0.24	-0.25	-0.26	-0.31
Realized gains (losses) for the period	\$	0.24	0.35	0.53	0.41	0.67
Unrealized gains (losses) for the period	\$	-0.33	-0.08	-0.27	-0.35	-0.42
<b>Total increase (decrease) from operations <sup>(3)</sup></b>	\$	0.22	0.50	0.44	0.58	0.44
<b>Distributions:</b>						
From income (excluding dividends)	\$	—	—	—	—	—
From dividends	\$	0.05	0.06	0.06	0.05	0.04
From capital gains	\$	0.21	0.36	0.33	0.42	—
Return of capital	\$	0.53	0.59	0.61	0.66	0.67
<b>Total Annual Distributions <sup>(4)</sup></b>	\$	0.79	1.01	1.00	1.13	0.71
<b>Net assets, end of period</b>	\$	8.85	9.38	9.90	10.47	10.98

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## Series T8 Shares

	2019	Periods ended Sep. 30			2015
	2018	2017	2016	2015	
Net assets, beginning of period	\$ 7.63	8.21	8.86	9.50	9.91
<b>Increase (decrease)</b>					
<b>from operations:</b>					
Total revenue	\$ 0.43	0.38	0.36	0.66	0.44
Total expenses <sup>(2)</sup>	\$ -0.17	-0.19	-0.21	-0.22	-0.27
Realized gains (losses)					
for the period	\$ 0.19	0.29	0.45	0.37	0.59
Unrealized gains (losses)					
for the period	\$ -0.24	-0.07	-0.22	-0.31	-0.28
<b>Total increase (decrease)</b>					
<b>from operations <sup>(3)</sup></b>	\$ 0.21	0.41	0.38	0.50	0.48
<b>Distributions:</b>					
From income					
(excluding dividends)	\$ —	—	—	—	—
From dividends	\$ 0.03	0.05	0.05	0.04	0.05
From capital gains	\$ 0.17	0.30	0.28	0.37	—
Return of capital	\$ 0.57	0.65	0.69	0.75	0.79
<b>Total Annual Distributions <sup>(4)</sup></b>	\$ 0.77	1.00	1.02	1.16	0.84
<b>Net assets, end of period</b>	\$ 7.05	7.63	8.21	8.86	9.50

## Series F Shares

	2019	Periods ended Sep. 30		
	2018	2017	2016 <sup>(5)</sup>	2015 <sup>(6)</sup>
Net assets, beginning of period	\$ 11.24	11.00	10.82	10.00*
<b>Increase (decrease)</b>				
<b>from operations:</b>				
Total revenue	\$ 0.70	0.50	0.43	0.49
Total expenses <sup>(2)</sup>	\$ -0.15	-0.16	-0.15	-0.09
Realized gains (losses)				
for the period	\$ 0.24	0.40	0.58	-0.24
Unrealized gains (losses)				
for the period	\$ -0.36	-0.17	-0.31	0.69
<b>Total increase (decrease)</b>				
<b>from operations <sup>(3)</sup></b>	\$ 0.43	0.57	0.55	0.85
<b>Distributions:</b>				
From income				
(excluding dividends)	\$ —	—	—	—
From dividends	\$ 0.04	0.03	0.07	0.05
From capital gains	\$ 0.25	0.41	0.34	—
Return of capital	\$ —	—	—	—
<b>Total Annual Distributions <sup>(4)</sup></b>	\$ 0.29	0.44	0.41	0.05
<b>Net assets, end of period</b>	\$ 11.39	11.24	11.00	10.82

## Series D Shares

	2019	Periods ended Sep. 30	
	2018 <sup>(6)</sup>	2017	2016 <sup>(6)</sup>
Net assets, beginning of period	\$ 9.88	10.00*	
<b>Increase (decrease)</b>			
<b>from operations:</b>			
Total revenue	\$ 0.87	0.36	
Total expenses <sup>(2)</sup>	\$ -0.16	-0.15	
Realized gains (losses)			
for the period	\$ -0.05	0.30	
Unrealized gains (losses)			
for the period	\$ -0.17	-0.45	
<b>Total increase (decrease)</b>			
<b>from operations <sup>(3)</sup></b>	\$ 0.49	0.06	
<b>Distributions:</b>			
From income			
(excluding dividends)	\$ —	—	
From dividends	\$ 0.01	—	
From capital gains	\$ 0.22	0.36	
Return of capital	\$ —	—	
<b>Total Annual Distributions <sup>(4)</sup></b>	\$ 0.23	0.36	
<b>Net assets, end of period</b>	\$ 10.01	9.88	

\* Initial net assets.

<sup>(1)</sup> This information is derived from the Fund's audited 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 shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per share.

<sup>(4)</sup> Distributions were either paid in cash or reinvested in additional shares of the Fund, or both.

<sup>(5)</sup> The information shown in this column is for the period beginning February 17, 2016 (the series' inception date) and ending September 30, 2016.

<sup>(6)</sup> The information shown in this column is for the period beginning November 20, 2017 (the series' inception date) and ending September 30, 2018.



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## Ratios and Supplemental Data

### Series A Shares

	2019	Periods ended Sep. 30			
		2018	2017	2016	2015
Total net asset value (000's) <sup>(1)</sup> \$	1,503,140	1,790,178	2,006,270	2,374,413	2,970,849
Number of shares					
outstanding (000's) <sup>(1)</sup>	88,841	105,904	119,502	142,134	180,266
Management expense ratio <sup>(2)</sup> %	2.50	2.50	2.50	2.50	2.50
Management expense ratio					
before waivers or absorptions %	2.51	2.50	2.50	2.50	2.50
Trading expense ratio <sup>(3)</sup> %	0.05	0.05	0.07	0.08	0.01
Portfolio turnover rate <sup>(4)</sup> %	11.06	17.56	30.02	15.04	14.63
Net asset value per share \$	16.92	16.90	16.79	16.71	16.48

### Advisor Series Shares

	2019	Periods ended Sep. 30			
		2018	2017	2016	2015
Total net asset value (000's) <sup>(1)</sup> \$	12,839	13,432	14,246	14,722	15,952
Number of shares					
outstanding (000's) <sup>(1)</sup>	761	797	852	885	972
Management expense ratio <sup>(2)</sup> %	2.51	2.51	2.51	2.51	2.51
Management expense ratio					
before waivers or absorptions %	2.52	2.51	2.51	2.51	2.51
Trading expense ratio <sup>(3)</sup> %	0.05	0.05	0.07	0.08	0.01
Portfolio turnover rate <sup>(4)</sup> %	11.06	17.56	30.02	15.04	14.63
Net asset value per share \$	16.87	16.85	16.73	16.64	16.42

### Series T5 Shares

	2019	Periods ended Sep. 30			
		2018	2017	2016	2015
Total net asset value (000's) <sup>(1)</sup> \$	337	349	389	646	837
Number of shares					
outstanding (000's) <sup>(1)</sup>	34	34	36	57	71
Management expense ratio <sup>(2)</sup> %	2.50	2.51	2.52	2.52	2.51
Management expense ratio					
before waivers or absorptions %	2.51	2.51	2.52	2.52	2.52
Trading expense ratio <sup>(3)</sup> %	0.05	0.05	0.07	0.08	0.01
Portfolio turnover rate <sup>(4)</sup> %	11.06	17.56	30.02	15.04	14.63
Net asset value per share \$	9.83	10.32	10.78	11.28	11.72

### Series T6 Shares

	2019	Periods ended Sep. 30			
		2018	2017	2016	2015
Total net asset value (000's) <sup>(1)</sup> \$	259,608	314,539	349,239	404,057	466,972
Number of shares					
outstanding (000's) <sup>(1)</sup>	29,348	33,527	35,283	38,610	42,514
Management expense ratio <sup>(2)</sup> %	2.51	2.51	2.51	2.50	2.51
Management expense ratio					
before waivers or absorptions %	2.51	2.51	2.51	2.50	2.51
Trading expense ratio <sup>(3)</sup> %	0.05	0.05	0.07	0.08	0.01
Portfolio turnover rate <sup>(4)</sup> %	11.06	17.56	30.02	15.04	14.63
Net asset value per share \$	8.85	9.38	9.90	10.47	10.98

### Series T8 Shares

	2019	Periods ended Sep. 30			
		2018	2017	2016	2015
Total net asset value (000's) <sup>(1)</sup> \$	642	722	806	896	1,125
Number of shares					
outstanding (000's) <sup>(1)</sup>	91	95	98	101	118
Management expense ratio <sup>(2)</sup> %	2.45	2.45	2.46	2.48	2.50
Management expense ratio					
before waivers or absorptions %	2.46	2.45	2.46	2.48	2.50
Trading expense ratio <sup>(3)</sup> %	0.05	0.05	0.07	0.08	0.01
Portfolio turnover rate <sup>(4)</sup> %	11.06	17.56	30.02	15.04	14.63
Net asset value per share \$	7.05	7.63	8.21	8.86	9.50

### Series F Shares

	2019	Periods ended Sep. 30			
		2018	2017	2016	2015
Total net asset value (000's) <sup>(1)</sup> \$	89,899	86,449	53,599	24,044	
Number of shares					
outstanding (000's) <sup>(1)</sup>	7,892	7,692	4,871	2,221	
Management expense ratio <sup>(2)</sup> %	1.40	1.39	1.38	1.39	
Management expense ratio					
before waivers or absorptions %	1.40	1.39	1.38	1.39	
Trading expense ratio <sup>(3)</sup> %	0.05	0.05	0.07	0.08	
Portfolio turnover rate <sup>(4)</sup> %	11.06	17.56	30.02	15.04	
Net asset value per share \$	11.39	11.24	11.00	10.82	

### Series D Shares

	2019	Periods ended Sep. 30	
		2018	2016
Total net asset value (000's) <sup>(1)</sup> \$	1,116	361	
Number of shares			
outstanding (000's) <sup>(1)</sup>	111	37	
Management expense ratio <sup>(2)</sup> %	1.70	1.70	
Management expense ratio			
before waivers or absorptions %	1.70	1.77	
Trading expense ratio <sup>(3)</sup> %	0.05	0.05	
Portfolio turnover rate <sup>(4)</sup> %	11.06	17.56	
Net asset value per share \$	10.01	9.88	

<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.

<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 February 17, 2016 (the series' inception date) and ending September 30, 2016.

<sup>(6)</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 SelectClass Balanced Portfolio

## 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.

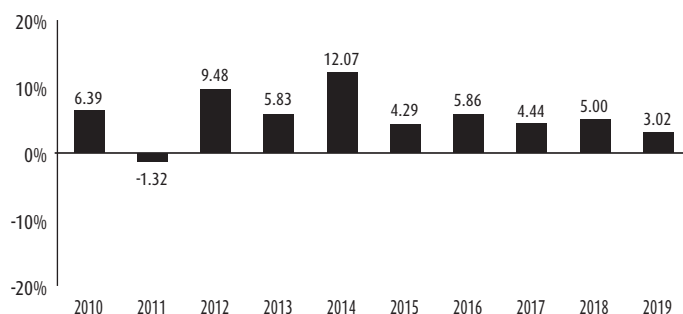
The performance information does not take into account sales, redemption, distribution or other optional charges that, if applicable, would have reduced returns or performance. Please remember that how the Fund has performed in the past does not indicate how it will perform in the future.

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.

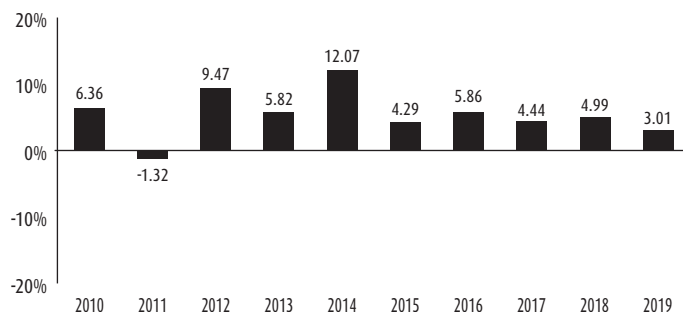
### Year-by-Year Returns

The following bar charts show the performance of each series of the Fund for each of the financial years shown. 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.

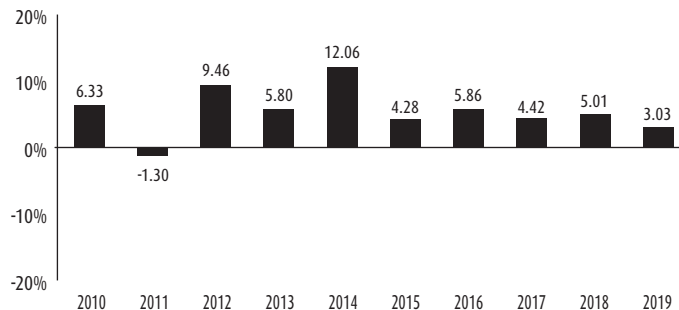
#### Series A Shares



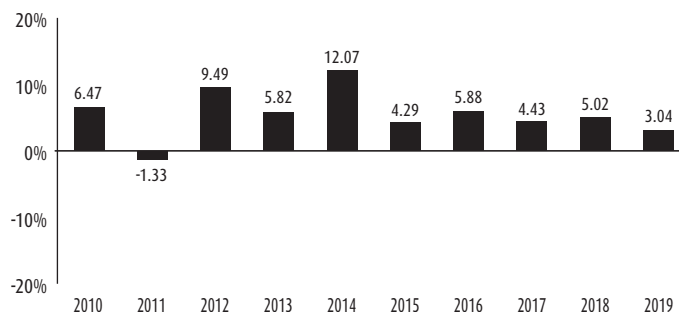
#### Advisor Series Shares



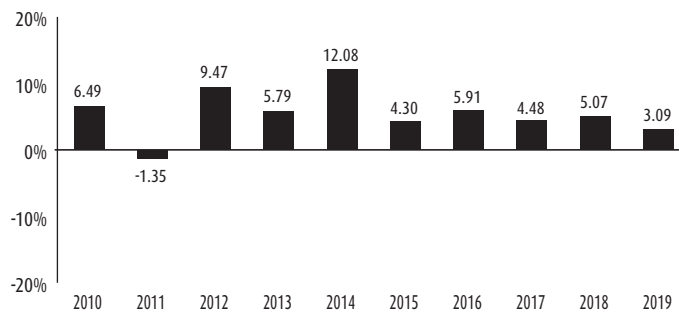
#### Series T5 Shares



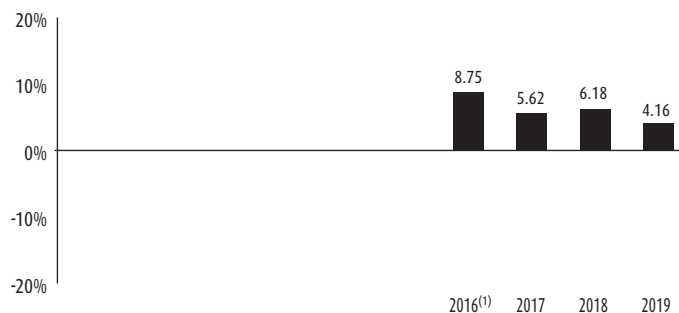
#### Series T6 Shares



#### Series T8 Shares



#### Series F Shares





# BMO SelectClass Balanced Portfolio

## Series D Shares



<sup>(1)</sup> For the period beginning with the performance launch date of February 17, 2016 to September 30, 2016.

<sup>(2)</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 blended benchmark (composed of 40% FTSE Canada Universe Bond Index, 20% S&P/TSX Composite Total Return Index (“S&P/TSX”) and 40% MSCI World Index (C\$)), in addition to the S&P/TSX, a broad-based index.

The FTSE Canada Universe Bond Index is a broad measure of the total return of Canadian bonds that mature in more than one year.

The S&P/TSX is a market capitalization-weighted index of securities of the largest and most liquid companies on the Toronto Stock Exchange.

The MSCI World Index (C\$) is a broad-based global index that represents large- and mid-cap equity performance across 23 developed markets countries. It covers approximately 85% of the free float-adjusted market capitalization in each country.

## Series A Shares

		1 year	3 years	5 years	10 years	Since Inception
BMO SelectClass Balanced Portfolio	%	3.02	4.15	4.52	5.45	
Blended Benchmark	%	7.54	7.09	7.32	8.06	
S&P/TSX	%	7.06	7.36	5.31	6.97	

## Advisor Series Shares

		1 year	3 years	5 years	10 years	Since Inception
BMO SelectClass Balanced Portfolio	%	3.01	4.14	4.51	5.44	
Blended Benchmark	%	7.54	7.09	7.32	8.06	
S&P/TSX	%	7.06	7.36	5.31	6.97	

## Series T5 Shares

		1 year	3 years	5 years	10 years	Since Inception
BMO SelectClass Balanced Portfolio	%	3.03	4.15	4.52	5.44	
Blended Benchmark	%	7.54	7.09	7.32	8.06	
S&P/TSX	%	7.06	7.36	5.31	6.97	

## Series T6 Shares

		1 year	3 years	5 years	10 years	Since Inception
BMO SelectClass Balanced Portfolio	%	3.04	4.16	4.53	5.46	
Blended Benchmark	%	7.54	7.09	7.32	8.06	
S&P/TSX	%	7.06	7.36	5.31	6.97	

## Series T8 Shares

		1 year	3 years	5 years	10 years	Since Inception
BMO SelectClass Balanced Portfolio	%	3.09	4.21	4.57	5.48	
Blended Benchmark	%	7.54	7.09	7.32	8.06	
S&P/TSX	%	7.06	7.36	5.31	6.97	

## Series F Shares

		1 year	3 years	5 years	10 years	Since Inception <sup>(1)</sup>
BMO SelectClass Balanced Portfolio	%	4.16	5.32			6.84
Blended Benchmark	%	7.54	7.09			8.52
S&P/TSX	%	7.06	7.36			11.44

## Series D Shares

		1 year	3 years	5 years	10 years	Since Inception <sup>(1)</sup>
BMO SelectClass Balanced Portfolio	%	3.85				3.23
Blended Benchmark	%	7.54				6.59
S&P/TSX	%	7.06				5.45

<sup>(1)</sup> Return from the performance launch date of February 17, 2016 to September 30, 2019.

<sup>(2)</sup> Return from the performance launch date of November 21, 2017 to September 30, 2019.

As noted above, the table shows a comparison of the historical annual compound returns of the Fund with the S&P/TSX, a broad-based index. The Fund, however, uses a blended benchmark to compare its overall relative performance. The reason for this is that the blended benchmark is a better reflection of the asset mix of the underlying investments within the Fund’s portfolio. Accordingly, the blended benchmark is a more accurate and useful comparison.

*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 SelectClass Balanced Portfolio

## SUMMARY OF INVESTMENT PORTFOLIO

As at September 30, 2019

Portfolio Allocation	% of Net Asset Value
Fixed Income Funds	43.0
U.S. Equity Funds	20.2
Canadian Equity Funds	18.2
International Equity Funds	12.7
Emerging Markets Equity Funds	4.3
Global Equity Funds	0.8
Cash/Receivables/Payables	0.8
<b>Total Portfolio Allocation</b>	<b>100.0</b>

Top 25 Holdings <sup>+</sup> Issuer	% of Net Asset Value
BMO Core Plus Bond Fund, Series I	23.9
BMO Canadian Equity Fund, Series I	9.7
BMO U.S. Equity Fund, Series I	9.2
BMO Canadian Large Cap Equity Fund, Series I	8.0
BMO European Fund, Series I	7.5
BMO Multi-Factor Equity Fund, Series I	4.2
BMO U.S. Dividend Fund, Series I	4.1
BMO Crossover Bond Fund, Series I	3.7
BMO Japan Fund, Series I	3.5
Pimco Canadian Total Return Bond Fund, Series I	3.3
BMO Emerging Markets Fund, Series I	2.4
BMO Mid-Term US IG Corporate Bond Hedged to CAD Index ETF	2.4
BMO Discount Bond Index ETF	2.2
BMO Long Federal Bond Index ETF	2.1
BMO Mortgage and Short-Term Income Fund, Series I	1.8
BMO Emerging Markets Bond Fund, Series I	1.4
BMO MSCI Emerging Markets Index ETF	1.4
BMO S&P 500 Index ETF	1.3
BMO High Yield US Corporate Bond Hedged to CAD Index ETF	1.2
BMO Asia USD Investment Grade Bond ETF <sup>++</sup>	1.0
BMO Low Volatility US Equity ETF	0.8
BMO Global Equity Fund, Series I	0.8
BMO Asia High Dividend ETF <sup>++</sup>	0.8
Cash/Receivables/Payables	0.8
BMO U.S. Small Cap Fund, Series I	0.6
<b>Top Holdings as a Percentage of Total Net Asset Value</b>	<b>98.1</b>
<b>Total Net Asset Value</b>	<b>\$1,867,581,341</b>

<sup>+</sup> The prospectus and other information about the underlying investment fund(s) held in the portfolio are available on the internet at [www.sedar.com](http://www.sedar.com) and, for BMO Mutual Funds, also at [www.bmo.com/mutualfunds](http://www.bmo.com/mutualfunds) and [www.bmo.com/gam/ca](http://www.bmo.com/gam/ca).

<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, also at [www.bmo.com/etflegal](http://www.bmo.com/etflegal).

<sup>++</sup> The prospectus and other information about the underlying exchange traded fund(s) are available on the internet at [www.bmo.hk/en/bmo-etfs](http://www.bmo.hk/en/bmo-etfs).

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

**BMO Investments Inc.**

First Canadian Place, 43rd Floor  
100 King Street West  
Toronto, Ontario M5X 1A1

[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).

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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