

ANNUAL FINANCIAL STATEMENTS

# BMO Laddered Preferred Share Index ETF (ZPR/ZPR.U)

December 31, 2022

# Independent Auditor's Report

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To the Unitholders and Trustee of  
BMO Mid Federal Bond Index ETF  
BMO S&P/TSX Capped Composite Index ETF  
BMO S&P 500 Hedged to CAD Index ETF  
BMO Dow Jones Industrial Average Hedged  
to CAD Index ETF  
BMO Short Federal Bond Index ETF  
BMO Short Provincial Bond Index ETF  
BMO Short Corporate Bond Index ETF  
BMO High Yield US Corporate Bond Hedged  
to CAD Index ETF  
BMO Equal Weight Banks Index ETF  
BMO Equal Weight Oil & Gas Index ETF  
BMO MSCI EAFE Hedged to CAD Index ETF  
BMO MSCI Emerging Markets Index ETF  
BMO Equal Weight Global Base Metals  
Hedged to CAD Index ETF  
BMO Mid Corporate Bond Index ETF  
BMO Long Corporate Bond Index ETF  
BMO Aggregate Bond Index ETF  
BMO Global Infrastructure Index ETF  
BMO MSCI China ESG Leaders Index ETF  
(formerly BMO China Equity Index ETF)  
BMO MSCI India ESG Leaders Index ETF  
(formerly BMO India Equity Index ETF)  
BMO Equal Weight Utilities Index ETF  
BMO Nasdaq 100 Equity Hedged to CAD  
Index ETF  
BMO Junior Gold Index ETF  
BMO Equal Weight REITs Index ETF  
BMO Equal Weight US Health Care Hedged  
to CAD Index ETF  
BMO Equal Weight US Banks Hedged to  
CAD Index ETF  
BMO Long Federal Bond Index ETF  
BMO Real Return Bond Index ETF  
BMO Emerging Markets Bond Hedged to  
CAD Index ETF  
BMO Covered Call Canadian Banks ETF  
BMO Monthly Income ETF  
BMO Ultra Short-Term Bond ETF  
BMO Covered Call Utilities ETF  
BMO Covered Call Dow Jones Industrial  
Average Hedged to CAD ETF  
BMO Canadian Dividend ETF  
BMO Low Volatility Canadian Equity ETF  
BMO Equal Weight Global Gold Index ETF  
BMO Equal Weight Industrials Index ETF  
BMO Laddered Preferred Share Index ETF  
BMO S&P 500 Index ETF  
BMO Mid Provincial Bond Index ETF  
BMO Long Provincial Bond Index ETF  
BMO US Dividend Hedged to CAD ETF  
BMO US Dividend ETF  
BMO Low Volatility US Equity ETF  
BMO Mid-Term US IG Corporate Bond Index  
ETF  
BMO Mid-Term US IG Corporate Bond  
Hedged to CAD Index ETF  
BMO MSCI Europe High Quality Hedged to  
CAD Index ETF  
BMO US High Dividend Covered Call ETF  
BMO Floating Rate High Yield ETF  
BMO Short-Term US IG Corporate Bond  
Hedged to CAD Index ETF  
BMO Discount Bond Index ETF  
BMO Equal Weight US Banks Index ETF  
BMO MSCI EAFE Index ETF  
BMO International Dividend ETF  
BMO MSCI USA High Quality Index ETF  
BMO MSCI All Country World High Quality  
Index ETF  
BMO Low Volatility International Equity ETF  
BMO Europe High Dividend Covered Call  
Hedged to CAD ETF  
BMO US Put Write ETF  
BMO International Dividend Hedged to CAD  
ETF  
BMO Low Volatility Emerging Markets  
Equity ETF  
BMO Low Volatility International Equity  
Hedged to CAD ETF  
BMO Low Volatility US Equity Hedged to  
CAD ETF  
BMO Canadian High Dividend Covered Call  
ETF  
BMO US Put Write Hedged to CAD ETF  
BMO Global Consumer Discretionary  
Hedged to CAD Index ETF  
BMO Global Consumer Staples Hedged to  
CAD Index ETF  
BMO US Preferred Share Hedged to CAD  
Index ETF  
BMO Long-Term US Treasury Bond Index ETF  
BMO Mid-Term US Treasury Bond Index ETF  
BMO Short-Term US Treasury Bond Index  
ETF  
BMO US Preferred Share Index ETF  
BMO MSCI Canada Value Index ETF  
BMO MSCI USA Value Index ETF  
BMO Corporate Bond Index ETF  
BMO Government Bond Index ETF  
BMO Short-Term Bond Index ETF  
BMO High Yield US Corporate Bond Index  
ETF  
BMO Europe High Dividend Covered Call ETF  
BMO US High Dividend Covered Call Hedged  
to CAD ETF  
BMO Global Communications Index ETF  
BMO Balanced ETF  
BMO Conservative ETF  
BMO Growth ETF  
BMO Equal Weight US Health Care Index ETF  
BMO Nasdaq 100 Equity Index ETF  
BMO Covered Call US Banks ETF  
BMO Ultra Short-Term US Bond ETF  
BMO BBB Corporate Bond Index ETF  
BMO ESG Corporate Bond Index ETF  
BMO ESG US Corporate Bond Hedged to  
CAD Index ETF  
BMO High Quality Corporate Bond Index ETF  
BMO MSCI Canada ESG Leaders Index ETF  
BMO MSCI EAFE ESG Leaders Index ETF  
BMO MSCI Global ESG Leaders Index ETF  
BMO MSCI USA ESG Leaders Index ETF  
BMO S&P US Mid Cap Index ETF  
BMO S&P US Small Cap Index ETF  
BMO Balanced ESG ETF  
BMO Global High Dividend Covered Call ETF  
BMO Premium Yield ETF  
BMO Canadian MBS Index ETF  
BMO Covered Call Technology ETF  
BMO MSCI Innovation Index ETF  
BMO MSCI Tech & Industrial Innovation  
Index ETF  
BMO MSCI Fintech Innovation Index ETF  
BMO MSCI Genomic Innovation Index ETF  
BMO MSCI Next Gen Internet Innovation  
Index ETF  
BMO Clean Energy Index ETF  
BMO Short-Term US TIPS Index ETF  
BMO ESG High Yield US Corporate Bond  
Index ETF  
BMO Canadian Bank Income Index ETF  
BMO Japan Index ETF  
BMO MSCI ACWI Paris Aligned Climate  
Equity Index ETF  
BMO All-Equity ETF  
BMO Corporate Discount Bond ETF  
BMO Short-Term Discount Bond ETF

(individually, an ETF)

# Independent Auditor's Report

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## Our opinion

In our opinion, the accompanying December 31, 2022 financial statements of each ETF present fairly, in all material respects, the financial position of each ETF, its financial performance and its cash flows as at and for the periods indicated in note 1 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

## What we have audited

The financial statements of each ETF comprise:

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

## Basis for opinion

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

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

## Independence

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

## Other information

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

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

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

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

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

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

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

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

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

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

# Independent Auditor's Report

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

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

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

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

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

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants  
Toronto, Ontario  
March 21, 2023

# BMO Laddered Preferred Share Index ETF

## Statement of Financial Position

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

As at	December 31 2022	December 31 2021
<b>Assets</b>		
<b>Current Assets</b>		
Cash	9,751	48,715
Investments		
Non-derivative financial assets	1,616,707	2,377,202
Receivable for investments sold	31,299	11
Subscriptions receivable	1,399	8,062
Dividends receivable	5,684	2,951
<b>Total assets</b>	<b>1,664,840</b>	<b>2,436,941</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Payable for investments purchased	0	3,198
Redemptions payable	32,422	—
Distributions payable	8,204	9,352
Accrued expenses	2,108	2,979
<b>Total liabilities</b>	<b>42,734</b>	<b>15,529</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>1,622,106</b>	<b>2,421,412</b>
<b>Net assets attributable to holders of redeemable units</b>		
Listed CAD Units	1,605,656	2,421,412
Listed USD Units	16,450	—
<b>Net assets attributable to holders of redeemable units per unit</b>		
Listed CAD Units	\$ 9.07	\$ 11.58
Listed USD Units <sup>(a)</sup>	\$ 14.73	\$ —

(a) All information is stated in Canadian dollars except for net assets attributable to holders of redeemable units per unit which is stated in U.S. dollars.

## Statement of Comprehensive Income

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

For the periods ended	December 31 2022	December 31 2021
<b>Income</b>		
Interest income	14	—
Dividend income	103,093	98,954
Other changes in fair value of investments and derivatives		
Net realized gain	20,120	96,497
Change in unrealized (depreciation) appreciation	(494,270)	252,585
Net (loss) gain in fair value of investments and derivatives	(371,043)	448,036
Securities lending (note 8)	39	19
Foreign exchange loss	(9)	—
Total other income	30	19
<b>Total (loss) income</b>	<b>(371,013)</b>	<b>448,055</b>
<b>Expenses</b>		
Management fees (note 6)	10,047	10,863
Independent review committee fees (note 6)	3	3
Withholding taxes	—	0
ETF summary document fees	0	0
Unitholder reporting costs	1	3
Commissions and other portfolio transaction costs (note 6)	151	248
<b>Total expenses</b>	<b>10,202</b>	<b>11,117</b>
<b>(Decrease) increase in net assets attributable to holders of redeemable units</b>	<b>(381,215)</b>	<b>436,938</b>
<b>(Decrease) increase in net assets attributable to holders of redeemable units</b>		
Listed CAD Units	(378,435)	436,938
Listed USD Units	(2,780)	—
<b>(Decrease) increase in net assets attributable to holders of redeemable units per unit (note 8)</b>		
Listed CAD Units	(1.97)	2.25
Listed USD Units <sup>(b)</sup>	(3.39)	—

(b) All information is stated in Canadian dollars except for decrease in net assets attributable to holders of redeemable units per unit which is stated in U.S. dollars.

# BMO Laddered Preferred Share Index ETF

## Statement of Changes in Net Assets Attributable to Holders of Redeemable Units

(All amounts in thousands of Canadian dollars)

For the periods ended	December 31 2022	December 31 2021	For the periods ended	December 31 2022	December 31 2021
<b>Listed CAD Units</b>			<b>Total Fund</b>		
Net assets attributable to holders of redeemable units at beginning of period	2,421,412	2,028,622	Net assets attributable to holders of redeemable units at beginning of period	2,421,412	2,028,622
(Decrease) increase in net assets attributable to holders of redeemable units	(378,435)	436,938	(Decrease) increase in net assets attributable to holders of redeemable units	(381,215)	436,938
<b>Distributions to holders of redeemable units from:</b>			<b>Distributions to holders of redeemable units from:</b>		
Net investment income	(90,836)	(84,395)	Net investment income	(91,381)	(84,395)
Return of capital	(14,601)	(22,674)	Return of capital	(14,791)	(22,674)
<b>Total distributions to holders of redeemable units</b>	<b>(105,437)</b>	<b>(107,069)</b>	<b>Total distributions to holders of redeemable units</b>	<b>(106,172)</b>	<b>(107,069)</b>
<b>Redeemable unit transactions</b>			<b>Redeemable unit transactions</b>		
Proceeds from redeemable units issued	764,402	1,136,677	Proceeds from redeemable units issued	784,367	1,136,677
Redemption of redeemable units	(1,096,286)	(1,073,756)	Redemption of redeemable units	(1,096,286)	(1,073,756)
<b>Net (decrease) increase from redeemable unit transactions</b>	<b>(331,884)</b>	<b>62,921</b>	<b>Net (decrease) increase from redeemable unit transactions</b>	<b>(311,919)</b>	<b>62,921</b>
<b>Net (decrease) increase in net assets attributable to holders of redeemable units</b>	<b>(815,756)</b>	<b>392,790</b>	<b>Net (decrease) increase in net assets attributable to holders of redeemable units</b>	<b>(799,306)</b>	<b>392,790</b>
<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>1,605,656</b>	<b>2,421,412</b>	<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>1,622,106</b>	<b>2,421,412</b>
<b>Listed USD Units</b>					
Net assets attributable to holders of redeemable units at beginning of period	—	—			
Decrease in net assets attributable to holders of redeemable units	(2,780)	—			
<b>Distributions to holders of redeemable units from:</b>					
Net investment income	(545)	—			
Return of capital	(190)	—			
<b>Total distributions to holders of redeemable units</b>	<b>(735)</b>	<b>—</b>			
<b>Redeemable unit transactions</b>					
Proceeds from redeemable units issued	19,965	—			
<b>Net increase from redeemable unit transactions</b>	<b>19,965</b>	<b>—</b>			
<b>Net increase in net assets attributable to holders of redeemable units</b>	<b>16,450</b>	<b>—</b>			
<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>16,450</b>	<b>—</b>			

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

# BMO Laddered Preferred Share Index ETF

## Statement of Cash Flows

(All amounts in thousands of Canadian dollars)

For the periods ended	December 31 2022	December 31 2021
<b>Cash flows from operating activities</b>		
(Decrease) increase in net assets attributable to holders of redeemable units	(381,215)	436,938
Adjustments for:		
Foreign exchange loss on cash	0	—
Net realized gain on sale of investments and derivatives	(20,120)	(96,497)
Change in unrealized depreciation (appreciation) of investments and derivatives	494,270	(252,585)
Increase in dividends receivable	(2,733)	(728)
(Decrease) increase in accrued expenses	(871)	503
Return of capital dividends (paid) received	(2,899)	4,924
Purchases of investments <sup>+</sup>	(153,683)	(322,402)
Proceeds from sale and maturity of investments <sup>+</sup>	285,378	373,945
<b>Net cash from operating activities</b>	<b>218,127</b>	<b>144,098</b>
<b>Cash flows from financing activities</b>		
Distributions paid to holders of redeemable units, net of reinvested distributions	(107,320)	(107,173)
Proceeds from issuances of redeemable units <sup>+</sup>	99,205	145,909
Amounts paid on redemption of redeemable units <sup>+</sup>	(248,976)	(163,564)
<b>Net cash used in financing activities</b>	<b>(257,091)</b>	<b>(124,828)</b>
Foreign exchange loss on cash	(0)	—
Net (decrease) increase in cash	(38,964)	19,270
Cash at beginning of period	48,715	29,445
<b>Cash at end of period</b>	<b>9,751</b>	<b>48,715</b>
<b>Supplementary Information</b>		
Interest received, net of withholding taxes <sup>*</sup>	14	—
Dividends received, net of withholding taxes <sup>*</sup>	97,461	103,150

<sup>+</sup> Excludes in-kind transactions, if any.

<sup>\*</sup> These items are from operating activities.

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

# BMO Laddered Preferred Share Index ETF

## Schedule of Investment Portfolio

As at December 31, 2022 (All amounts in thousands of Canadian dollars, unless otherwise noted)

	Number of Shares or Units	Cost* (\$)	Fair Value (\$)		Number of Shares or Units	Cost* (\$)	Fair Value (\$)
<b>PREFERRED SHARES</b>							
<b>Fixed/Floaters Preferreds — 99.7%</b>							
Algonquin Power & Utilities Corp., Series A, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 5.162% Dec 31, 2023, \$25.00	232,869	5,268	4,308	BCE Inc., Series AM, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 2.939% Mar 31, 2026, \$25.00	959,794	16,843	13,975
Algonquin Power & Utilities Corp., Series D, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 5.091% Mar 31, 2024, \$25.00	98,583	2,435	1,844	BCE Inc., Series AG, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.370% May 1, 2026, \$25.00	821,726	14,694	12,416
AltaGas Ltd., Series E, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 5.393% Dec 31, 2023, \$25.00	452,163	9,816	9,382	BCE Inc., Series AI, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.390% Aug 1, 2026, \$25.00	513,059	9,334	7,798
AltaGas Ltd., Series G, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.242% Sep 30, 2024, \$25.00	227,123	4,640	3,997	BCE Inc., Series T, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.990% Nov 1, 2026, \$25.00	649,067	14,778	11,385
AltaGas Ltd., Series A, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.060% Sep 30, 2025, \$25.00	160,715	3,159	2,346	BCE Inc., Series AK, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.306% Dec 31, 2026, \$25.00	1,741,200	29,354	24,446
Artis Real Estate Investment Trust, Series I, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 6.000% Apr 30, 2023, \$25.00	267,428	6,484	6,581	BCE Inc., Series AA, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.940% Sep 1, 2027, \$25.00	518,410	9,075	9,067
Bank of Montreal, Series 44, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.850% Nov 25, 2023, \$25.00 <sup>#</sup>	1,019,103	23,676	21,024	BIP Investment Corp., Series 1, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 5.850% Mar 31, 2024, \$25.00	153,058	3,883	3,838
Bank of Montreal, Series 27, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.852% May 25, 2024, \$25.00 <sup>#</sup>	685,862	14,138	12,243	Brookfield Corporation, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 5.061% Sep 30, 2023, \$25.00	548,479	11,673	10,010
Bank of Montreal, Series 46, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 5.100% May 25, 2024, \$25.00 <sup>#</sup>	876,115	22,178	20,790	Brookfield Corporation, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.437% Mar 31, 2024, \$25.00	371,508	7,235	6,026
Bank of Montreal, Series 29, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.624% Aug 25, 2024, \$25.00 <sup>#</sup>	575,674	11,572	10,074	Brookfield Corporation, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.029% Sep 30, 2024, \$25.00	414,359	8,315	7,148
Bank of Montreal, Series 31, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.851% Nov 25, 2024, \$25.00 <sup>#</sup>	435,941	8,813	7,683	Brookfield Corporation, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.568% Mar 31, 2025, \$25.00	430,413	7,928	6,245
Bank of Montreal, Series 33, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.054% Aug 25, 2025, \$25.00 <sup>#</sup>	449,939	9,556	7,995	Brookfield Corporation, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.254% Jun 30, 2025, \$25.00	656,560	12,739	10,334
Bank of Nova Scotia, The, Series 40, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.850% Jan 27, 2024, \$25.00	447,581	10,190	9,081	Brookfield Corporation, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 5.000% Dec 31, 2025, \$25.00	557,519	14,324	13,052
BCE Inc., Series AC, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.380% Mar 1, 2023, \$25.00	495,807	8,842	9,056	Brookfield Corporation, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.237% Jun 30, 2026, \$25.00	655,821	12,035	9,575
BCE Inc., Series AQ, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.812% Sep 30, 2023, \$25.00	491,192	10,405	9,338	Brookfield Corporation, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.800% Mar 31, 2027, \$25.00	576,102	14,250	12,962
BCE Inc., Series AF, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.865% Feb 1, 2025, \$25.00	245,146	4,472	4,100	Brookfield Corporation, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.846% Mar 31, 2027, \$25.00	353,672	5,887	5,075
BCE Inc., Series R, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.018% Dec 1, 2025, \$25.00	442,189	7,206	6,788	Brookfield Corporation, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.606% Jun 30, 2027, \$25.00	309,117	4,783	5,066
				Brookfield Corporation, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.685% Dec 31, 2027, \$25.00	333,422	7,112	7,135



# BMO Laddered Preferred Share Index ETF

## Schedule of Investment Portfolio (cont'd)

As at December 31, 2022 (All amounts in thousands of Canadian dollars, unless otherwise noted)

	Number of Shares or Units	Cost* (\$)	Fair Value (\$)		Number of Shares or Units	Cost* (\$)	Fair Value (\$)
Brookfield Corporation, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.750% Dec 31, 2027, \$25.00.....	410,380.....	10,124.....	9,351	Brookfield Renewable Power Preferred Equity Inc., Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.351% Jul 31, 2024, \$25.00.....	353,115.....	7,006.....	5,678
Brookfield Infrastructure Partners L.P., Series 9, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 5.000% Mar 31, 2023, \$25.00.....	411,857.....	9,265.....	8,237	Brookfield Renewable Power Preferred Equity Inc., Series 1, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.137% Apr 30, 2025, \$25.00.....	366,920.....	6,614.....	5,174
Brookfield Infrastructure Partners L.P., Series 11, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 5.100% Dec 31, 2023, \$25.00.....	514,447.....	11,622.....	9,872	Canadian Imperial Bank of Commerce, Series 47, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.500% Jan 31, 2023, \$25.00.....	977,013.....	21,532.....	20,664
Brookfield Infrastructure Partners L.P., Series 1, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.500% Jun 30, 2025, \$25.00.....	139,797.....	3,248.....	2,377	Canadian Imperial Bank of Commerce, Series 49, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 5.200% Apr 30, 2024, \$25.00.....	700,727.....	17,355.....	16,383
Brookfield Infrastructure Partners L.P., Series 3, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 5.500% Dec 31, 2025, \$25.00.....	263,215.....	6,413.....	5,754	Canadian Imperial Bank of Commerce, Series 39, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.713% Jul 31, 2024, \$25.00.....	676,630.....	13,714.....	11,848
Brookfield Office Properties Inc., Series T, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 5.383% Dec 31, 2023, \$25.00.....	517,154.....	9,675.....	8,324	Canadian Imperial Bank of Commerce, Series 51, Fixed/Floating Rate Preferred, Redeemable, 5.150% Jul 31, 2024, \$25.00...	743,189.....	18,656.....	17,996
Brookfield Office Properties Inc., Series AA, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.710% Dec 31, 2024, \$25.00.....	480,156.....	8,532.....	6,727	Canadian Imperial Bank of Commerce, Series 41, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.909% Jan 31, 2025, \$25.00.....	854,576.....	17,663.....	14,741
Brookfield Office Properties Inc., Series N, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.782% Jun 30, 2026, \$25.00..	883,716.....	15,100.....	11,276	Canadian Imperial Bank of Commerce, Series 43, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.143% Jul 31, 2025, \$25.00.....	690,197.....	14,843.....	12,858
Brookfield Office Properties Inc., Series CC, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 6.000% Jun 30, 2026, \$25.00..	369,696.....	9,091.....	8,189	Canadian Utilities Limited, Series FF, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.500% Dec 1, 2025, \$25.00...	808,514.....	20,538.....	19,663
Brookfield Office Properties Inc., Series R, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.155% Sep 30, 2026, \$25.00.....	361,317.....	6,362.....	5,122	Canadian Utilities Limited, Series Y, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 5.200% Jun 1, 2027, \$25.00.....	761,215.....	15,780.....	14,596
Brookfield Office Properties Inc., Series P, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.161% Mar 31, 2027, \$25.00.....	624,616.....	10,252.....	8,470	Canadian Western Bank, Series 9, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 6.000% Apr 30, 2024, \$25.00.....	190,692.....	4,856.....	4,767
Brookfield Office Properties Inc., Series EE, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 5.100% Mar 31, 2027, \$25.00.....	383,269.....	8,199.....	6,611	Canadian Western Bank, Series 5, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.301% Apr 30, 2024, \$25.00.....	116,374.....	2,560.....	2,037
Brookfield Office Properties Inc., Series GG, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 6.546% Jun 30, 2027, \$25.00..	396,811.....	8,364.....	7,635	Capital Power Corporation, Series 5, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 5.238% Jun 30, 2023, \$25.00..	366,070.....	7,374.....	7,614
Brookfield Office Properties Inc., Series II, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.850% Dec 31, 2027, \$25.00.....	368,729.....	7,525.....	6,877	Capital Power Corporation, Series 3, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 5.453% Dec 31, 2023, \$25.00.....	332,259.....	7,077.....	7,110
Brookfield Renewable Partners L.P., Series 13, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 5.000% Apr 30, 2023, \$25.00.....	493,779.....	11,470.....	10,651	Capital Power Corporation, Series 11, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 5.750% Jun 30, 2024, \$25.00..	182,841.....	4,619.....	4,594
Brookfield Renewable Partners L.P., Series 13, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 5.750% Apr 30, 2024, \$25.00..	243,051.....	6,077.....	5,782				
Brookfield Renewable Partners L.P., Series 7, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 5.500% Jan 31, 2026, \$25.00..	292,600.....	7,288.....	6,782				

# BMO Laddered Preferred Share Index ETF

## Schedule of Investment Portfolio (cont'd)

As at December 31, 2022 (All amounts in thousands of Canadian dollars, unless otherwise noted)

	Number of Shares or Units	Cost* (\$)	Fair Value (\$)		Number of Shares or Units	Cost* (\$)	Fair Value (\$)
Cenovus Energy Inc., Series 3, Fixed/Floating Rate Preferred, Redeemable, 4.689% Dec 31, 2024, \$25.00	432,477	8,005	8,611	Enbridge Inc., Series R, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.073% Jun 1, 2024, \$25.00	557,123	9,241	8,507
Cenovus Energy Inc., Series 5, Fixed/Floating Rate Preferred, Redeemable, 4.591% Mar 31, 2025, \$25.00	513,183	9,647	11,611	Enbridge Inc., Series 3, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.737% Sep 1, 2024, \$25.00	838,426	13,293	12,316
Cenovus Energy Inc., Series 7, Fixed/Floating Rate Preferred, Redeemable, 3.935% Jun 30, 2025, \$25.00	383,689	6,976	7,674	Enbridge Inc., Series 9, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.097% Dec 1, 2024, \$25.00	383,583	6,605	5,953
Cenovus Energy Inc., Series 1, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 2.404% Mar 31, 2026, \$25.00	1,140,263	18,117	15,952	Enbridge Inc., Series 11, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.940% Mar 1, 2025, \$25.00	1,203,167	20,304	18,072
Element Fleet Management Corp., Series A, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 6.933% Dec 31, 2023, \$25.00	210,665	5,188	5,330	Enbridge Inc., Series 13, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.043% Jun 1, 2025, \$25.00	831,769	13,513	12,269
Element Fleet Management Corp., Series C, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 6.210% Jun 30, 2024, \$25.00	179,151	4,288	4,318	Enbridge Inc., Series 15, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 2.983% Sep 1, 2025, \$25.00	603,331	9,870	8,763
Element Fleet Management Corp., Series E, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 5.903% Sep 30, 2024, \$25.00	135,616	3,232	3,263	Enbridge Inc., Series B, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 5.202% Jun 1, 2027, \$25.00	924,567	16,098	15,930
Emera Incorporated, Series H, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.900% Aug 15, 2023, \$25.00	567,696	14,036	11,922	Fairfax Financial Holdings Limited, Series C, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.709% Dec 31, 2024, \$25.00	218,976	4,342	3,817
Emera Incorporated, Series C, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.721% Aug 15, 2023, \$25.00	464,879	9,486	8,716	Fairfax Financial Holdings Limited, Series M, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 5.003% Mar 31, 2025, \$25.00	510,842	11,435	10,166
Emera Incorporated, Series F, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.202% Feb 15, 2025, \$25.00	454,026	9,151	7,832	Fairfax Financial Holdings Limited, Series G, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 2.962% Sep 30, 2025, \$25.00	326,581	5,175	4,441
Emera Incorporated, Series J, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.250% May 15, 2026, \$25.00	937,808	24,222	20,641	Fairfax Financial Holdings Limited, Series I, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.327% Dec 31, 2025, \$25.00	567,581	9,623	8,287
Enbridge Inc., Series 19, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.900% Mar 1, 2023, \$25.00	1,097,416	26,552	25,241	Fairfax Financial Holdings Limited, Series K, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.671% Mar 31, 2027, \$25.00	324,407	6,697	6,002
Enbridge Inc., Series D, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.460% Mar 1, 2023, \$25.00	953,587	16,110	16,564	Fortis Inc., Series G, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.393% Sep 1, 2023, \$25.00	473,658	9,013	8,166
Enbridge Inc., Series F, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.689% Jun 1, 2023, \$25.00	1,015,313	17,747	17,453	Fortis Inc., Series K, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.925% Mar 1, 2024, \$25.00	347,521	6,265	5,453
Enbridge Inc., Series H, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.376% Sep 1, 2023, \$25.00	658,506	10,527	10,536	Fortis Inc., Series M, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.913% Dec 1, 2024, \$25.00	836,874	16,383	14,018
Enbridge Inc., Series N, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 5.086% Dec 1, 2023, \$25.00	1,000,993	18,600	17,417	Fortis Inc., Series H, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 1.835% Jun 1, 2025, \$25.00	574,187	8,575	7,157
Enbridge Inc., Series 7, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.449% Mar 1, 2024, \$25.00	338,054	5,785	5,277	Great-West Lifeco Inc., Series N, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 1.749% Dec 31, 2025, \$25.00	557,523	8,449	6,757
Enbridge Inc., Series P, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.379% Mar 1, 2024, \$25.00	558,314	9,353	8,710	Industrial Alliance Insurance and Financial Services Inc., Series I, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.800% Mar 31, 2023, \$25.00	332,481	7,581	7,142

# BMO Laddered Preferred Share Index ETF

## Schedule of Investment Portfolio (cont'd)

As at December 31, 2022 (All amounts in thousands of Canadian dollars, unless otherwise noted)

	Number of Shares or Units	Cost* (\$)	Fair Value (\$)		Number of Shares or Units	Cost* (\$)	Fair Value (\$)
Intact Financial Corporation, Series 7, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.900% Jun 30, 2023, \$25.00.....	537,909	11,643	10,602	National Bank of Canada, Series 30, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.025% May 15, 2024, \$25.00.....	505,001	10,263	9,070
Intact Financial Corporation, Series 3, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.457% Sep 30, 2026, \$25.00.....	1,021,989	23,209	16,883	National Bank of Canada, Series 32, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.839% Feb 15, 2025, \$25.00.....	668,815	13,266	11,270
Intact Financial Corporation, Series 1, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.396% Dec 31, 2027, \$25.00.....	400,492	7,066	6,945	National Bank of Canada, Series 38, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 7.027% Nov 15, 2027, \$25.00.....	771,838	18,806	19,798
Laurentian Bank of Canada, Series 13, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.123% Jun 15, 2024, \$25.00.....	72,560	1,499	1,157	Northland Power Inc., Series 3, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 5.080% Jan 3, 2023, \$25.00.....	229,837	5,297	5,815
Manulife Financial Corporation, Series 11, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.731% Mar 19, 2023, \$25.00.....	382,910	8,360	7,562	Pembina Pipeline Corporation, Series 25, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 5.200% Feb 15, 2023, \$25.00 .....	512,658	12,325	12,504
Manulife Financial Corporation, Series 25, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.700% Jun 19, 2023, \$25.00.....	480,134	10,488	9,099	Pembina Pipeline Corporation, Series 21, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.900% Mar 1, 2023, \$25.00 .....	810,260	19,089	18,725
Manulife Financial Corporation, Series 13, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.414% Sep 19, 2023, \$25.00.....	600,820	12,629	10,304	Pembina Pipeline Corporation, Series 1, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.906% Dec 1, 2023, \$25.00 .....	515,169	9,387	8,719
Manulife Financial Corporation, Series 15, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.786% Jun 19, 2024, \$25.00.....	263,914	5,051	4,347	Pembina Pipeline Corporation, Series 3, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.478% Mar 1, 2024, \$25.00 .....	205,143	3,683	3,364
Manulife Financial Corporation, Series 17, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.800% Dec 19, 2024, \$25.00.....	506,272	10,114	8,617	Pembina Pipeline Corporation, Series 17, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.821% Mar 31, 2024, \$25.00 .....	213,908	4,180	3,738
Manulife Financial Corporation, Series 19, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.675% Mar 19, 2025, \$25.00.....	572,254	11,236	9,771	Pembina Pipeline Corporation, Series 5, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.573% Jun 1, 2024, \$25.00 .....	392,119	7,566	6,764
Manulife Financial Corporation, Series 3, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 2.348% Jun 19, 2026, \$25.00.....	422,620	6,749	5,367	Pembina Pipeline Corporation, Series 7, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.380% Dec 1, 2024, \$25.00 .....	331,683	6,253	5,622
Manulife Financial Corporation, Series 9, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 5.978% Sep 19, 2027, \$25.00.....	341,782	7,657	7,670	Pembina Pipeline Corporation, Series 19, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.684% Jun 30, 2025, \$25.00 .....	441,261	9,967	9,637
National Bank of Canada, Series 40, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.600% May 15, 2023, \$25.00.....	644,350	14,271	13,074	Pembina Pipeline Corporation, Series 9, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.302% Dec 1, 2025, \$25.00 .....	203,475	4,815	3,945
National Bank of Canada, Series 42, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.950% Nov 15, 2023, \$25.00.....	550,386	12,463	11,833	Pembina Pipeline Corporation, Series 15, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.464% Sep 30, 2027, \$25.00 .....	384,262	7,743	7,581
				Power Financial Corporation, Series T, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.215% Jan 31, 2024, \$25.00.....	285,815	5,768	5,116
				Power Financial Corporation, Series P, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 2.306% Jan 31, 2026, \$25.00.....	588,332	9,983	7,442

# BMO Laddered Preferred Share Index ETF

## Schedule of Investment Portfolio (cont'd)

As at December 31, 2022 (All amounts in thousands of Canadian dollars, unless otherwise noted)

	Number of Shares or Units	Cost* (\$)	Fair Value (\$)		Number of Shares or Units	Cost* (\$)	Fair Value (\$)
Royal Bank of Canada, Series B0, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.800% Feb 24, 2024, \$25.00.....	642,664.....	14,870.....	12,725	Toronto-Dominion Bank, The, Series 22, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 5.200% Apr 30, 2024, \$25.00.....	831,504.....	20,640.....	19,665
Royal Bank of Canada, Series AZ, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.700% May 24, 2024, \$25.00.....	943,290.....	19,646.....	16,687	Toronto-Dominion Bank, The, Series 3, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.681% Jul 31, 2024, \$25.00.....	943,978.....	19,736.....	16,454
Royal Bank of Canada, Series BB, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.650% Aug 24, 2024, \$25.00.....	662,119.....	13,573.....	11,653	Toronto-Dominion Bank, The, Series 24, Fixed/Floating Rate Preferred, Redeemable, 5.100% Jul 31, 2024, \$25.00.....	935,200.....	23,572.....	22,940
Royal Bank of Canada, Series BD, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.200% May 24, 2025, \$25.00.....	1,405,555.....	30,377.....	26,214	Toronto-Dominion Bank, The, Series 1, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.662% Oct 31, 2024, \$25.00.....	853,861.....	17,631.....	14,772
Royal Bank of Canada, Series BF, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.000% Nov 24, 2025, \$25.00.....	735,204.....	15,485.....	13,270	Toronto-Dominion Bank, The, Series 5, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.876% Jan 31, 2025, \$25.00.....	1,299,312.....	26,874.....	22,543
Sun Life Financial Inc., Series 8R, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 1.825% Jun 30, 2025, \$25.00.....	338,239.....	5,280.....	4,289	Toronto-Dominion Bank, The, Series 7, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.201% Jul 31, 2025, \$25.00.....	906,307.....	19,770.....	17,229
Sun Life Financial Inc., Series 10R, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 2.842% Sep 30, 2026, \$25.00.....	875,400.....	19,084.....	13,192	Toronto-Dominion Bank, The, Series 9, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.242% Oct 31, 2025, \$25.00.....	449,757.....	9,826.....	8,599
TC Energy Corporation, Series 7, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.903% Apr 30, 2024, \$25.00.....	838,758.....	15,074.....	12,867	Toronto-Dominion Bank, The, Series 16, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 6.301% Oct 31, 2027, \$25.00.....	702,578.....	16,867.....	17,389
TC Energy Corporation, Series 9, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.762% Oct 30, 2024, \$25.00.....	644,968.....	11,467.....	9,675	TransAlta Corporation, Series G, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.988% Sep 30, 2024, \$25.00.....	245,801.....	4,890.....	5,027
TC Energy Corporation, Series 1, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.479% Dec 31, 2024, \$25.00.....	448,215.....	7,240.....	6,100	TransAlta Corporation, Series A, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 2.877% Mar 31, 2026, \$25.00.....	1,460,200.....	22,120.....	19,187
TC Energy Corporation, Series 3, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 1.694% Jun 30, 2025, \$25.00.....	635,105.....	7,826.....	7,018	TransAlta Corporation, Series C, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 5.854% Jun 30, 2027, \$25.00.....	440,007.....	7,791.....	8,382
TC Energy Corporation, Series 11, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.351% Nov 30, 2025, \$25.00.....	552,302.....	11,010.....	8,909	TransAlta Corporation, Series E, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 5.194% Sep 30, 2027, \$25.00.....	335,600.....	6,605.....	7,454
TC Energy Corporation, Series 5, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 1.949% Jan 30, 2026, \$25.00.....	819,916.....	11,309.....	9,355	.....	1,804,599.....	1,616,707	
Toronto-Dominion Bank, The, Series 18, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.700% Apr 30, 2023, \$25.00.....	883,823.....	20,554.....	19,223	<b>Total Investment Portfolio — 99.7%.....</b>	<b>1,804,599.....</b>	<b>1,616,707</b>	
Toronto-Dominion Bank, The, Series 20, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.750% Oct 31, 2023, \$25.00.....	854,106.....	19,286.....	17,321	Other Assets Less Liabilities — 0.3%.....			5,399
				<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS — 100.0% ...</b>	<b>1,622,106</b>		

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

# Investment in related party.

# BMO Laddered Preferred Share Index ETF

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## Notes to the Financial Statements

(All amounts in thousands of Canadian dollars, except per unit data)  
December 31, 2022

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### 1. The Fund

BMO Laddered Preferred Share Index ETF (“the ETF”) is an exchange-traded fund established as an open-ended trust by a Declaration of Trust under the laws of the Province of Ontario. BMO Asset Management Inc. (“the Manager”) is the Manager and trustee of the ETF. The Manager is a wholly owned subsidiary of Bank of Montreal. The address of the ETF’s registered office is 100 King Street West, Toronto, Ontario, M5X 1A1.

The Statement of Financial Position and related notes for the ETF are as at December 31, 2022 and December 31, 2021, except for ETFs established in 2022, in which case the information is only as at December 31, 2022. The Statement of Comprehensive Income, Statement of Changes in Net Assets Attributable to Holders of Redeemable Units, Statement of Cash Flows and related notes are for the period(s) ended December 31, 2022 and December 31, 2021, except for ETFs established during either period, which is presented from the date of establishment (as noted in Note 8) to December 31, of the applicable period. Financial information provided for a class of units established during the period(s) is presented from the establishment date as noted in Note 8 to December 31 of the applicable period.

Except for ETFs established during either 2022 or 2021, the term “period” represents a full year.

The financial statements were authorized for issue by the Manager on March 1, 2023.

### 2. Basis of preparation and presentation

These audited financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The financial statements have been prepared on a historical cost basis, except for the revaluation of financial assets and financial liabilities (including derivative financial instruments) measured at fair value through profit or loss (“FVTPL”).

### 3. Summary of significant accounting policies

#### **Financial Instruments**

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

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

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

The ETF’s redeemable units, which are puttable instruments, are held by different types of unitholders that are entitled to different redemption rights. See Note 5 for details of unitholders’ transactions in the units of the ETF.

The different redemption features create equally subordinate but not identical units or classes of the units of the ETF. Redemption of units at 95% of the Net Asset Value (“NAV”) for some type of unitholders redemptions also results in a situation where the redemption value of this puttable instrument is not based substantially on the net assets of the ETF. As a result, the ETF’s obligations for net assets attributable to holders of redeemable units (“Net Assets”) are classified as financial liabilities and presented at the redemption amounts.

# BMO Laddered Preferred Share Index ETF

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## Notes to the Financial Statements (cont'd)

*(All amounts in thousands of Canadian dollars, except per unit data)  
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### **Cost of investments**

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

### **Fair value measurement**

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

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

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

For bonds, debentures, asset-backed securities, short-term investments and other debt securities, fair value is determined as the last traded market price or close price, or other such prices, that falls within the bid-ask spread of the security.

The ETF may enter into forward currency contracts for hedging purposes either directly or indirectly, or for non-hedging purposes. The fair value of forward currency contracts entered into by the ETF is recorded as the difference between the fair value of the contract on the Valuation Date (the "Valuation Date" is each day on which the Toronto Stock Exchange ("TSX") is open for trading) and the fair value on the date the contract originated.

For the Listed Hedged Units (the "Hedged Units"), the ETF enters into forward currency contracts to hedge against foreign currency exposure and as a result the Hedged Units will be subject to less currency risk than the other classes of the ETF because their foreign currency exposure is hedged. However, the hedging strategy may not achieve a perfect hedge of the foreign currency exposure for the Hedged Units.

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

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

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

The premium received from writing an option is included in "Derivative liabilities" in the Statement of Financial Position.

When a written option expires, the ETF will realize a gain equal to the premium received. When a written option is closed, the ETF will realize a gain or loss

# BMO Laddered Preferred Share Index ETF

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## Notes to the Financial Statements (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)  
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equal to the difference between the cost at which the contract was closed and the premium received. When a written call option is exercised, the premium received is added to the proceeds from the sale of the underlying investments to determine the realized gain or loss. When a written put option is exercised, the premium received is subtracted from the cost of the underlying investments the ETF had purchased.

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

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

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

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

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

When credit default swap contracts expire or are closed out, gains or losses are recorded as “Net realized gain (loss)” in the Statement of Comprehensive Income.

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

### **Cash**

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

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

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

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

Subsidiaries are entities over which the ETF has control through its exposure or rights to variable returns from its investment and has the ability to affect those returns through its power over the entity. The Manager has determined that the ETF is an investment entity and as such, it accounts for subsidiaries, if any, at fair value. Joint ventures are investments where the ETF exercises joint control through an agreement with other shareholders, and associates are investments in

# BMO Laddered Preferred Share Index ETF

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## Notes to the Financial Statements (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)  
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which the ETF exerts significant influence over operating, investing, and financing decisions (such as entities in which the ETF owns 20% - 50% of voting shares), all of which, if any, have been classified at FVTPL.

### **Unconsolidated structured entities**

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

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

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

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

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

### **Offsetting of financial assets and financial liabilities**

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

### **Income recognition**

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

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

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



# BMO Laddered Preferred Share Index ETF

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## Notes to the Financial Statements (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)  
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### **Foreign currency translation**

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

### **Securities lending**

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

For those ETFs participating in the program, aggregate values of securities on loan and the collateral held as at December 31, 2022 and December 31, 2021 and information about the security lending income earned by the ETF are disclosed in Note 8, where applicable.

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

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

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

### **Taxation**

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

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

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

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

# BMO Laddered Preferred Share Index ETF

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## Notes to the Financial Statements (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)  
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### **Accounting judgements:**

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

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

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

In classifying and measuring financial instruments held by the ETF, the Manager is required to make an assessment of the ETF's business model for managing financial instruments and the Manager is also required to make significant judgements in determining the most appropriate classification in accordance with IFRS 9. The Manager has assessed the ETF's business model with respect to the manner in which financial assets and financial liabilities are managed as a group and performance is evaluated on a fair value basis, and has concluded that FVTPL in accordance with IFRS 9 provides the most appropriate measurement and presentation of the ETF's investment portfolio. The collection of principal and interest is incidental to the fair value business model.

#### **Accounting estimates:**

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

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

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

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

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

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

The ETF is authorized to issue an unlimited number of units of each class. On any trading day, a designated broker or underwriter may place a subscription or redemption order for an integral multiple of the prescribed number of units of a particular class of the ETF. A trading day is each day on which the TSX is opened for business.

If the subscription or redemption order is accepted, the ETF will issue or redeem units to/from the designated broker or underwriter by no later than the third trading day after the date on which the subscription or

# BMO Laddered Preferred Share Index ETF

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## Notes to the Financial Statements (cont'd)

*(All amounts in thousands of Canadian dollars, except per unit data)  
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redemption order is accepted. For each prescribed number of units issued or redeemed, a designated broker or underwriter must deliver or receive payment consisting of:

- A basket of applicable securities and cash in an amount sufficient so that the value of the securities, and the cash received is equal to the NAV of the units subscribed/redeemed; or
- Cash in the amount equal to the NAV of the units subscribed/redeemed.

On any trading day, unitholders may redeem units for cash or exchange units for baskets of securities and cash. Units redeemed for cash will be redeemed at a redemption price per unit equal to 95% of the closing price for the units on the exchange on the effective day of the redemption. Units exchanged for baskets of securities will be exchanged at a price equal to the NAV of the units on the effective date of the exchange request, payable by delivery of baskets of securities and cash.

Unitholders that redeem units prior to the distribution record date will not be entitled to receive the distribution.

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

Expenses directly attributable to a class are charged to that class. Other expenses, income, realized and unrealized gains and losses from investment transactions are allocated proportionately to each class based upon the relative NAV of each class.

## 6. Related party transactions

### (a) Management fees

The Manager is responsible for all other costs and expenses of the ETF, including the fees payable to the Custodian, Registrar and Transfer Agent and Plan Agent fees payable to other service providers, including the index providers retained by the Manager.

The ETF will pay the Manager a management fee as disclosed in Note 8 based on the NAV of the class of the ETF. The management fee, plus applicable taxes, will be accrued daily and paid quarterly in arrears. The Manager may, from time to time in its discretion, waive a portion of the management fee charged at any given time.

The Manager may agree to charge a reduced management fee it otherwise would be entitled to receive from the ETF with respect to investments in the ETF by certain unitholders. An amount equal to the difference between the fee otherwise chargeable and the reduced fee of the ETF will be distributed in cash to those unitholders as Management Fee Distributions.

### (b) Other related party transactions

All expenses are recognized in the Statement of Comprehensive Income on the accrual basis.

The ETF is responsible for the costs and expenses incurred in complying with NI 81-107 (including any expenses related to the implementation and on-going operation of an Independent Review Committee), brokerage expenses and commissions, income and withholding taxes as well as other applicable taxes, the costs of complying with any new governmental or regulatory requirement introduced after the date the ETF was established and extraordinary expenses.

From time to time, the Manager may on behalf of the ETF, enter into transactions or arrangements with or involving subsidiaries and affiliates of Bank of Montreal, or certain other persons or companies that are related or connected to the Manager of the ETF. These transactions or arrangements may include transactions or arrangements with or involving subsidiaries and affiliates of Bank of Montreal, BMO

# BMO Laddered Preferred Share Index ETF

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## Notes to the Financial Statements (cont'd)

*(All amounts in thousands of Canadian dollars, except per unit data)  
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Asset Management Inc., BMO Nesbitt Burns Inc., BMO Private Investment Counsel Inc., BMO InvestorLine Inc., BMO Investments Inc., or other investment funds offered by Bank of Montreal and may involve the purchase or sale of portfolio securities through or from subsidiaries or affiliates of Bank of Montreal, the purchase or sale of securities issued or guaranteed by subsidiaries or affiliates of Bank of Montreal, entering into forward contracts with subsidiaries or affiliates of Bank of Montreal acting as counterparty, the purchase or redemption of units of other Bank of Montreal affiliated investment funds or the provision of services to the Manager.

BMO Nesbitt Burns Inc. is one of the designated brokers that have entered into an underwriting agreement with the Manager. As a Designated Broker, under the underwriting agreement, BMO Nesbitt Burns Inc. may subscribe for and or be issued units of the ETF by the Manager from time to time.

### 7. Financial instruments risks

The ETF's activities expose it to a variety of risks associated with the financial instruments, as follows: market risk (including currency risk, interest rate risk and other market risk), credit risk and liquidity risk. The concentration table groups securities by asset type, geographic location and/or market segment. The ETF's risk management practice focuses on processes and strategies to minimize the tracking error between the ETF's performance and the performance of its relevant index.

#### (a) Currency risk

Currency risk is the risk that the fair value of financial instruments denominated in currencies, other than the functional currency of the ETF, will fluctuate due to changes in foreign exchange rates. Investments in foreign markets are exposed to currency risk as the prices denominated in foreign currencies are converted to the ETF's functional currency in determining fair value. The ETF may enter into forward currency contracts for hedging purposes to reduce foreign currency exposure. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and

liabilities to be a component of market price risk not foreign currency risk. However, the Manager monitors the exposure on all foreign currency denominated assets and liabilities. The ETF's exposure to currency risk, if any, is further disclosed in Note 8.

#### (b) Interest rate risk

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

#### (c) Other market risk

Other market risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market or market segment. The Manager moderates this risk through the use of investment strategies that seek to minimize the ETF's tracking error versus a market index, within the parameters of the investment strategy. The maximum risk resulting from financial instruments is equivalent to its fair value.

The Manager monitors the ETF's overall market positions on a daily basis and positions are maintained within established ranges. Other assets and liabilities are monetary items that are short-term in nature, and as such they are not subject to other market risk. The ETF's exposure to other market risk, if any, is further discussed in Note 8.

#### (d) Credit risk

Credit risk is the risk that a loss could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The fair value of debt securities includes

# BMO Laddered Preferred Share Index ETF

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## Notes to the Financial Statements (cont'd)

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

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consideration of the credit worthiness of the debt issuer. Credit risk exposure for over-the-counter derivative instruments is based on the ETF's unrealized gain of the contractual obligations with the counterparty as at the reporting date. The credit exposure of other assets is represented by its carrying amount. The ETF's exposure to credit risk, if any, is further discussed in Note 8.

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

### **(e) Liquidity risk**

The ETF's exposure to liquidity risk is concentrated in the daily redemptions of units, and other liabilities. Since the settlement of redemptions is primarily by delivery of securities, the ETF is not exposed to any significant liquidity risk. The ETF primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the ETF retains sufficient cash positions to maintain liquidity. The ETF may, from time to time, enter into over-the-counter derivative contracts or invest in unlisted securities, which are not traded in an organized market and may be illiquid. Securities for which market quotation could not be obtained and may be illiquid are identified in the Schedule of Investment Portfolio. The proportion of illiquid securities to the NAV of the ETF is monitored by the Manager to ensure it does not exceed the regulatory limit and does not significantly affect the liquidity required to meet the ETF's financial obligations.

# BMO Laddered Preferred Share Index ETF

## Notes to the Financial Statements (cont'd)

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### 8. ETF specific information

#### (a) ETF information and change in units

The ETF was established on November 1, 2012. The Listed CAD Units and Listed USD Units are listed on the TSX under the symbol ZPR and ZPR.U, respectively.

Class	Establishment Date
Listed CAD Units	November 1, 2012
Listed USD Units	January 18, 2022

The last close price as at December 31, 2022 and December 31, 2021 are shown in the following table.

As at	Dec. 31, 2022	Dec. 31, 2021
Listed CAD Units	9.04	11.58
Listed USD Units*	14.74	—

\* Stated in U.S. dollars.

The number of units that have been issued and are outstanding are disclosed in the table below.

For the periods ended (in thousands of units)	Dec. 31, 2022	Dec. 31, 2021
<b>Listed CAD Units</b>		
Units issued and outstanding, beginning of period	209,118	206,143
Units issued	73,305	101,775
Redeemed during the period	(105,400)	(98,800)
Units issued and outstanding, end of period	177,023	209,118
<b>Listed USD Units</b>		
Units issued and outstanding, beginning of period	—	—
Units issued	825	—
Units issued and outstanding, end of period	825	—

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

As at December 31, 2022 and December 31, 2021, there were no differences between the ETF's NAV per unit and its Net Assets per unit calculated in accordance with IFRS.

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

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the periods ended December 31, 2022 and December 31, 2021 is calculated as follows:

For the periods ended	Dec. 31, 2022	Dec. 31, 2021
<b>Listed CAD Units</b>		
(Decrease) increase in net assets attributable to holders of redeemable units	(378,435)	436,938
Weighted average units outstanding during the period (in thousands of units)	192,449	194,065
(Decrease) increase in net assets attributable to holders of redeemable units per unit	(1.97)	2.25
<b>Listed USD Units*</b>		
Decrease in net assets attributable to holders of redeemable units	(2,780)	—
Weighted average units outstanding during the period (in thousands of units)	630	—
Decrease in net assets attributable to holders of redeemable units per unit	(3.39)	—

\* All information is stated in Canadian dollars except for per unit data which is stated in U.S. dollars.

#### (d) Income taxes

As at the tax year-ended December 15, 2022, the ETF had the following estimated capital and non-capital losses available for income tax purposes:

Total Capital Losses (\$)	Total Non-Capital Losses (\$)	Non-Capital Losses That Expire in		
		2028 (\$)	2029 (\$)	2030 and thereafter (\$)
91,552	—	—	—	—

#### (e) Related party transactions

##### Management fees

The Manager is entitled to receive a management fee, plus applicable taxes, accrued daily and paid quarterly in arrears at the following annual rates:

Class	Management Fee (%)
Listed CAD Units	0.450
Listed USD Units	0.450

# BMO Laddered Preferred Share Index ETF

## Notes to the Financial Statements (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)  
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The outstanding accrued management fees due to the Manager are included in "Accrued expenses" in the Statement of Financial Position and as at December 31, 2022 amounted to \$2,106 (December 31, 2021 — \$2,976).

### Brokerage commissions

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

For the periods ended	Dec. 31, 2022 (\$)	Dec. 31, 2021 (\$)
Total brokerage amounts paid	151	248
Total brokerage amounts paid to related parties	58	108

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

### (f) Financial instruments risks

The ETF's objective is to replicate, to the extent possible, the performance of a Canadian preferred shares index, net of expenses. Currently, the ETF seeks to replicate the performance of the Solactive Laddered Canadian Preferred Share Index. The investment strategy of the ETF is to invest in and hold the constituent securities of the Solactive Laddered Canadian Preferred Share Index in the same proportion as they are reflected in the Solactive Laddered Canadian Preferred Share Index or securities intended to replicate the performance of the Solactive Laddered Canadian Preferred Share Index.

No changes affecting the overall level of risk of investing in the ETF were made during the period.

### Currency risk

As at December 31, 2022 and December 31, 2021, the ETF did not have significant exposure to currency risk as it invested fully in Canadian denominated securities.

### Interest rate risk

As at December 31, 2022 and December 31, 2021, the ETF did not have significant exposure to interest rate risk.

### Other market risk

The ETF has significant exposure to other market risk arising from its investments. Using historical correlation between the ETF's return and the return of its benchmark, if the benchmark, Solactive Laddered Canadian Preferred Share Index, had increased or decreased by 10%, with all other variables held constant, the Net Assets of the ETF would have increased or decreased, respectively, by \$159,601 (December 31, 2021 — \$235,458). Historical correlation may not be representative of future correlation, and accordingly, actual results may differ and the difference could be material.

### Credit risk

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

Credit Rating	As a % of Net Assets as at	
	Dec. 31, 2022	Dec. 31, 2021
P1	0.4	0.8
P1 Low	2.3	1.9
P2 High	3.9	5.0
P2	20.1	24.0
P2 Low	44.0	34.3
P3 High	18.2	18.8
P3	7.8	10.5
P3 Low	0.5	1.5
P4 High	2.5	1.4
<b>Total</b>	<b>99.7</b>	<b>98.2</b>

### Securities lending

The ETF had assets involved in securities lending transactions outstanding as at December 31, 2022 and December 31, 2021 as follows:

	Aggregate Value of Securities on Loan (\$)	Aggregate Value of Collateral Received for the Loan (\$)
Dec. 31, 2022	17,528	19,125
Dec. 31, 2021	21,290	22,442

The table below is a reconciliation of the gross amount generated from securities lending transactions to the security lending revenue for the periods ended December 31, 2022 and December 31, 2021:

# BMO Laddered Preferred Share Index ETF

## Notes to the Financial Statements (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)  
December 31, 2022

For the periods ended	Dec. 31, 2022		Dec. 31, 2021	
	Amount	% of Gross Securities Lending Revenue	Amount	% of Gross Securities Lending Revenue
Gross securities lending revenue	51	100.0	25	100.0
Withholding taxes	—	—	—	—
	51	100.0	25	100.0
Payment to securities lending agents	12	24.5	6	24.3
Net securities lending revenue	39	75.5	19	75.7

### Transfers between levels

There were no transfers between the levels during the periods.

### Concentration risk

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

As at	Dec. 31, 2022	Dec. 31, 2021
<b>Equities</b>		
Communication Services	6.7%	5.4%
Energy	22.3%	23.8%
Financials	49.6%	49.6%
Real Estate	4.7%	4.4%
Utilities	16.4%	15.0%
<b>Other Assets Less Liabilities</b>	0.3%	1.8%
	<b>100.0%</b>	<b>100.0%</b>

### (g) Fair value hierarchy

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

#### As at Dec. 31, 2022

Financial assets	Level 1	Level 2	Level 3	Total
Preferred Securities	1,616,707	—	—	1,616,707

#### As at Dec. 31, 2021

Financial assets	Level 1	Level 2	Level 3	Total
Preferred Securities	2,377,202	—	—	2,377,202



# Management's Responsibility for Financial Reporting

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The accompanying financial statements have been prepared by management of BMO Investments Inc. Management is responsible for the information and representations contained in these financial statements.

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

The Board of Directors is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities.

PricewaterhouseCoopers LLP is the external auditor of the ETFs. The auditor has been appointed by the Board and cannot be changed without the prior approval of the Independent Review Committee and 60 days notice to the unitholders. They have audited the financial statements in accordance with generally accepted auditing standards in Canada to enable them to express to the unitholders their opinion on the financial statements. Their report is included as an integral part of the financial statements.

William Bamber,  
*Head, BMO Asset Management Inc*  
BMO Asset Management Inc.  
March 1, 2023

Robert J. Schauer,  
*Chief Financial Officer*  
BMO Exchange Traded Funds  
March 1, 2023

**BMO Asset Management Inc.**

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**Independent Auditor**

PricewaterhouseCoopers LLP  
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Exchange Traded Funds