

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

BMO Global Consumer Discretionary Hedged to CAD Index ETF (DISC) (the “ETF”)

For the 12-month period ended December 31, 2022 (the “Period”)

Manager: BMO Asset Management Inc. (the “Manager” and “portfolio manager”)

Management Discussion of Fund Performance

Investment Objective and Strategies

The ETF seeks to replicate, to the extent possible, the performance of a global consumer discretionary index, net of expenses. Currently, the ETF seeks to replicate the performance of the FTSE Developed ex Korea Consumer Discretionary Capped 100% Hedged to CAD Index (the “Index”). The investment strategy of the ETF is to invest in and hold the constituent securities of the Index in the same proportion as they are reflected in the Index and use derivative instruments to hedge back to the Canadian dollar. The Manager may also use a sampling methodology in selecting investments for the ETF. As an alternative to or in conjunction with investing in and holding the constituent securities, the ETF may invest in or use certain Other Securities (as defined in the prospectus) to obtain exposure to the performance of the Index.

Risk

The risks associated with an investment in the ETF remain as disclosed in the ETF’s most recent prospectus or any amendments thereto and ETF facts. During the Period, there were no changes to the ETF that materially affected the overall risk level associated with an investment in the ETF. The Manager reviewed the ETF using the standardized investment risk classification methodology prescribed by National Instrument 81-102 *Investment Funds* and determined on January 17, 2022 that the risk rating

of the ETF had not changed. The Manager reviews the ETF’s investment risk level and reference index, if any, at least annually.

Results of Operations

The ETF underperformed the broad-based MSCI World Total Return Index by 10.83%. However, the more appropriate comparison is to the FTSE Developed ex Korea Consumer Discretionary Capped 100% Hedged to CAD Index (the “Index”), due to the concentration of the portfolio in Consumer Discretionary stocks. The ETF returned -26.87% versus the Index return of -27.54%. The change in total net asset value during the Period from approximately \$108 million to approximately \$25 million had no impact on the performance of the ETF. The difference in the performance of the ETF relative to the Index during the Period (0.67%) resulted from the management expense ratio (-0.39%) and the impact of sampling and certain other factors (1.06%), which may have included timing differences versus the Index, and market volatility.

Market Conditions

U.S. equities declined during 2022 as the Russia-Ukraine conflict and rise of inflation led to increased market uncertainty and weighed on equity evaluations. The U.S. Consumer Price Index (CPI) rose 7.1% year-over-year as of the last published rate for the Period. The U.S. equity market, as measured by the S&P 500 Index, returned -12.2% (in Canadian dollars) over the Period. The U.S. Federal Reserve Board (“Fed”) moved aggressively on the overnight lending rate to try to curb inflation, moving

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the ETF. If the annual financial statements of the ETF 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 1-800-361-1392, by writing to us at BMO Asset Management Inc., 250 Yonge Street, 7th Floor, Toronto, Ontario, M5B 2M8 or by visiting our website at www.bmo.com/etflegal or SEDAR at www.sedar.com. You may also contact us using one of these methods to request a copy of the ETF’s interim financial report, proxy voting policies and procedures, proxy voting disclosure record and/or quarterly portfolio disclosure.



Exchange Traded Funds

BMO Global Consumer Discretionary Hedged to CAD Index ETF

the target rate to 4.5% from 0.25% at the beginning of the Period. The significant positive contributors to performance from a sector perspective were Energy and Health Care, while the significant negative contributors were Information Technology, Consumer Discretionary, and Communications Services.

Canadian equities declined during 2022 as the Russia-Ukraine conflict and rise of inflation led to increased market uncertainty and weighed on equity evaluations. While the Canadian CPI rose 6.8% year-over-year as of November 2022, the Canadian equity market, as measured by the S&P/TSX Capped Composite Index, returned -5.8% over the Period. The Bank of Canada (“BoC”) moved aggressively on the overnight lending rate to try to curb inflation, moving to 4.25% from 0.25% at the beginning of 2022. The significant positive contributor to performance from a sector perspective was Energy, while the significant negative contributors were Information Technology and Financials. The volatile price of oil was a major economic impact, as measured by West Texas Intermediate Oil (WTI) which peaked at US\$124 and finished at US\$80 per barrel at the end of the Period. Canadian banks fell as investors grew concerned that the BoC’s aggressive monetary tightening campaign would lead to a recession. Despite inflation reaching multi-year highs, gold prices remained relatively stable, ending the Period at US\$1,824 per ounce.

International equities declined over the Period largely over concerns of rising inflation, the continued conflict between Russia and Ukraine, and rising interest rates leading to increased concerns of an economic slowdown. The Eurozone and Japan CPI rose 9.2% and 3.7% year-over-year respectively as of December 2022. International equity markets, as measured by the MSCI EAFE Index, returned -8.2% (in Canadian dollars) over 2022. Japan equities, the largest country weight in the MSCI EAFE Index, detracted from performance, while United Kingdom equities made a modest contribution to performance. Positive contribution to performance came from the Energy and Financials sectors, while negative contribution to performance came from the Information Technology, Industrials, and Consumer Discretionary sectors.

Among individual securities, McDonald’s Corp. and TJX Companies Inc. added to performance the most while Tesla Inc. and Amazon.com Inc. proved to be among the biggest detractors from returns. The ETF’s exposure to Macau and Singapore contributed the most to performance from a regional perspective whereas United States and Japan were among the major detractors.

Recent Developments

Recessionary fears amidst inflationary pressures were not unique to North America, as central banks globally raised interest rates at record paces. Given the de-globalization trend that has been seen since the pandemic, recessionary concerns are likely to be different based on region specific characteristics. Growth in the U.S. stock market may largely depend on the U.S. Federal Reserve Board’s (“Fed”) ability to manage the trade off between managing inflationary pressures at the cost of inducing a recession. The likelihood of a recession and its severity may put downward pressure on valuations and earnings across the board. In Canada, a positive Gross Domestic Product (GDP) forecast and robust labour market imply the possibility of the economy achieving a soft landing. The primary sectors are well positioned to navigate the coming year’s uncertainty. In Europe, growth in equities may be influenced by how the regions handle a future without relying on Russian gas, and the economic implications of both the ongoing Russia-Ukraine conflict alongside higher rates. Additionally, Asian equity performance will likely depend on the success of China’s economic reopening after Covid-19 lockdowns, and the implications it has on potential inflation in and outside of the country. While certain regions may be better positioned for the possibility of a recession, the uncertainty and subsequent volatility has potential to be a common theme across all equity markets.

In 2023, macroeconomic worries will likely remain one of the primary factors influencing sector-level performance. Investors would welcome a slowing of inflation and the end of the Fed’s rate-hike cycle, but the opposite might lead to more uncertainty. The supply/demand relationship will also be crucial because ongoing, widespread price discounts will likely hurt retailers’ profitability. Despite the uncertainty, investors can take consolation that after such a difficult year, stock valuations in the industry have reached appealing levels, given the plethora of bad news priced in. As a result, for long-term investors, the fund could currently offer appealing possibilities to invest in numerous Global Consumer Discretionary names with solid long-term growth drivers.

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

BMO Global Consumer Discretionary Hedged to CAD Index ETF

Related Party Transactions

From time to time, the Manager may, on behalf of the ETF, 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 transactions involving the ETF and a Related Party.

Manager

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

Designated Broker

The Manager has entered into an agreement with BMO Nesbitt Burns Inc., an affiliate of the Manager, to act as designated broker and dealer for distribution of BMO exchange traded funds, on terms and conditions that are comparable to arm’s length agreements in the exchange traded funds industry. The material terms and conditions of the agreement have been disclosed in the ETF’s prospectus.

The Manager has also entered into agreements with certain other registered dealers in Canada to act as dealers for the creation and redemption of units of BMO exchange traded funds.

Buying and Selling Securities

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

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

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

In accordance with the IRC’s standing instructions, in making a decision to cause the ETF to enter into a Related Party Transaction, the Manager and the portfolio manager of the ETF 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 ETF; and (iii) achieves a fair and reasonable result for the ETF.

Financial Highlights

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

The ETF’s Net Assets per Unit⁽¹⁾

Listed CAD Units	Financial years ended Dec. 31				
	2022	2021	2020	2019	2018
Net assets, beginning of period	\$ 37.74	32.20	25.68	20.80	22.52
Increase (decrease) from operations					
Total revenue	\$ 0.48	0.57	0.35	0.48	0.55
Total expenses ⁽²⁾	\$ (0.18)	(0.21)	(0.16)	(0.16)	(0.17)
Realized gains (losses) for the period	\$ 0.24	1.27	2.55	0.10	0.24
Unrealized gains (losses) for the period	\$ (15.26)	3.91	7.84	4.89	(2.18)
Total increase (decrease) from operations⁽³⁾	\$ (14.72)	5.54	10.58	5.31	(1.56)
Distributions					
From net investment income (excluding dividends)	\$ —	—	—	—	—
From dividends	\$ 0.29	0.33	0.19	0.33	0.36
From capital gains	\$ 0.45	1.19	0.64	—	—
Return of capital	\$ 0.02	0.02	0.02	0.01	0.01
Total Annual Distributions⁽⁴⁾	\$ 0.76	1.54	0.85	0.34	0.37
Net assets, end of period	\$ 27.30	37.74	32.20	25.68	20.80

⁽¹⁾ This information is derived from the ETF’s audited annual financial statements.

⁽²⁾ Includes commissions and other portfolio transaction costs and withholding taxes.

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

⁽⁴⁾ Distributions were either paid in cash or reinvested in additional units of the ETF, or both.

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Ratios and Supplemental Data

Listed CAD Units	Financial years ended Dec. 31				
	2022	2021	2020	2019	2018
Total net asset value (000's) ⁽¹⁾	\$ 25,063	108,120	60,538	17,413	18,096
Number of units outstanding (000's) ⁽¹⁾	918	2,865	1,880	678	870
Management expense ratio ⁽²⁾	% 0.39	0.40	0.40	0.40	0.41
Management expense ratio before waivers or absorptions ⁽²⁾	% 0.39	0.40	0.40	0.40	0.41
Trading expense ratio ⁽³⁾	% —	—	—	0.00	0.05
Portfolio turnover rate ⁽⁴⁾	% 38.28	11.29	35.13	23.06	47.27
Net asset value per unit	\$ 27.30	37.74	32.20	25.68	20.80
Closing market price	\$ 27.24	37.82	32.10	25.68	20.77

⁽¹⁾ This information is provided as at December 31 of the period shown.

⁽²⁾ 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.

⁽³⁾ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. For the financial periods ended December 31, 2022, December 31, 2021 and December 31, 2020, no commissions or other portfolio transactions costs were incurred by the ETF. As a result, the trading expense ratio for these periods was nil.

⁽⁴⁾ The ETF's portfolio turnover rate indicates how actively the ETF's portfolio manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher an ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF 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 an ETF.

Management Fees

The Manager is responsible for the day-to-day management of the business and operations of the ETF. The Manager monitors and evaluates the ETF's performance, manages the portfolio and provides certain administrative services required by the ETF. As compensation for its services, the Manager is entitled to receive a management fee payable quarterly and calculated based on the daily net asset value of the ETF at the annual rate set out in the table below. The management fee is subject to applicable taxes. The Manager may, from time to time in its discretion, waive all or a portion of the management fee charged.

Ticker	Annual Management Fee Rate %
DISC	0.35

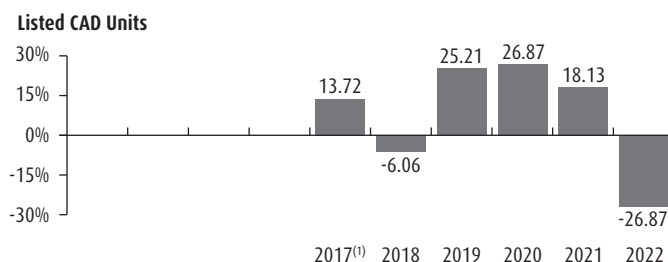
Past Performance

The ETF's performance information assumes that all distributions made by the ETF in the periods shown were used to purchase additional units of the ETF and is based on the net asset value of the ETF.

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 ETF has performed in the past does not indicate how it will perform in the future.

Year-by-Year Returns

The following bar chart shows the performance of the ETF for each of the financial years shown, and illustrates how the ETF's performance has changed year to year. The chart shows, in percentage terms, how much an investment made on the first day of each financial year would have increased or decreased by the last day of each financial year.



⁽¹⁾ For the period beginning with the performance launch date of April 3, 2017 to December 31, 2017.

Annual Compound Returns

This table compares the historical annual compound returns of the ETF with its benchmark index, the FTSE Developed ex Korea Consumer Discretionary Capped 100% Hedged to CAD Index and a broad-based index, the MSCI World Total Return Index.

The FTSE Developed ex Korea Consumer Discretionary Capped 100% Hedged to CAD Index consists of companies classified as Consumer Discretionary in accordance with the FTSE Russell Industry Classification Benchmark classification system from developed markets (excluding Korea) included in the FTSE Global Equity Index Series for large and mid-capitalization securities, while imposing a company cap of 10% on all constituents included within the Index quarterly. All foreign currency exposure is hedged back to the Canadian dollar.

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

As at December 31, 2022

Listed CAD Units	1Yr	3Yr	5Yr	10Yr	Since Inception ⁽¹⁾
BMO Global Consumer Discretionary Hedged to CAD Index ETF	% (26.87)	3.10	5.21		6.88
FTSE Developed ex Korea Consumer Discretionary Capped 100% Hedged to CAD Index	% (27.54)	3.18	5.53		7.28
MSCI World Total Return Index	% (16.04)	5.76	6.89		8.18

⁽¹⁾ Return from the performance launch date of April 3, 2017 to December 31, 2022.

A discussion on the relative performance of the ETF as compared to its benchmark index and broad-based index can be found under the Results of Operations section of this report.

BMO Global Consumer Discretionary Hedged to CAD Index ETF

Summary of Investment Portfolio

As at December 31, 2022

Portfolio Allocation	% of Net Asset Value
United States	60.0
Japan	14.5
France	7.8
United Kingdom	3.7
Germany	3.3
Canada	1.6
Switzerland	1.6
Australia	1.4
Netherlands	1.3
Cash/Receivables/Payables	0.2
Other	4.6
Total Portfolio Allocation	100.0

Sector Allocation	% of Net Asset Value
Retailing	26.8
Consumer Services	16.7
Consumer Durables & Apparel	16.3
Automobiles & Components	15.2
Media & Entertainment	9.7
Food & Staples Retailing	7.6
Household & Personal Products	3.3
Commercial & Professional Services	2.0
Transportation	1.4
Capital Goods	0.4
Real Estate	0.3
Cash/Receivables/Payables	0.2
Diversified Financials	0.1
Total Sector Allocation	100.0

Top 25 Holdings	% of Net Asset Value
Home Depot, Inc., The	5.0
Amazon.com, Inc.	3.8
McDonald's Corporation	3.5
Costco Wholesale Corporation	3.3
LVMH Moët Hennessy-Louis Vuitton SE	3.3
Walmart Inc.	3.1
Toyota Motor Corporation	3.0
NIKE, Inc., Class B	2.6
Tesla Inc.	2.5
Lowe's Companies, Inc.	2.3
Starbucks Corporation	2.1
Sony Group Corporation	1.7
TJX Companies, Inc., The	1.7
L'Oreal S.A.	1.6
Booking Holdings Inc.	1.5
Walt Disney Company, The	1.4
Target Corporation	1.3
Compagnie Financiere Richemont SA, R Shares	1.2
Netflix, Inc.	1.1
Activision Blizzard, Inc.	1.1
Estee Lauder Companies Inc., The, Class A	1.0
Dollar General Corporation	1.0
Mercedes-Benz Group AG	1.0
O'Reilly Automotive, Inc.	1.0
RELX PLC	0.9
Top Holdings as a Percentage of Total Net Asset Value	52.0
Total Net Asset Value	\$25,063,130

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

Caution regarding forward-looking statements

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the ETF may invest in and the risks detailed from time to time in the ETFs' 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 ETF, 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 Asset Management 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.

The ETF is not in any way sponsored, endorsed, sold or promoted by FTSE Global Debt Capital Markets Inc. ("FGDCM"), FTSE International Limited ("FTSE"), Frank Russell Company ("Frank Russell"), FTSE Fixed Income LLC ("FTSE FI") or the London Stock Exchange Group companies (together with FGDCM, FTSE, Frank Russell and FTSE FI, the "Licensor Parties"). The Licensor Parties make no claim, prediction, warranty or representation whatsoever, expressly or impliedly, either as to (i) the results to be obtained from the use of the FTSE BMO ETF Indices, (ii) the figure at which any of the FTSE BMO ETF Indices stands at any particular time on any particular day or otherwise, or (iii) the suitability of an Underlying Index for the particular purpose to which is it being put in connection with the FTSE BMO ETFs. Each of the FTSE BMO ETF Indices is compiled and calculated by FGDCM of FTSE and all copyright in any of the FTSE BMO ETF Indices values and constituent lists vests in FGDCM or FTSE, respectively. The Licensor Parties shall not be liable (whether in negligence or otherwise) to any person for any error in any of the FTSE BMO ETF Indices and the Licensor Parties shall not be under any obligation to advise any person of any error therein. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used under licence.

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