

# BMO Mutual Funds 2023

Semi-Annual Financial Statements

March 31, 2023

## BMO Preferred Share Fund

### NOTICE OF NO AUDITOR REVIEW OF THE SEMI-ANNUAL FINANCIAL STATEMENTS

BMO Investments Inc., the Manager of the Fund, appoints independent auditors to audit the Fund's Annual Financial Statements. Under Canadian securities laws (National Instrument 81-106), if an auditor has not reviewed the Semi-Annual Financial Statements, this must be disclosed in an accompanying notice.

The Fund's independent auditors have not performed a review of these Semi-Annual Financial Statements in accordance with standards established by the Chartered Professional Accountants of Canada.



Mutual Funds

# BMO Preferred Share Fund

(unaudited)

## STATEMENT OF FINANCIAL POSITION (All amounts in thousands of Canadian dollars, except per unit data)

| As at  | March 31<br>2023 | September 30<br>2022 |
|--|------------------|----------------------|
| <b>ASSETS</b>  |                  |                      |
| <b>CURRENT ASSETS</b>  |                  |                      |
| Cash   | 3,973            | 4,330                |
| Investments  |                  |                      |
| Non-derivative financial assets  | 483,538          | 520,462              |
| Subscriptions receivable   | 126              | 39                   |
| Interest receivable  | 100              | 8                    |
| Dividends receivable   | 931              | 1,214                |
| Distributions receivable from investment trusts                        | 64               | 66                   |
| <b>Total assets</b>  | <b>488,732</b>   | <b>526,119</b>       |
| <b>LIABILITIES</b>   |                  |                      |
| <b>CURRENT LIABILITIES</b>   |                  |                      |
| Redemptions payable  | 342              | 168                  |
| Accrued expenses   | 110              | 12                   |
| <b>Total liabilities</b>   | <b>452</b>       | <b>180</b>           |
| <b>Net assets attributable to holders of redeemable units</b>          | <b>488,280</b>   | <b>525,939</b>       |
| <b>Net assets attributable to holders of redeemable units</b>          |                  |                      |
| Series A Units   | 3,019            | 3,436                |
| Advisor Series Units   | 2,020            | 2,533                |
| Series F Units   | 2,823            | 3,628                |
| Series I Units   | 0                | 0                    |
| Series O Units   | 480,418          | 516,342              |
| <b>Net assets attributable to holders of redeemable units per unit</b> |                  |                      |
| Series A Units   | \$ 6.98          | \$ 7.29              |
| Advisor Series Units   | \$ 7.06          | \$ 7.39              |
| Series F Units   | \$ 6.99          | \$ 7.32              |
| Series I Units   | \$ 6.80          | \$ 7.11              |
| Series O Units   | \$ 6.89          | \$ 7.21              |

## STATEMENT OF COMPREHENSIVE INCOME (All amounts in thousands of Canadian dollars, except per unit data)

| For the periods ended   | March 31<br>2023 | March 31<br>2022 |
|---|------------------|------------------|
| <b>INCOME</b>   |                  |                  |
| Interest income   | 454              | 35               |
| Dividend income   | 13,591           | 13,570           |
| Distributions received from investment trusts   | 388              | 323              |
| Other changes in fair value of investments and derivatives                                  |                  |                  |
| Net realized (loss) gain  | (2,503)          | 2,726            |
| Change in unrealized depreciation   | (21,022)         | (23,310)         |
| Net loss in fair value of investments and derivatives                                       | (9,092)          | (6,656)          |
| Securities lending revenue (note 8)   | 36               | 18               |
| Foreign exchange gain   | 0                | —                |
| Total other income  | 36               | 18               |
| <b>Total loss</b>   | <b>(9,056)</b>   | <b>(6,638)</b>   |
| <b>EXPENSES</b>   |                  |                  |
| Management fees (note 6)  | 94               | 140              |
| Fixed administration fees (note 6)  | 553              | 709              |
| Independent review committee fees (note 6)  | 1                | 1                |
| Interest expense  | —                | 1                |
| Fund facts fees   | 0                | 0                |
| Unitholder reporting costs  | 1                | 2                |
| Commissions and other portfolio transaction costs (note 6)                                  | 44               | 112              |
| Operating expenses absorbed by the Manager (note 6)   | (2)              | (3)              |
| <b>Total expenses</b>   | <b>691</b>       | <b>962</b>       |
| <b>Decrease in net assets attributable to holders of redeemable units</b>                   | <b>(9,747)</b>   | <b>(7,600)</b>   |
| <b>Decrease in net assets attributable to holders of redeemable units</b>                   |                  |                  |
| Series A Units  | (85)             | (98)             |
| Advisor Series Units  | (54)             | (69)             |
| Series F Units  | (51)             | (118)            |
| Series D Units  | —                | (7)              |
| Series I Units  | (0)              | (0)              |
| Series O Units  | (9,557)          | (7,308)          |
| <b>Decrease in net assets attributable to holders of redeemable units per unit (note 8)</b> |                  |                  |
| Series A Units  | (0.19)           | (0.18)           |
| Advisor Series Units  | (0.17)           | (0.18)           |
| Series F Units  | (0.11)           | (0.15)           |
| Series D Units  | —                | (0.18)           |
| Series I Units  | (0.12)           | (0.09)           |
| Series O Units  | (0.14)           | (0.10)           |

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

# BMO Preferred Share Fund

(unaudited)

## STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

(All amounts in thousands of Canadian dollars)

| For the periods ended  | March 31<br>2023 | March 31<br>2022 | For the periods ended  | March 31<br>2023 | March 31<br>2022 |
|--|------------------|------------------|--|------------------|------------------|
| <b>Series A Units</b>  |                  |                  | <b>Series F Units</b>  |                  |                  |
| <b>Net assets attributable to holders of redeemable units at beginning of period</b>     | 3,436            | 4,871            | <b>Net assets attributable to holders of redeemable units at beginning of period</b>     | 3,628            | 6,405            |
| Decrease in net assets attributable to holders of redeemable units                       | (85)             | (98)             | Decrease in net assets attributable to holders of redeemable units                       | (51)             | (118)            |
| <b>Distributions to holders of redeemable units from:</b>                                |                  |                  | <b>Distributions to holders of redeemable units from:</b>                                |                  |                  |
| Net investment income  | (57)             | (53)             | Net investment income  | (82)             | (111)            |
| Return of capital  | (1)              | (1)              | Return of capital  | (1)              | (2)              |
| <b>Total distributions to holders of redeemable units</b>                                | (58)             | (54)             | <b>Total distributions to holders of redeemable units</b>                                | (83)             | (113)            |
| <b>Redeemable unit transactions</b>  |                  |                  | <b>Redeemable unit transactions</b>  |                  |                  |
| Proceeds from redeemable units issued  | 112              | 798              | Proceeds from redeemable units issued  | 249              | 1,684            |
| Reinvestments of distributions to holders of redeemable units                            | 56               | 51               | Reinvestments of distributions to holders of redeemable units                            | 43               | 51               |
| Redemption of redeemable units   | (442)            | (1,136)          | Redemption of redeemable units   | (963)            | (1,221)          |
| <b>Net decrease from redeemable unit transactions</b>                                    | (274)            | (287)            | <b>Net (decrease) increase from redeemable unit transactions</b>                         | (671)            | 514              |
| <b>Net decrease in net assets attributable to holders of redeemable units</b>            | (417)            | (439)            | <b>Net (decrease) increase in net assets attributable to holders of redeemable units</b> | (805)            | 283              |
| <b>Net assets attributable to holders of redeemable units at end of period</b>           | 3,019            | 4,432            | <b>Net assets attributable to holders of redeemable units at end of period</b>           | 2,823            | 6,688            |
| <b>Advisor Series Units</b>  |                  |                  | <b>Series D Units</b>  |                  |                  |
| <b>Net assets attributable to holders of redeemable units at beginning of period</b>     | 2,533            | 3,458            | <b>Net assets attributable to holders of redeemable units at beginning of period</b>     | —                | 375              |
| Decrease in net assets attributable to holders of redeemable units                       | (54)             | (69)             | Decrease in net assets attributable to holders of redeemable units                       | —                | (7)              |
| <b>Distributions to holders of redeemable units from:</b>                                |                  |                  | <b>Distributions to holders of redeemable units from:</b>                                |                  |                  |
| Net investment income  | (44)             | (36)             | Net investment income  | —                | (6)              |
| Return of capital  | (1)              | (1)              | Return of capital  | —                | (0)              |
| <b>Total distributions to holders of redeemable units</b>                                | (45)             | (37)             | <b>Total distributions to holders of redeemable units</b>                                | —                | (6)              |
| <b>Redeemable unit transactions</b>  |                  |                  | <b>Redeemable unit transactions</b>  |                  |                  |
| Proceeds from redeemable units issued  | 38               | 310              | Proceeds from redeemable units issued  | —                | 9                |
| Reinvestments of distributions to holders of redeemable units                            | 42               | 33               | Reinvestments of distributions to holders of redeemable units                            | —                | 5                |
| Redemption of redeemable units   | (494)            | (158)            | Redemption of redeemable units   | —                | (376)            |
| <b>Net (decrease) increase from redeemable unit transactions</b>                         | (414)            | 185              | <b>Net decrease from redeemable unit transactions</b>                                    | —                | (362)            |
| <b>Net (decrease) increase in net assets attributable to holders of redeemable units</b> | (513)            | 79               | <b>Net decrease in net assets attributable to holders of redeemable units</b>            | —                | (375)            |
| <b>Net assets attributable to holders of redeemable units at end of period</b>           | 2,020            | 3,537            | <b>Net assets attributable to holders of redeemable units at end of period</b>           | —                | —                |

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

# BMO Preferred Share Fund

(unaudited)

## STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (cont'd)

(All amounts in thousands of Canadian dollars)

| For the periods ended  | March 31<br>2023 | March 31<br>2022 | For the periods ended  | March 31<br>2023 | March 31<br>2022 |
|--|------------------|------------------|--|------------------|------------------|
| <b>Series I Units</b>  |                  |                  | <b>Total Fund</b>  |                  |                  |
| <b>Net assets attributable to holders of redeemable units at beginning of period</b> | 0                | 0                | <b>Net assets attributable to holders of redeemable units at beginning of period</b> | 525,939          | 645,476          |
| Decrease in net assets attributable to holders of redeemable units                   | (0)              | (0)              | Decrease in net assets attributable to holders of redeemable units                   | (9,747)          | (7,600)          |
| <b>Distributions to holders of redeemable units from:</b>                            |                  |                  | <b>Distributions to holders of redeemable units from:</b>                            |                  |                  |
| Net investment income  | (0)              | (0)              | Net investment income  | (13,642)         | (12,945)         |
| Return of capital  | (0)              | (0)              | Return of capital  | (122)            | (151)            |
| <b>Total distributions to holders of redeemable units</b>                            | (0)              | (0)              | <b>Total distributions to holders of redeemable units</b>                            | (13,764)         | (13,096)         |
| <b>Redeemable unit transactions</b>  |                  |                  | <b>Redeemable unit transactions</b>  |                  |                  |
| Reinvestments of distributions to holders of redeemable units                        | 0                | 0                | Proceeds from redeemable units issued  | 44,639           | 42,091           |
| <b>Net increase from redeemable unit transactions</b>                                | 0                | 0                | Reinvestments of distributions to holders of redeemable units                        | 12,897           | 12,269           |
| <b>Net decrease in net assets attributable to holders of redeemable units</b>        | (0)              | (0)              | Redemption of redeemable units   | (71,684)         | (49,573)         |
| <b>Net assets attributable to holders of redeemable units at end of period</b>       | 0                | 0                | <b>Net (decrease) increase from redeemable unit transactions</b>                     | (14,148)         | 4,787            |
|  |                  |                  | <b>Net decrease in net assets attributable to holders of redeemable units</b>        | (37,659)         | (15,909)         |
|  |                  |                  | <b>Net assets attributable to holders of redeemable units at end of period</b>       | 488,280          | 629,567          |
| <b>Series O Units</b>  |                  |                  |  |                  |                  |
| <b>Net assets attributable to holders of redeemable units at beginning of period</b> | 516,342          | 630,367          |  |                  |                  |
| Decrease in net assets attributable to holders of redeemable units                   | (9,557)          | (7,308)          |  |                  |                  |
| <b>Distributions to holders of redeemable units from:</b>                            |                  |                  |  |                  |                  |
| Net investment income  | (13,459)         | (12,739)         |  |                  |                  |
| Return of capital  | (119)            | (147)            |  |                  |                  |
| <b>Total distributions to holders of redeemable units</b>                            | (13,578)         | (12,886)         |  |                  |                  |
| <b>Redeemable unit transactions</b>  |                  |                  |  |                  |                  |
| Proceeds from redeemable units issued  | 44,240           | 39,290           |  |                  |                  |
| Reinvestments of distributions to holders of redeemable units                        | 12,756           | 12,129           |  |                  |                  |
| Redemption of redeemable units   | (69,785)         | (46,682)         |  |                  |                  |
| <b>Net (decrease) increase from redeemable unit transactions</b>                     | (12,789)         | 4,737            |  |                  |                  |
| <b>Net decrease in net assets attributable to holders of redeemable units</b>        | (35,924)         | (15,457)         |  |                  |                  |
| <b>Net assets attributable to holders of redeemable units at end of period</b>       | 480,418          | 614,910          |  |                  |                  |

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

# BMO Preferred Share Fund

(unaudited)

## STATEMENT OF CASH FLOWS

(All amounts in thousands of Canadian dollars)

| For the periods ended  | March 31<br>2023 | March 31<br>2022 |
|--|------------------|------------------|
| <b>Cash flows from operating activities</b>  |                  |                  |
| Decrease in net assets attributable to holders of redeemable units                 | (9,747)          | (7,600)          |
| Adjustments for:   |                  |                  |
| Foreign exchange gain on cash  | (0)              | —                |
| Net realized loss (gain) on sale of investments and derivatives                    | 2,503            | (2,726)          |
| Change in unrealized depreciation of investments and derivatives                   | 21,022           | 23,310           |
| Increase in interest receivable  | (92)             | —                |
| Decrease in dividends receivable   | 283              | 828              |
| Decrease (increase) in distributions receivable from investment trusts             | 2                | (16)             |
| Increase in accrued expenses   | 98               | 126              |
| Amortization of premium and discounts  | (322)            | (32)             |
| Return of capital dividends received   | 3                | 72               |
| Purchases of investments   | (42,260)         | (138,388)        |
| Proceeds from sale and maturity of investments                                     | 55,978           | 130,748          |
| <b>Net cash from operating activities</b>  | 27,468           | 6,322            |
| <b>Cash flows from financing activities</b>  |                  |                  |
| Distributions paid to holders of redeemable units, net of reinvested distributions | (867)            | (827)            |
| Proceeds from issuances of redeemable units <sup>+</sup>                           | 44,552           | 42,100           |
| Amounts paid on redemption of redeemable units <sup>+</sup>                        | (71,510)         | (49,430)         |
| <b>Net cash used in financing activities</b>                                       | (27,825)         | (8,157)          |
| Foreign exchange gain on cash  | 0                | —                |
| Net decrease in cash   | (357)            | (1,835)          |
| Cash at beginning of period  | 4,330            | 2,060            |
| <b>Cash at end of period</b>   | 3,973            | 225              |

### Supplementary Information

|  |        |        |
|--|--------|--------|
| Interest received, net of withholding taxes*                             | 40     | 3      |
| Dividends received, net of withholding taxes*                            | 13,877 | 14,470 |
| Distributions received from investment trusts, net of withholding taxes* | 390    | 307    |
| Interest expense paid*   | —      | 1      |

<sup>+</sup> Excludes switches between series, as applicable.

\* These items are from operating activities.

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

# BMO Preferred Share Fund

(unaudited)

## SCHEDULE OF INVESTMENT PORTFOLIO

As at March 31, 2023 (All amounts in thousands of Canadian dollars, unless otherwise noted)

|   | Par Value<br>(in thousands)  | Cost<br>(\$)  | Fair<br>Value<br>(\$) |   | Number of<br>Shares or Units | Cost<br>(\$) | Fair<br>Value<br>(\$) |
|---|------------------------------|---------------|-----------------------|---|------------------------------|--------------|-----------------------|
| <b>MONEY MARKET INVESTMENTS</b>   |                              |               |                       |   |                              |              |                       |
| <b>Federal — 2.9%</b>   |                              |               |                       |   |                              |              |                       |
| Government of Canada, Treasury Bills, 4.318%  |                              |               |                       |   |                              |              |                       |
| Apr 27, 2023  | 3,000                        | 2,991         | 2,991                 |   |                              |              |                       |
| Government of Canada, Treasury Bills, 4.331%  |                              |               |                       |   |                              |              |                       |
| Apr 27, 2023  | 1,250                        | 1,246         | 1,246                 |   |                              |              |                       |
| Government of Canada, Treasury Bills, 4.340%  |                              |               |                       |   |                              |              |                       |
| Apr 27, 2023  | 2,000                        | 1,994         | 1,994                 |   |                              |              |                       |
| Government of Canada, Treasury Bills, 4.499%  |                              |               |                       |   |                              |              |                       |
| May 25, 2023  | 2,000                        | 1,986         | 1,987                 |   |                              |              |                       |
| Government of Canada, Treasury Bills, 4.319%  |                              |               |                       |   |                              |              |                       |
| Jul 6, 2023   | 6,000                        | 5,932         | 5,931                 |   |                              |              |                       |
|   |                              | 14,149        | 14,149                |   |                              |              |                       |
| <b>Provincial — 1.0%</b>  |                              |               |                       |   |                              |              |                       |
| Province of New Brunswick, Treasury Bills,<br>4.486% May 4, 2023  | 2,000                        | 1,991         | 1,991                 |   |                              |              |                       |
| Province of Nova Scotia, Treasury Bills, 4.412%   |                              |               |                       |   |                              |              |                       |
| Apr 4, 2023   | 3,000                        | 2,999         | 2,999                 |   |                              |              |                       |
|   |                              | 4,990         | 4,990                 |   |                              |              |                       |
| <b>Total Money Market Investments — 3.9%</b>  |                              | <b>19,139</b> | <b>19,139</b>         |   |                              |              |                       |
|   | Number of<br>Shares or Units | Cost<br>(\$)  | Fair<br>Value<br>(\$) |   |                              |              |                       |
| <b>PREFERRED SHARES</b>   |                              |               |                       |   |                              |              |                       |
| <b>Fixed/Floaters Preferreds — 72.2%</b>  |                              |               |                       |   |                              |              |                       |
| Algonquin Power & Utilities Corp., Series A,<br>Cumulative, Fixed/Floating Rate Preferred,<br>Redeemable, 5.162% Dec 31, 2023, \$25.00  | 79,900                       | 2,039         | 1,561                 | Bank of Nova Scotia, The, Series 40,<br>Non-Cumulative, Fixed/Floating Rate<br>Preferred, Redeemable, 4.850% Jan 27,<br>2024, \$25.00               | 78,700                       | 1,696        | 1,596                 |
| Algonquin Power & Utilities Corp., Series D,<br>Cumulative, Fixed/Floating Rate Preferred,<br>Redeemable, 5.091% Mar 31, 2024, \$25.00  | 58,200                       | 1,476         | 1,183                 | BCE Inc., Series AQ, Cumulative, Fixed/Floating<br>Rate Preferred, Redeemable, 4.812% Sep 30,<br>2023, \$25.00                                      | 106,452                      | 2,573        | 2,083                 |
| AltaGas Ltd., Series E, Cumulative,<br>Fixed/Floating Rate Preferred, Redeemable,<br>5.393% Dec 31, 2023, \$25.00                       | 124,000                      | 3,039         | 2,582                 | BCE Inc., Series AF, Cumulative, Fixed/Floating<br>Rate Preferred, Redeemable, 3.865% Feb 1,<br>2025, \$25.00                                       | 336,250                      | 5,603        | 5,417                 |
| AltaGas Ltd., Series G, Cumulative,<br>Fixed/Floating Rate Preferred, Redeemable,<br>4.242% Sep 30, 2024, \$25.00                       | 76,000                       | 1,853         | 1,349                 | BCE Inc., Series R, Cumulative, Fixed/Floating<br>Rate Preferred, Redeemable, 3.018% Dec 1,<br>2025, \$25.00  | 194,575                      | 3,259        | 2,956                 |
| AltaGas Ltd., Series A, Cumulative,<br>Fixed/Floating Rate Preferred, Redeemable,<br>3.060% Sep 30, 2025, \$25.00                       | 40,000                       | 847           | 620                   | BCE Inc., Series AM, Cumulative, Fixed/Floating<br>Rate Preferred, Redeemable, 2.939% Mar 31,<br>2026, \$25.00                                      | 80,900                       | 1,408        | 1,186                 |
| Bank of Montreal, Series 27, Non-Cumulative,<br>Fixed/Floating Rate Preferred, Redeemable,<br>3.852% May 25, 2024, \$25.00 <sup>#</sup> | 475,000                      | 9,545         | 8,545                 | BCE Inc., Series AI, Cumulative, Fixed/Floating<br>Rate Preferred, Redeemable, 3.390% Aug 1,<br>2026, \$25.00                                       | 136,675                      | 2,160        | 2,064                 |
| Bank of Montreal, Series 46, Non-Cumulative,<br>Fixed/Floating Rate Preferred, Redeemable,<br>5.100% May 25, 2024, \$25.00 <sup>#</sup> | 170,500                      | 4,223         | 4,043                 | BCE Inc., Series AA, Cumulative, Fixed/Floating<br>Rate Preferred, Redeemable, 4.940% Sep 1,<br>2027, \$25.00                                       | 38,100                       | 650          | 672                   |
| Bank of Montreal, Series 29, Non-Cumulative,<br>Fixed/Floating Rate Preferred, Redeemable,<br>3.624% Aug 25, 2024, \$25.00 <sup>#</sup> | 387,400                      | 7,694         | 6,586                 | BCE Inc., Series AC, Cumulative, Fixed/Floating<br>Rate Preferred, Redeemable, 5.080% Mar 1,<br>2028, \$25.00                                       | 124,300                      | 2,363        | 2,286                 |
| Bank of Montreal, Series 31, Non-Cumulative,<br>Fixed/Floating Rate Preferred, Redeemable,<br>3.851% Nov 25, 2024, \$25.00 <sup>#</sup> | 398,600                      | 7,690         | 6,800                 | Brookfield Corporation, Series 18, Cumulative,<br>Preferred, Redeemable, 4.750% May 1,<br>2023, \$25.00   | 301,782                      | 6,390        | 5,628                 |
|   |                              |               |                       | Brookfield Corporation, Series 36, Cumulative,<br>Preferred, Redeemable, 4.850% May 1,<br>2023, \$25.00   | 131,000                      | 2,894        | 2,476                 |
|   |                              |               |                       | Brookfield Corporation, Series 37, Cumulative,<br>Preferred, Redeemable, 4.900% May 1,<br>2023, \$25.00   | 72,800                       | 1,608        | 1,391                 |
|   |                              |               |                       | Brookfield Corporation, Cumulative,<br>Fixed/Floating Rate Preferred, Redeemable,<br>5.061% Sep 30, 2023, \$25.00                                   | 87,600                       | 1,903        | 1,685                 |
|   |                              |               |                       | Brookfield Corporation, Cumulative,<br>Fixed/Floating Rate Preferred, Redeemable,<br>4.437% Mar 31, 2024, \$25.00                                   | 160,650                      | 3,215        | 2,649                 |
|   |                              |               |                       | Brookfield Corporation, Cumulative,<br>Fixed/Floating Rate Preferred, Redeemable,<br>4.029% Sep 30, 2024, \$25.00                                   | 383,800                      | 8,025        | 6,271                 |
|   |                              |               |                       | Brookfield Corporation, Cumulative,<br>Fixed/Floating Rate Preferred, Redeemable,<br>3.254% Jun 30, 2025, \$25.00                                   | 397,600                      | 8,155        | 5,964                 |
|   |                              |               |                       | Brookfield Corporation, Cumulative,<br>Fixed/Floating Rate Preferred, Redeemable,<br>5.386% Mar 31, 2027, \$25.00                                   | 160,400                      | 4,072        | 3,287                 |
|   |                              |               |                       | Brookfield Infrastructure Partners L.P., Series 1,<br>Non-Cumulative, Fixed/Floating Rate<br>Preferred, Redeemable, 3.974% Jun 30,<br>2025, \$25.00 | 61,300                       | 1,445        | 1,027                 |
|   |                              |               |                       | Brookfield Office Properties Inc., Series T,<br>Cumulative, Fixed/Floating Rate Preferred,<br>Redeemable, 5.383% Dec 31, 2023, \$25.00              | 166,060                      | 3,376        | 2,242                 |

# BMO Preferred Share Fund

(unaudited)

## SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at March 31, 2023 (All amounts in thousands of Canadian dollars, unless otherwise noted)

|  | Number of<br>Shares or Units | Cost<br>(\$) | Fair<br>Value<br>(\$) |   | Number of<br>Shares or Units | Cost<br>(\$) | Fair<br>Value<br>(\$) |
|--|------------------------------|--------------|-----------------------|---|------------------------------|--------------|-----------------------|
| Brookfield Office Properties Inc., Series AA,<br>Cumulative, Fixed/Floating Rate Preferred,<br>Redeemable, 4.710% Dec 31, 2024, \$25.00 .....                  | 318,500                      | 6,173        | 3,819                 | Canadian Western Bank, Series 5,<br>Non-Cumulative, Fixed/Floating Rate<br>Preferred, Redeemable, 4.301% Apr 30,<br>2024, \$25.00 ..... | 394,700                      | 8,247        | 6,895                 |
| Brookfield Office Properties Inc., Series N,<br>Cumulative, Fixed/Floating Rate Preferred,<br>Redeemable, 4.010% Jun 30, 2026, \$25.00 .....                   | 350,965                      | 6,234        | 3,804                 | Capital Power Corporation, Series 5,<br>Cumulative, Fixed/Floating Rate Preferred,<br>Redeemable, 5.238% Jun 30, 2023, \$25.00 .....    | 136,500                      | 3,228        | 2,849                 |
| Brookfield Office Properties Inc., Series R,<br>Cumulative, Fixed/Floating Rate Preferred,<br>Redeemable, 4.300% Sep 30, 2026, \$25.00 .....                   | 318,175                      | 6,015        | 3,627                 | Capital Power Corporation, Series 3,<br>Cumulative, Fixed/Floating Rate Preferred,<br>Redeemable, 5.453% Dec 31, 2023, \$25.00 .....    | 99,400                       | 2,402        | 2,137                 |
| Brookfield Office Properties Inc., Series P,<br>Cumulative, Fixed/Floating Rate Preferred,<br>Redeemable, 4.536% Mar 31, 2027, \$25.00 .....                   | 226,531                      | 4,030        | 2,505                 | Cenovus Energy Inc., Series 5, Fixed/Floating<br>Rate Preferred, Redeemable, 4.591% Mar 31,<br>2025, \$25.00 .....                      | 175,200                      | 3,576        | 3,518                 |
| Brookfield Office Properties Inc., Series GG,<br>Cumulative, Fixed/Floating Rate Preferred,<br>Redeemable, 6.546% Jun 30, 2027, \$25.00 .....                  | 144,700                      | 3,176        | 2,210                 | Emera Incorporated, Series H, Cumulative,<br>Fixed/Floating Rate Preferred, Redeemable,<br>4.900% Aug 15, 2023, \$25.00 .....           | 47,200                       | 1,219        | 969                   |
| Brookfield Renewable Partners L.P., Series 7,<br>Cumulative, Fixed/Floating Rate Preferred,<br>Redeemable, 5.500% Jan 31, 2026, \$25.00 .....                  | 91,700                       | 2,124        | 2,003                 | Emera Incorporated, Series C, Cumulative,<br>Fixed/Floating Rate Preferred, Redeemable,<br>4.721% Aug 15, 2023, \$25.00 .....           | 161,900                      | 3,553        | 3,092                 |
| Brookfield Renewable Power Preferred<br>Equity Inc., Series 1, Cumulative,<br>Fixed/Floating Rate Preferred, Redeemable,<br>3.137% Apr 30, 2025, \$25.00 ..... | 171,200                      | 3,067        | 2,452                 | Emera Incorporated, Series F, Cumulative,<br>Fixed/Floating Rate Preferred, Redeemable,<br>4.202% Feb 15, 2025, \$25.00 .....           | 40,000                       | 970          | 704                   |
| Canadian Imperial Bank of Commerce,<br>Series 39, Non-Cumulative, Fixed/Floating<br>Rate Preferred, Redeemable, 3.713% Jul 31,<br>2024, \$25.00 .....          | 536,300                      | 10,467       | 9,208                 | Enbridge Inc., Series F, Cumulative,<br>Fixed/Floating Rate Preferred, Redeemable,<br>4.689% Jun 1, 2023, \$25.00 .....                 | 350,000                      | 6,729        | 6,240                 |
| Canadian Imperial Bank of Commerce,<br>Series 51, Fixed/Floating Rate Preferred,<br>Redeemable, 5.150% Jul 31, 2024, \$25.00 .....                             | 194,300                      | 4,783        | 4,597                 | Enbridge Inc., Series N, Cumulative,<br>Fixed/Floating Rate Preferred, Redeemable,<br>5.086% Dec 1, 2023, \$25.00 .....                 | 295,700                      | 5,976        | 5,142                 |
| Canadian Imperial Bank of Commerce,<br>Series 41, Non-Cumulative, Fixed/Floating<br>Rate Preferred, Redeemable, 3.909% Jan 31,<br>2025, \$25.00 .....          | 316,900                      | 6,000        | 5,356                 | Enbridge Inc., Series P, Cumulative,<br>Fixed/Floating Rate Preferred, Redeemable,<br>4.379% Mar 1, 2024, \$25.00 .....                 | 97,300                       | 1,854        | 1,547                 |
| Canadian Imperial Bank of Commerce,<br>Series 43, Non-Cumulative, Fixed/Floating<br>Rate Preferred, Redeemable, 3.143% Jul 31,<br>2025, \$25.00 .....          | 352,300                      | 7,177        | 6,465                 | Enbridge Inc., Series 11, Cumulative,<br>Fixed/Floating Rate Preferred, Redeemable,<br>3.940% Mar 1, 2025, \$25.00 .....                | 443,300                      | 8,259        | 6,734                 |
| Canadian Imperial Bank of Commerce,<br>Series 56, Fixed to Floating, Unsecured,<br>Subordinated, Perpetual, Callable, 7.365%<br>Sep 28, 2027, \$1,000.00 ..... | 2,500,000                    | 2,500        | 2,492                 | Enbridge Inc., Series 13, Cumulative,<br>Fixed/Floating Rate Preferred, Redeemable,<br>3.043% Jun 1, 2025, \$25.00 .....                | 67,500                       | 1,129        | 969                   |
| Canadian Imperial Bank of Commerce,<br>Series 47, Non-Cumulative, Fixed/Floating<br>Rate Preferred, Redeemable, 5.469% Jan 31,<br>2028, \$25.00 .....          | 205,700                      | 4,148        | 4,402                 | Enbridge Inc., Series B, Cumulative,<br>Fixed/Floating Rate Preferred, Redeemable,<br>5.202% Jun 1, 2027, \$25.00 .....                 | 496,680                      | 8,750        | 8,836                 |
| Canadian Utilities Limited, Series FF,<br>Cumulative, Fixed/Floating Rate Preferred,<br>Redeemable, 4.500% Dec 1, 2025, \$25.00 .....                          | 48,000                       | 1,286        | 1,118                 | Enbridge Inc., Series 19, Cumulative,<br>Fixed/Floating Rate Preferred, Redeemable,<br>4.900% Mar 1, 2028, \$25.00 .....                | 185,000                      | 4,610        | 4,168                 |
| Canadian Utilities Limited, Series Y, Cumulative,<br>Fixed/Floating Rate Preferred, Redeemable,<br>5.200% Jun 1, 2027, \$25.00 .....                           | 157,200                      | 3,333        | 3,034                 | Enbridge Inc., Series D, Cumulative,<br>Fixed/Floating Rate Preferred, Redeemable,<br>4.460% Mar 1, 2028, \$25.00 .....                 | 316,290                      | 5,868        | 5,693                 |
| Canadian Western Bank, Series 9,<br>Non-Cumulative, Fixed/Floating Rate<br>Preferred, Redeemable, 6.000% Apr 30,<br>2024, \$25.00 .....                        | 31,800                       | 852          | 780                   | Fortis Inc., Series G, Cumulative, Fixed/Floating<br>Rate Preferred, Redeemable, 4.393% Sep 1,<br>2023, \$25.00 .....                   | 118,500                      | 2,446        | 2,102                 |
|  |                              |              |                       | Fortis Inc., Series K, Cumulative, Fixed/Floating<br>Rate Preferred, Redeemable, 3.925% Mar 1,<br>2024, \$25.00 .....                   | 40,000                       | 873          | 643                   |
|  |                              |              |                       | Fortis Inc., Series M, Cumulative, Fixed/Floating<br>Rate Preferred, Redeemable, 3.913% Dec 1,<br>2024, \$25.00 .....                   | 274,600                      | 5,921        | 4,641                 |

# BMO Preferred Share Fund

(unaudited)

## SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at March 31, 2023 (All amounts in thousands of Canadian dollars, unless otherwise noted)

|  | Number of<br>Shares or Units | Cost<br>(\$) | Fair<br>Value<br>(\$) |  | Number of<br>Shares or Units | Cost<br>(\$) | Fair<br>Value<br>(\$) |
|--|------------------------------|--------------|-----------------------|--|------------------------------|--------------|-----------------------|
| Fortis Inc., Series H, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 1.835% Jun 1, 2025, \$25.00                          | 56,400                       | 815          | 733                   | Power Financial Corporation, Series T, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.215% Jan 31, 2024, \$25.00 | 171,200                      | 3,477        | 2,999                 |
| Intact Financial Corporation, Series 7, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.900% Jun 30, 2023, \$25.00    | 56,300                       | 1,376        | 1,141                 | Power Financial Corporation, Series P, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 2.306% Jan 31, 2026, \$25.00 | 207,650                      | 2,916        | 2,683                 |
| Manulife Financial Corporation, Series 17, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.800% Dec 19, 2024, \$25.00 | 63,000                       | 1,486        | 1,058                 | Royal Bank of Canada, Series B0, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.800% Feb 24, 2024, \$25.00       | 75,600                       | 1,596        | 1,526                 |
| Manulife Financial Corporation, Series 9, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 5.978% Sep 19, 2027, \$25.00  | 123,700                      | 2,673        | 2,835                 | Royal Bank of Canada, Series AZ, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.700% May 24, 2024, \$25.00       | 379,200                      | 7,612        | 6,613                 |
| National Bank of Canada, Series 42, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.950% Nov 15, 2023, \$25.00        | 76,800                       | 1,691        | 1,586                 | Royal Bank of Canada, Series BB, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.650% Aug 24, 2024, \$25.00       | 476,100                      | 9,598        | 8,246                 |
| National Bank of Canada, Series 30, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.025% May 15, 2024, \$25.00        | 270,400                      | 5,361        | 4,767                 | Royal Bank of Canada, Series BD, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.200% May 24, 2025, \$25.00       | 458,700                      | 9,686        | 8,376                 |
| National Bank of Canada, Series 32, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.839% Feb 15, 2025, \$25.00        | 345,600                      | 6,406        | 5,737                 | Royal Bank of Canada, Series BF, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.000% Nov 24, 2025, \$25.00       | 175,800                      | 3,516        | 3,143                 |
| National Bank of Canada, Series 38, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 7.027% Nov 15, 2027, \$25.00        | 369,500                      | 8,302        | 9,459                 | TC Energy Corporation, Series 7, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.903% Apr 30, 2024, \$25.00           | 160,400                      | 3,300        | 2,481                 |
| Northland Power Inc., Series 1, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.510% Sep 30, 2025, \$25.00            | 22,800                       | 431          | 368                   | TC Energy Corporation, Series 9, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.762% Oct 30, 2024, \$25.00           | 87,600                       | 1,789        | 1,313                 |
| Pembina Pipeline Corporation, Series 1, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.906% Dec 1, 2023, \$25.00         | 149,200                      | 2,938        | 2,604                 | TC Energy Corporation, Series 1, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.479% Dec 31, 2024, \$25.00           | 194,700                      | 3,488        | 2,648                 |
| Pembina Pipeline Corporation, Series 5, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.573% Jun 1, 2024, \$25.00         | 507,400                      | 10,470       | 9,387                 | Toronto-Dominion Bank, The, Series 20, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.750% Oct 31, 2023, \$25.00 | 95,800                       | 2,066        | 1,935                 |
| Pembina Pipeline Corporation, Series 7, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.380% Dec 1, 2024, \$25.00         | 233,800                      | 4,639        | 4,113                 | Toronto-Dominion Bank, The, Series 3, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.681% Jul 31, 2024, \$25.00  | 307,900                      | 5,982        | 5,293                 |
| Pembina Pipeline Corporation, Series 19, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.684% Jun 30, 2025, \$25.00       | 292,600                      | 6,701        | 6,458                 | Toronto-Dominion Bank, The, Series 24, Fixed/Floating Rate Preferred, Redeemable, 5.100% Jul 31, 2024, \$25.00                 | 76,000                       | 1,888        | 1,841                 |
| Pembina Pipeline Corporation, Series 9, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.302% Dec 1, 2025, \$25.00         | 471,500                      | 10,382       | 9,675                 | Toronto-Dominion Bank, The, Series 1, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.662% Oct 31, 2024, \$25.00  | 450,450                      | 9,043        | 7,725                 |
| Pembina Pipeline Corporation, Series 15, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 6.164% Sep 30, 2027, \$25.00       | 73,100                       | 1,694        | 1,507                 | Toronto-Dominion Bank, The, Series 5, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.876% Jan 31, 2025, \$25.00  | 506,100                      | 9,818        | 8,664                 |
| Pembina Pipeline Corporation, Series 21, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 6.302% Mar 1, 2028, \$25.00        | 93,900                       | 2,388        | 2,109                 |  |                              |              |                       |



# BMO Preferred Share Fund

(unaudited)

## SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at March 31, 2023 (All amounts in thousands of Canadian dollars, unless otherwise noted)

|   | Number of<br>Shares or Units | Cost<br>(\$) | Fair<br>Value<br>(\$) |   | Number of<br>Shares or Units | Cost<br>(\$) | Fair<br>Value<br>(\$) |
|---|------------------------------|--------------|-----------------------|---|------------------------------|--------------|-----------------------|
| Toronto-Dominion Bank, The, Series 7,<br>Non-Cumulative, Fixed/Floating Rate<br>Preferred, Redeemable, 3.201% Jul 31, 2025,<br>\$25.00  | 360,300                      | 7,931        | 6,601                 | Intact Financial Corporation, Series 5,<br>Non-Cumulative, Preferred, Redeemable,<br>5.200% May 1, 2023, \$25.00            | 78,000                       | 1,919        | 1,681                 |
| Toronto-Dominion Bank, The, Series 9,<br>Non-Cumulative, Fixed/Floating Rate<br>Preferred, Redeemable, 3.242% Oct 31,<br>2025, \$25.00  | 70,700                       | 1,415        | 1,343                 | Intact Financial Corporation, Series 9,<br>Non-Cumulative, Preferred, Redeemable,<br>5.400% Mar 31, 2025, \$25.00           | 87,800                       | 2,224        | 1,976                 |
| Toronto-Dominion Bank, The, Series 16,<br>Non-Cumulative, Fixed/Floating Rate<br>Preferred, Redeemable, 6.301% Oct 31,<br>2027, \$25.00 | 191,900                      | 4,311        | 4,750                 | Intact Financial Corporation, Class A, Series 11,<br>Non-Cumulative, Preferred, Redeemable,<br>5.250% Mar 31, 2027, \$25.00 | 139,900                      | 3,497        | 3,071                 |
| Toronto-Dominion Bank, The, Series 18,<br>Non-Cumulative, Fixed/Floating Rate<br>Preferred, Redeemable, 4.700% Apr 30,<br>2028, \$25.00 | 76,700                       | 1,654        | 1,664                 | Loblaw Companies Limited, Series B,<br>Cumulative, Preferred, Redeemable, 5.300%<br>May 2, 2023, \$25.00                    | 148,600                      | 3,739        | 3,387                 |
|   |                              | 405,015      | 352,281               | Manulife Financial Corporation, Series 2,<br>Non-Cumulative, Preferred, Redeemable,<br>4.650% May 1, 2023, \$25.00          | 164,500                      | 3,671        | 3,241                 |
| <b>Straight Preferreds — 20.2%</b>  |                              |              |                       | Manulife Financial Corporation, Series 3,<br>Non-Cumulative, Preferred, Redeemable,<br>4.500% May 1, 2023, \$25.00          | 150,300                      | 3,262        | 2,868                 |
| Canadian Utilities Limited, Series EE,<br>Cumulative, Preferred, Redeemable, 5.250%<br>May 2, 2023, \$25.00                             | 215,600                      | 5,361        | 4,775                 | Power Corporation of Canada, Series B,<br>Non-Cumulative, Preferred, Redeemable,<br>5.350% May 1, 2023, \$25.00             | 118,900                      | 2,912        | 2,630                 |
| Canadian Utilities Limited, Series HH, Preferred,<br>Redeemable, 4.750% Mar 1, 2027, \$25.00  | 99,900                       | 2,497        | 1,955                 | Power Corporation of Canada, Series D,<br>Non-Cumulative, Preferred, Redeemable,<br>5.000% May 1, 2023, \$25.00             | 269,135                      | 6,209        | 5,558                 |
| George Weston Limited, Series IV, Cumulative,<br>Preferred, Redeemable, 5.200% May 1,<br>2023, \$25.00                                  | 125,100                      | 3,060        | 2,650                 | Power Corporation of Canada, Series A,<br>Non-Cumulative, Preferred, Redeemable,<br>5.600% May 1, 2023, \$25.00             | 84,195                       | 2,105        | 1,915                 |
| George Weston Limited, Series I, Cumulative,<br>Preferred, Redeemable, 5.800% May 1,<br>2023, \$25.00                                   | 124,550                      | 3,204        | 2,933                 | Power Corporation of Canada, Series G,<br>Non-Cumulative, Preferred, Redeemable,<br>5.600% May 2, 2023, \$25.00             | 308,950                      | 7,816        | 7,013                 |
| George Weston Limited, Series III, Cumulative,<br>Preferred, Redeemable, 5.200% May 1,<br>2023, \$25.00                                 | 153,700                      | 3,779        | 3,255                 | Power Financial Corporation, Series D,<br>Non-Cumulative, Preferred, Redeemable,<br>5.500% May 1, 2023, \$25.00             | 32,300                       | 808          | 731                   |
| Great-West Lifeco Inc., Series H,<br>Non-Cumulative, Preferred, Redeemable,<br>4.850% May 1, 2023, \$25.00                              | 88,500                       | 2,063        | 1,764                 | Power Financial Corporation, Series H,<br>Non-Cumulative, Preferred, Redeemable,<br>5.750% May 1, 2023, \$25.00             | 145,325                      | 3,698        | 3,401                 |
| Great-West Lifeco Inc., Series G,<br>Non-Cumulative, Preferred, Redeemable,<br>5.200% May 1, 2023, \$25.00                              | 107,975                      | 2,641        | 2,354                 | Power Financial Corporation, Series F,<br>Non-Cumulative, Preferred, Redeemable,<br>5.900% May 1, 2023, \$25.00             | 152,540                      | 3,915        | 3,675                 |
| Great-West Lifeco Inc., Series Q,<br>Non-Cumulative, Preferred, Redeemable,<br>5.150% May 1, 2023, \$25.00                              | 61,900                       | 1,493        | 1,315                 | Power Financial Corporation, Series E,<br>Non-Cumulative, Preferred, Redeemable,<br>5.250% May 1, 2023, \$25.00             | 70,050                       | 1,695        | 1,535                 |
| Great-West Lifeco Inc., Series R,<br>Non-Cumulative, Preferred, Redeemable,<br>4.800% May 1, 2023, \$25.00                              | 96,000                       | 2,229        | 1,925                 | Power Financial Corporation, Series K,<br>Non-Cumulative, Preferred, Redeemable,<br>4.950% May 1, 2023, \$25.00             | 156,300                      | 3,628        | 3,212                 |
| Great-West Lifeco Inc., Series P,<br>Non-Cumulative, Preferred, Redeemable,<br>5.400% May 1, 2023, \$25.00                              | 105,200                      | 2,636        | 2,351                 | Power Financial Corporation, Series V,<br>Non-Cumulative, Preferred, Redeemable,<br>5.150% May 1, 2023, \$25.00             | 149,700                      | 3,659        | 3,181                 |
| Great-West Lifeco Inc., Series S,<br>Non-Cumulative, Preferred, Redeemable,<br>5.250% May 1, 2023, \$25.00                              | 327,300                      | 8,141        | 7,021                 | Power Financial Corporation, Series O,<br>Non-Cumulative, Preferred, Redeemable,<br>5.800% May 1, 2023, \$25.00             | 122,500                      | 3,134        | 2,914                 |
| Great-West Lifeco Inc., Series Y,<br>Non-Cumulative, Preferred, Redeemable,<br>4.500% Dec 31, 2026, \$25.00                             | 97,300                       | 2,433        | 1,847                 | Power Financial Corporation, Series R,<br>Non-Cumulative, Preferred, Redeemable,<br>5.500% May 1, 2023, \$25.00             | 34,500                       | 874          | 775                   |
| Intact Financial Corporation, Series 6,<br>Non-Cumulative, Preferred, Redeemable,<br>5.300% May 1, 2023, \$25.00                        | 66,500                       | 1,646        | 1,486                 | Power Financial Corporation, Series L,<br>Non-Cumulative, Preferred, Redeemable,<br>5.100% May 2, 2023, \$25.00             | 169,500                      | 4,072        | 3,593                 |

# BMO Preferred Share Fund

(unaudited)

## SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at March 31, 2023 (All amounts in thousands of Canadian dollars, unless otherwise noted)

|   | Number of<br>Shares or Units | Cost<br>(\$) | Fair<br>Value<br>(\$) |
|---|------------------------------|--------------|-----------------------|
| Power Financial Corporation, Series S,<br>Non-Cumulative, Preferred, Redeemable,<br>4.800% May 2, 2023, \$25.00 .....   | 64,700                       | 1,473        | 1,300                 |
| Power Financial Corporation, Series 23,<br>Non-Cumulative, Preferred, Redeemable,<br>4.500% Jan 31, 2027, \$25.00 ..... | 69,100                       | 1,728        | 1,372                 |
| Sun Life Financial Inc., Series 4,<br>Non-Cumulative, Preferred, Redeemable,<br>4.450% May 1, 2023, \$25.00 .....       | 213,600                      | 5,170        | 4,069                 |
|   |                              | 112,391      | 98,729                |

### Floating Perpetual Preferreds — 0.1%

|   |        |     |     |
|---|--------|-----|-----|
| Power Financial Corporation, Series Q,<br>Non-Cumulative, Floating Rate Preferred,<br>Redeemable, 5.930% Jan 31, 2024, \$25.00 .. | 38,500 | 614 | 587 |
|---|--------|-----|-----|

**Total Preferred Shares — 92.5%** ..... 518,020 ..... 451,597

|  | Number of<br>Units | Cost+<br>(\$) | Fair<br>Value<br>(\$) |
|--|--------------------|---------------|-----------------------|
|--|--------------------|---------------|-----------------------|

### HOLDINGS IN INVESTMENT FUNDS

#### Preferred Share Fixed Income Fund — 2.6%

|   |           |        |        |
|---|-----------|--------|--------|
| BMO Laddered Preferred Share Index ETF <sup>^</sup> ..... | 1,425,810 | 13,996 | 12,802 |
| <b>Total Holdings in Investment Funds — 2.6%</b> .....    |           | 13,996 | 12,802 |

**Total Investment Portfolio — 99.0%** ..... 551,155 ..... 483,538

Other Assets Less Liabilities — 1.0% ..... 4,742

**NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS — 100.0%** ... 488,280

\* 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.

<sup>#</sup> Investment in related party.

<sup>^</sup> The fund is managed or sub-advised by the Manager.

# BMO Preferred Share Fund

(unaudited)

## NOTES TO THE FINANCIAL STATEMENTS

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

March 31, 2023

### 1. The Fund

BMO Preferred Share Fund (the "Fund") is an open-ended mutual fund established under the laws of the province of Ontario by Declaration of Trust. The Master Declaration of Trust was amended on October 23, 2008 and November 3, 2009 to permit certain Funds to offer a multi-series structure. In addition to the existing Series A Units, certain Funds are permitted to offer Series A (Hedged) Units, Advisor Series Units, Advisor Series (Hedged) Units, ETF Series Units, Series T4 Units, Series T5 Units, Series T6 Units, Series T8 Units, Series M Units, Series F Units, Series F (Hedged) Units, Series F2 Units, Series F4 Units, Series F6 Units, Series D Units, Series G Units, Series I Units, Series I (Unhedged) Units, Series N Units, Series NBA Units, Series O Units, Series R Units, Series S Units and/or Classic Series Units. Each series is intended for different kinds of investors and has different management fees and fixed administration fees. Refer to Note 8 for the series issued for this Fund as well as the management and administration fee rates for each series.

BMO Investments Inc. ("the Manager") is the Manager and Trustee of the Fund. The Manager is a wholly owned subsidiary of Bank of Montreal. The address of the Fund's registered office is 100 King Street West, Toronto, Ontario, M5X 1A1.

The Statement of Financial Position and related notes for the Fund are as at March 31, 2023 and September 30, 2022, as applicable. 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 March 31, 2023 and March 31, 2022, except for a Fund established during either of the periods, which is presented from the date of inception (as noted in Note 8) to March 31 of the applicable period. Financial information provided for a series established during the period(s) is presented from the inception date as noted in Note 8 to March 31 of the applicable period.

These financial statements were authorized for issuance by the Board of Directors of the Manager on May 4, 2023.

These financial statements should be read in conjunction with the annual financial statements for the period ended September 30, 2022, which have been

prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

### 2. Basis of preparation and presentation

These unaudited interim financial statements have been prepared in accordance with IFRS and in accordance with International Accounting Standard ("IAS") 34 - Interim Financial Reporting, as issued by the 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 Fund's investment strategy.

The Fund 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 Fund 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 Fund 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 Fund's outstanding redeemable units, which are puttable instruments, are entitled to a contractual obligation of annual distribution of any net income and net realized capital gains by the Fund. This annual distribution can be in cash at the option of the unitholders, and therefore the ongoing redemption feature is not the redeemable units' only contractual obligation. Also, the Fund has issued multiple series of

# BMO Preferred Share Fund

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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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redeemable units, which are equally subordinated but are not identical and consequently, do not meet the conditions to be classified as equity. As a result, the Fund's obligations for net assets attributable to holders of redeemable units ("Net Assets") are classified as financial liabilities and presented at the redemption amounts.

### 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.

Mutual fund units held as investments are valued at their respective Net Asset Value ("NAV") on each Valuation Date (the "Valuation Date" is each day on which the Toronto Stock Exchange is open for trading), as these values are the most readily and regularly available.

The Fund 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 Fund is recorded as the difference between the fair value of the contract on the Valuation Date and the fair value on the date the contract originated.

For the Series A (Hedged) Units, Advisor Series (Hedged) Units and Series F (Hedged) Units (the "Hedged Series"), the Fund enters into forward currency contracts to hedge against foreign currency exposure and as a result the Hedged Series will be subject to less currency risk than the other series of the Fund 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 Series.

The Fund 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 Fund, 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 are 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 Fund will realize a loss equal to the premium paid. When a purchased option is closed, the gain or loss the Fund 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 Fund will realize a gain equal to the premium received. When a written option is closed, the Fund will realize a gain or loss

# BMO Preferred Share Fund

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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 will be subtracted from the cost of the underlying investments the Fund had to purchase.

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

Futures contracts are financial agreements to purchase or sell a financial instrument at a contracted price on a specified future date. Futures contracts are valued at the gain or loss that would arise as a result of closing the position at the Valuation date. Changes in this value on each Valuation Date is recorded as “Derivative income (loss)” in the Statement of Comprehensive Income. Treasury bills or cash are held as margin against futures contracts.

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 Fund, 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 Fund 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 Fund 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 Fund, 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 Fund 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.

Interest rate swap contracts are agreements between two parties to exchange periodic interest payments based on a notional principal amount. The net periodic payments received or paid from interest rate swap contracts are recorded as “Derivative income (loss)” in the Statement of Comprehensive Income. Payments received or paid when the Fund enters into the contract are recorded as a liability or asset in the Statement of Financial Position. When the contract is terminated or expires, the payments received or paid are recorded as “Net realized gain (loss)” in the Statement of Comprehensive Income. Payments received or paid upon early termination are recorded as “Net realized gain (loss)” in the Statement of Comprehensive Income.

Interest rate swap agreements are valued based upon quotations from independent sources. The change in value is included in “Change in unrealized appreciation (depreciation)” in the Statement of Comprehensive Income.

The Fund enters into interest rate swap agreements to manage the exposure to interest rates.

Unlisted warrants, if any, are valued based on a pricing model which considers factors such as the market value of the underlying security, strike price and terms of the warrant.

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.

# BMO Preferred Share Fund

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## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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The Fund enters into To-Be-Announced securities ("TBA") to gain exposure to the underlying mortgage-backed securities ("MBS"), and may or may not take delivery at maturity. TBA securities are typically sold one to three months in advance of issuance, prior to the identification of the underlying pools of mortgage securities but with the interest payment provisions fixed in advance. The underlying pools of mortgage securities are identified shortly before settlement and must meet certain parameters. As such, the TBA securities do not have a known maturity date as of year-end. Losses may arise due to changes in the value of the underlying securities, failure of the counterparty to perform under the contract, or if the issuer fails to issue the MBS due to political, economic or other factors. TBA securities are fair valued based upon quotations from independent security pricing sources. Any gain or loss from selling the TBA security before the underlying MBS is delivered is recorded as "Net realized gain (loss)" and any unrealized gain or loss from changes in the fair value of the TBA security held is recorded as "Change in unrealized appreciation (depreciation)" in the Statement of Comprehensive Income.

The Fund may enter into investment loan commitments, of which all or a portion may be unfunded as of the reporting date. Unfunded loan commitments are contractual obligations for funding, which the Fund may be obligated to make to the borrower on demand. The funded portion of the loan commitment is shown on the Schedule of Investment Portfolio. Additional information on the Fund's unfunded loan commitments, where applicable, is provided in Note 8.

### **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 receivables for investments sold, subscriptions receivable, interest receivable, dividend receivable, distribution receivable from investment trusts, payable for investments purchased, 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 Fund 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 Fund is an investment entity and as such, it accounts for subsidiaries, if any, at fair value. Joint ventures are investments where the Fund exercises joint control through an agreement with other shareholders, and associates are investments in which the Fund exerts significant influence over operating, investing, and financing decisions (such as entities in which the Fund 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 Fund 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 Fund. Similarly, investments in securitizations, asset-backed securities and mortgage-backed securities are determined to be interests in unconsolidated structured entities.

The Fund 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.

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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-backed securities are created from many types of assets, including auto loans, credit card receivables, home equity loans and student loans.

The Fund 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 Fund'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 in 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 Fund 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 Fund 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 Fund 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.

### Foreign currency translation

The fair value of investments and other assets and liabilities in foreign currencies are translated into the Fund'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

A Fund 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 loaned by the Fund cannot exceed 50% of the NAV of the Fund. The Fund will receive collateral of at least 102% of the value of 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 Fund's custodian, to the Fund for any defaults by borrowers.

For those Funds participating in the program, aggregate values of securities on loan, the collateral held as at March 31, 2023 and September 30, 2022 and information about the security lending income earned by the Fund 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.

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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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### Short-term trading penalty

To discourage excessive trading, the Fund may, at the Manager's sole discretion, charge a short-term trading penalty. This penalty is paid directly to the Fund and is included in "Short-term penalty fees" in the Statement of Comprehensive Income.

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

### Taxation

The Fund qualifies as a unit 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 Fund will not be subject to income tax. As a result, the Manager has determined that the Fund 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 Fund may incur withholding taxes imposed by certain countries on investment income and capital gains. Such income and capital gains are recorded on a gross basis with the related withholding taxes shown as a separate expense in the Statement of Comprehensive Income.

The allocation of the distributions from each of income, dividends, capital gains and return of capital is based on the Manager's estimate as at March 31 of the period shown, as applicable, which is the Fund's interim period end. However, the actual allocation of distributions is determined as at December, the Fund's tax year-end. Accordingly, the actual allocation among income, dividends, capital gains and return of capital may differ from these estimates.

### Fund mergers

The Manager used the purchase method of accounting for fund mergers. Under the purchase method of accounting, one of the Funds in each merger is

identified as the acquiring fund, and is referred to as the "Continuing Fund", and the other Fund involved in the merger is referred to as the "Terminated Fund". In determining the acquirer, the Manager considered factors such as the comparison of the relative NAV of the funds as well as consideration of the continuation of certain aspects of the Continuing Fund such as: investment advisors, investment objectives and practices, type of portfolio securities and management fees and other expenses. Where applicable, refer to Note 8 for the details of any fund merger transactions.

### 4. Critical accounting judgements and estimates

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

#### Accounting judgements:

##### Functional and presentation currency

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

##### Classification and measurement of investment portfolio

In classifying and measuring financial instruments held by the Fund, the Manager is required to make an assessment of the Fund'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 Fund'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



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provides the most appropriate measurement and presentation of the Fund'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 Fund's assets and liabilities are believed to be appropriate as at the reporting date.

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

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

The redeemable units of the Fund 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 Fund's NAV. The Fund is required to pay distributions in an amount not less than the amount necessary to ensure the Fund will not be liable for income taxes on realized capital gains, dividends and interest. The Fund 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 Fund 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.

Redeemable units of the Fund are offered for sale on a continuous basis and may be purchased or redeemed on any Valuation Date at the NAV per unit of a particular series. The NAV per unit of a series for the purposes of subscription or redemption is computed by dividing the NAV of the Fund attributable to the series

(that is, the total fair value of the assets attributable to the series less the liabilities attributable to the series) by the total number of units of the series of the Fund outstanding at such time on each Valuation Date, in accordance with Part 14 of 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 to the Funds' NAV. Where the Fund's NAV is not equal to its Net Assets, a reconciliation is shown in Note 8.

Expenses directly attributable to a series are charged to that series. Other expenses, income, realized and unrealized gains and losses from investment transactions are allocated proportionately to each series based upon the relative NAV of each series. The gain (loss) of certain forwards in Funds with Hedged Series is allocated only to the hedged series.

### **ETF Series Units**

On any trading day, a designated broker or an ETF dealer may place a subscription or redemption order for an integral multiple of the prescribed number ETF Series Units of the Fund as permitted by the Manager.

If the subscription or redemption order is accepted, the Fund will issue or redeem ETF Series Units to/from the designated broker or the ETF dealer by no later than the third trading day after the date on which the subscription or redemption order is accepted, in the case of a fund that invests a portion of its portfolio assets in T+3 securities; by no later than the second trading date after the date on which the subscription or redemption order is accepted, in the case of a fund that does not invest a portion of its portfolio assets in T+3 securities or a shorter period as may be determined by the Manager in response to changes in applicable law or general changes to settlement procedures in applicable markets.

For each prescribed number of ETF Series Units issued or redeemed, a designated broker or an ETF dealer 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 ETF Series Units subscribed/redeemed;
- Cash in the amount equal to the NAV of the ETF Series Units subscribed/redeemed; or

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• A combination of securities and cash, as determined by the Manager, in an amount sufficient so that the value of the securities and cash received is equal to the NAV of the ETF Series Units subscribed/redeemed.

On any trading day, unitholders may redeem ETF Series Units for cash or exchange ETF Series Units for baskets of securities and cash. ETF Series Units redeemed for cash will be redeemed at a redemption price per ETF Series Unit equal to the lesser of (i) 95% of the closing price for the ETF Series Units on the TSX on the effective day of the redemption; and (ii) the NAV per unit of the ETF Series Units on the effective day of the redemption. ETF Series Units exchanged for baskets of securities will be exchanged at a price equal to the NAV of the ETF Series Units on the effective day of the exchange request, payable by delivery of baskets of securities and cash.

Unitholders that redeem ETF Series Units prior to the distribution record date will not be entitled to receive the distribution.

### 6. Related party transactions

#### (a) Management fees

The Manager is responsible for the day-to-day management of the Fund and its investment portfolio in compliance with the Fund's constating documents. The Manager provides key management personnel to the Fund, monitors and evaluates the performance of the Fund, pays for the investment management services of the investment advisors and provides all related administrative services required by the Fund.

The management fees for the ETF Series includes costs related to the administration expenses and other operating expenses, other than the fund expenses.

As compensation for its services, the Manager is entitled to receive a fee payable monthly, calculated daily at the maximum annual rates included in Note 8.

#### (b) Fixed administration fees

The Manager pays certain operating expenses of each Fund except for BMO Ascent Income Portfolio, BMO Ascent Conservative Portfolio, BMO Ascent Balanced Portfolio, BMO Ascent Growth Portfolio, BMO Ascent Equity Growth Portfolio, BMO FundSelect Balanced Portfolio (Series NBA only), BMO FundSelect Growth Portfolio (Series NBA only), BMO FundSelect Equity Growth Portfolio (Series NBA only), BMO Covered Call Canadian Banks ETF Fund, BMO Covered Call U.S. High Dividend ETF Fund, BMO Covered Call

Europe High Dividend ETF Fund, BMO Sustainable Opportunities Global Equity Fund, BMO Tactical Global Asset Allocation ETF Fund, BMO Tactical Global Growth ETF Fund, BMO Women in Leadership Fund, BMO International Value Fund, BMO Japan Fund, BMO Covered Call Canada High Dividend ETF Fund, BMO Concentrated Global Equity Fund, BMO Crossover Bond Fund, BMO Global Multi-Sector Bond Fund, BMO U.S. Small Cap Fund, BMO Multi-Factor Equity Fund, BMO SIA Focused Canadian Equity Fund, BMO SIA Focused North American Equity Fund, BMO Concentrated U.S. Equity Fund and BMO Low Volatility Canadian Equity ETF Fund (the "Variable Operating Expense Series"), including audit and legal fees and expenses; custodian and transfer agency fees; costs attributable to the issue, redemption and change of securities, including the cost of the securityholder record keeping system; expenses incurred in respect of preparing and distributing prospectuses, financial reports and other types of reports, statements and communications to securityholders; fund accounting and valuation costs; filing fees, including those incurred by the Manager (collectively the "Administration Expenses"). In return, the Fund pays a fixed administration fee to the Manager. The fixed administration fee is calculated daily as a fixed annual percentage of the NAV of the Fund. Refer to Note 8 for the fixed administration fee rates charged to the Fund, where applicable.

#### (c) Fund expenses

The Fund also pays certain operating expenses directly ("Fund Expenses"), including expenses incurred in respect of preparing and distributing fund facts; interest or other borrowing expenses; all reasonable costs and expenses incurred in relation to compliance with NI 81-107, including compensation and expenses payable to Independent Review Committee ("IRC") members and any independent counsel or other advisors employed by the IRC, the costs of the orientation and continuing education of IRC members and the costs and expenses associated with IRC meetings; taxes of all kinds to which the Fund is or might be subject; and costs associated with compliance with any new governmental or regulatory requirement introduced after December 1, 2007.

The Manager may, in some years and in certain cases, absorb a portion of management fees, fixed administration fees or certain specified expenses of the

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Fund or series of the Fund. The decision to absorb these expenses is reviewed periodically and determined at the discretion of the Manager, without notice to unitholders.

### **(d) Variable administration fees**

The Variable Operating Expense Series pay all of its expenses directly. These operating expenses include Administration Expenses and Fund Expenses.

### **(e) Commissions and other portfolio transaction costs**

The Fund may execute trades with and through BMO Nesbitt Burns Inc., an affiliate of the Manager, based on established standard brokerage agreements at market prices. These fees are included in "Commissions and other portfolio transaction costs" in the Statement of Comprehensive Income. Refer to Note 8 for related party fees charged to the Fund during the period(s) ended March 31, 2023 and March 31, 2022, where applicable.

### **(f) Initial investments**

In order to establish a new Fund, the Manager, makes an initial investment in the Fund. Pursuant to the policies of the Canadian Securities Administrators, an initial investor cannot redeem its investments until an additional \$500 has been received from other investors with respect to the same class of units. Refer to Note 8 for the investment in units of the Fund held by the Manager as at March 31, 2023 and September 30, 2022, where applicable.

### **(g) Other related party transactions**

From time to time, the Manager may on behalf of the Fund, 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 Fund. These transactions or arrangements may include transactions or arrangements with or involving subsidiaries and affiliates of Bank of Montreal, BMO Investments Inc., BMO Nesbitt Burns Inc., BMO Asset Management Corp., BMO Private Investment Counsel Inc., BMO Asset Management Inc., BMO InvestorLine Inc., Pyrford International Limited, LGM Investments Limited, BMO Trust Company, BMO Asset Management Limited, BMO Global Asset Management (Asia) Limited, Taplin, Canida & Habacht LLC, BMO Capital Markets Corp., 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, the purchase or redemption of units or shares of other Bank of Montreal investment funds or the provision of services to the Manager.

On November 8, 2021, BMO Financial Group announced that it had completed the previously announced sale of the entities that represent its EMEA asset management business to Ameriprise Financial, Inc. As a result of the closing of this transaction, Columbia Threadneedle Management Limited (formerly BMO Asset Management Limited), BMO Global Asset Management (Asia) Limited, LGM Investments Limited and Pyrford International Limited are no longer subsidiaries or affiliates of Bank of Montreal or related or connected to the Manager.

On November 15, 2021, the Manager transferred to Columbia Management Investment Advisers, LLC, Ameriprise Financial's U.S. asset management business, the investment advisory mandates for certain BMO Mutual Funds or portions thereof sub-advised by Taplin, Canida & Habacht, LLC. On December 16, 2021, the Manager transferred to Columbia Management Investment Advisers, LLC the investment advisory mandates for certain BMO Mutual Funds or portions thereof sub-advised by BMO Asset Management Corp.

## **7. Financial instruments risks**

The Fund'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 Fund's risk management practice outlines the monitoring of compliance to investment guidelines.

The Manager manages the potential effects of these financial risks on the Fund's performance by employing and overseeing professional and experienced portfolio managers that regularly monitor the Fund's positions, market events, and diversify investment portfolios within the constraints of the investment guidelines.

Where the Fund invests in other investment fund(s), it may be indirectly exposed to the financial risks of the underlying fund(s), depending on the investment objectives and the type of securities held by the

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(unaudited)

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## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

*March 31, 2023*

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underlying fund(s). The decision to buy or sell an underlying fund is based on the investment guidelines and positions, rather than the exposure of the underlying fund(s).

### **(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 Fund, 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 Fund's functional currency in determining fair value. The Fund may enter into forward currency contracts for hedging purposes to reduce foreign currency exposure or to establish exposure to foreign currencies. 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 Fund'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 Fund's interest bearing investments will fluctuate due to changes in market interest rates. The Fund'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 Fund'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. Other assets and liabilities are monetary items that are short-term in nature, as such they are not subject to other market risk. The Fund'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 consideration of the credit worthiness of the debt issuer. Credit risk exposure for over-the-counter derivative instruments is based on the Fund'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 Fund's exposure to credit risk, if any, is further discussed in Note 8.

The Fund 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 Fund must be at least 102% of the fair value of securities loaned, as disclosed in Note 8, where applicable.

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

The Fund's exposure to liquidity risk is concentrated in the daily cash redemptions of units, and other liabilities. The Fund primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Fund retains sufficient cash positions to maintain liquidity. The Fund 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 a 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 Fund 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 Fund's financial obligations.

# BMO Preferred Share Fund

(unaudited)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

March 31, 2023

## 8. Fund specific information

### (a) Fund and Series information and change in units

The Fund is authorized to issue an unlimited number of units in each of Series A Units, Advisor Series Units, Series F Units, Series D Units, Series I Units and BMO Private Preferred Share Fund Series O Units ("Series O Units"), which are redeemable at the unitholders' option.

| Series               | Inception Date     |
|----------------------|--------------------|
| Series A Units       | August 7, 2013     |
| Advisor Series Units | August 7, 2013     |
| Series F Units       | August 7, 2013     |
| Series D Units       | April 7, 2014      |
| Series I Units       | August 7, 2013     |
| Series O Units       | September 20, 2013 |

Series A Units are offered on a no-load basis and are available to all investors.

Advisor Series Units are available to all investors through registered dealers.

Series F Units are available for purchase by investors who are enrolled in dealer-sponsored wrap programs or flat fee accounts. Instead of paying a commission on each transaction, these investors pay an annual fee to the Manager based on the value of their assets.

Series D Units are available to investors who have an account with a discount brokerage. A reduced trailing commission is paid to discount brokerages in respect to Series D Units which means a lower management fee can be charged. On March 28, 2022, 100.00% of the total NAV of the Series D Units were switched to the Series F Units and as a result the Series D Units were terminated.

Series I Units are available only to institutional investors and other investment funds as determined by the Manager from time to time and on a case-by-case basis, and who have entered into an agreement with the Manager. No management fees and fixed administration fees are charged to the Fund in respect of the Series I Units as each investor or dealer negotiates a separate fee with the Manager.

Series O Units are available to investors who have entered into an investment management agreement with BMO Private Investment Counsel Inc. or have entered into an investment agreement with BMO Nesbitt Burns Inc. and have received the Manager's

consent. There are no sales charges applicable on a purchase of Series O Units. Investors pay a wealth management fee directly to BMO Trust Company and to BMO Private Investment Counsel Inc. or directly to BMO Nesbitt Burns Inc., as applicable. A fund may not pay a management fee on Series O Units because Series O investors pay a separate fee directly to the dealer, a portion of which may be paid to the Manager by the dealer. The Series O fee is set by the dealer.

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

| For the periods ended<br>(in thousands of units)     | Mar. 31,<br>2023 | Mar. 31,<br>2022 |
|--|------------------|------------------|
| <b>Series A Units</b>                                |                  |                  |
| Units issued and outstanding,<br>beginning of period | 471              | 552              |
| Issued   | 16               | 91               |
| Issued on reinvestment of distributions              | 8                | 6                |
| Redeemed during the period                           | (62)             | (131)            |
| Units issued and outstanding,<br>end of period       | 433              | 518              |
| <b>Advisor Series Units</b>                          |                  |                  |
| Units issued and outstanding,<br>beginning of period | 343              | 387              |
| Issued   | 5                | 35               |
| Issued on reinvestment of distributions              | 6                | 4                |
| Redeemed during the period                           | (68)             | (18)             |
| Units issued and outstanding,<br>end of period       | 286              | 408              |
| <b>Series F Units</b>                                |                  |                  |
| Units issued and outstanding,<br>beginning of period | 496              | 720              |
| Issued   | 35               | 191              |
| Issued on reinvestment of distributions              | 6                | 6                |
| Redeemed during the period                           | (133)            | (141)            |
| Units issued and outstanding,<br>end of period       | 404              | 776              |

# BMO Preferred Share Fund

(unaudited)

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

March 31, 2023

| For the periods ended<br>(in thousands of units)     | Mar. 31,<br>2023 | Mar. 31,<br>2022 |
|--|------------------|------------------|
| <b>Series D Units</b>                                |                  |                  |
| Units issued and outstanding,<br>beginning of period | —                | 42               |
| Issued   | —                | 1                |
| Issued on reinvestment of distributions              | —                | 1                |
| Redeemed during the period                           | —                | (44)             |
| Units issued and outstanding,<br>end of period       | —                | —                |

|  |   |   |
|--|---|---|
| <b>Series I Units</b>                                |   |   |
| Units issued and outstanding,<br>beginning of period | 0 | 0 |
| Issued on reinvestment of distributions              | 0 | 0 |
| Units issued and outstanding,<br>end of period       | 0 | 0 |

|  |         |         |
|--|---------|---------|
| <b>Series O Units</b>                                |         |         |
| Units issued and outstanding,<br>beginning of period | 71,577  | 71,907  |
| Issued   | 6,255   | 4,516   |
| Issued on reinvestment of distributions              | 1,829   | 1,402   |
| Redeemed during the period                           | (9,972) | (5,375) |
| Units issued and outstanding,<br>end of period       | 69,689  | 72,450  |

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

As at March 31, 2023 and September 30, 2022, there were no differences between the Fund'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 is calculated as follows:

| For the periods ended   | Mar. 31,<br>2023 | Mar. 31,<br>2022 |
|---|------------------|------------------|
| <b>Series A Units</b>   |                  |                  |
| Decrease in net assets attributable to holders<br>of redeemable units           | (85)             | (98)             |
| Weighted average units outstanding during<br>the period (in thousands of units) | 449              | 547              |
| Decrease in net assets attributable to holders<br>of redeemable units per unit  | (0.19)           | (0.18)           |

|   |        |        |
|---|--------|--------|
| <b>Advisor Series Units</b>   |        |        |
| Decrease in net assets attributable to holders<br>of redeemable units           | (54)   | (69)   |
| Weighted average units outstanding during<br>the period (in thousands of units) | 323    | 389    |
| Decrease in net assets attributable to holders<br>of redeemable units per unit  | (0.17) | (0.18) |

|   |        |        |
|---|--------|--------|
| <b>Series F Units</b>   |        |        |
| Decrease in net assets attributable to holders<br>of redeemable units           | (51)   | (118)  |
| Weighted average units outstanding during<br>the period (in thousands of units) | 468    | 765    |
| Decrease in net assets attributable to holders<br>of redeemable units per unit  | (0.11) | (0.15) |

|   |   |        |
|---|---|--------|
| <b>Series D Units</b>   |   |        |
| Decrease in net assets attributable to holders<br>of redeemable units           | — | (7)    |
| Weighted average units outstanding during<br>the period (in thousands of units) | — | 40     |
| Decrease in net assets attributable to holders<br>of redeemable units per unit  | — | (0.18) |

|   |        |        |
|---|--------|--------|
| <b>Series I Units</b>   |        |        |
| Decrease in net assets attributable to holders<br>of redeemable units           | (0)    | (0)    |
| Weighted average units outstanding during<br>the period (in thousands of units) | 0      | 0      |
| Decrease in net assets attributable to holders<br>of redeemable units per unit  | (0.12) | (0.09) |

# BMO Preferred Share Fund

(unaudited)

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

March 31, 2023

| For the periods ended  | Mar. 31,<br>2023 | Mar. 31,<br>2022 |
|--|------------------|------------------|
| <b>Series O Units</b>  |                  |                  |
| Decrease in net assets attributable to holders of redeemable units           | (9,557)          | (7,308)          |
| Weighted average units outstanding during the period (in thousands of units) | 69,567           | 72,158           |
| Decrease in net assets attributable to holders of redeemable units per unit  | (0.14)           | (0.10)           |

### (d) Income taxes

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

| Total<br>Capital<br>Losses<br>(\$) | Total<br>Non-Capital<br>Losses<br>(\$) | Non-Capital Losses<br>That Expire in |              | 2030<br>and<br>thereafter<br>(\$) |
|------------------------------------|--|--------------------------------------|--------------|-----------------------------------|
|                                    |  | 2028<br>(\$)                         | 2029<br>(\$) |                                   |
| 169,572                            | —                                      | —                                    | —            | —                                 |

### (e) Related party transactions

#### Management fees and administration fees

The Manager is entitled to receive the following fees payable monthly, calculated at the following maximum annual rates:

| Series               | Management<br>Fees<br>(%) | Fixed<br>Administration<br>Fees (%) |
|----------------------|---------------------------|-------------------------------------|
| Series A Units       | 1.550                     | 0.200                               |
| Advisor Series Units | 1.550                     | 0.200                               |
| Series F Units       | 0.600                     | 0.200                               |
| Series D Units       | 0.850                     | 0.200                               |
| Series I Units       | *                         | *                                   |
| Series O Units       | 0.025                     | 0.200                               |

\* Negotiated and paid by each Series I investor directly to the Manager.

The outstanding accrued management fees due to the Manager are included in “Accrued expenses” in the Statement of Financial Position and as at March 31, 2023 amounted to \$15 (September 30, 2022 — \$1).

The outstanding accrued fixed administration fees due to the Manager are included in “Accrued expenses” in the Statement of Financial Position and as at March 31, 2023 amounted to \$93 (September 30, 2022 — \$9).

### Expenses

The Manager pays the administration and operating expenses of the Series I Units.

### Brokerage commissions and soft dollars

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

| For the periods ended                           | Mar. 31, 2023<br>(\$) | Mar. 31, 2022<br>(\$) |
|---|-----------------------|-----------------------|
| Total brokerage amounts paid                    | 44                    | 112                   |
| Total brokerage amounts paid to related parties | 12                    | 29                    |

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

### Units held by the Manager

The Manager held the following units of the Fund:

#### As at Mar. 31, 2023

| Series         | Number of<br>Units | Value of<br>Units (\$) |
|----------------|--------------------|------------------------|
| Series I Units | 23                 | 0                      |
| Series O Units | 15                 | 0                      |

#### As at Sep. 30, 2022

| Series         | Number of<br>Units | Value of<br>Units (\$) |
|----------------|--------------------|------------------------|
| Series I Units | 22                 | 0                      |
| Series O Units | 15                 | 0                      |

### (f) Financial instruments risks

The Fund's objective is to generate steady income and achieve capital preservation and appreciation by investing primarily in preferred shares of Canadian companies and other types of securities that are expected to distribute income.

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

# BMO Preferred Share Fund

(unaudited)

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

March 31, 2023

### Currency risk

As at March 31, 2023 and September 30, 2022, the Fund did not have significant direct exposure to currency risk as it invested primarily in Canadian denominated securities. The Fund may have been indirectly exposed to currency risk, to the extent that the underlying fund invested in financial instruments that were denominated in a currency other than the functional currency of the Fund.

### Interest rate risk

As at March 31, 2023 and September 30, 2022, the Fund may have been indirectly exposed to interest rate risk, to the extent that the underlying fund invested in interest-bearing financial instruments.

The Fund was also exposed to insignificant interest rate risk from its investment in debt securities.

### Other market risk

The Fund has significant exposure to other market risk arising from its investments. Using historical correlation between the Fund's return and the return of its benchmark, if the benchmark, S&P/TSX Preferred Share Index, had increased or decreased by 10%, with all other variables held constant, the Net Assets of the Fund would have increased or decreased, respectively, by \$48,516 (September 30, 2022 — \$52,750). Historical correlation may not be representative of future correlation, and accordingly, actual results may differ and the difference could be material.

### Credit risk

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

| Credit Rating | As a % of Net Assets as at |               |
|---------------|----------------------------|---------------|
|               | Mar. 31, 2023              | Sep. 30, 2022 |
| R-1 High      | 2.9                        | 3.4           |
| R-1 Mid       | 1.0                        | —             |
| P1 Low        | 14.6                       | 13.3          |
| P2 High       | 2.2                        | 2.0           |
| P2            | 23.0                       | 24.0          |
| P2 Low        | 28.1                       | 27.4          |
| P3 High       | 16.6                       | 16.1          |
| P3            | 6.0                        | 7.1           |
| P3 Low        | 2.0                        | 2.5           |
| BBB           | —                          | 0.5           |
| <b>Total</b>  | <b>96.4</b>                | <b>96.3</b>   |

As at March 31, 2023 and September 30, 2022, the Fund may have been indirectly exposed to credit risk, to the extent that the underlying fund invested in debt instruments, preferred securities and derivatives.

### Securities lending

The Fund had assets involved in securities lending transactions outstanding as at March 31, 2023 and September 30, 2022 as follows:

|               | Aggregate Value of Securities on Loan (\$) | Aggregate Value of Collateral Received for the Loan (\$) |
|---------------|--|--|
| Mar. 31, 2023 | 14,228                                     | 15,715   |
| Sep. 30, 2022 | 17,319                                     | 19,233   |

The table below is a reconciliation of the gross amount generated from securities lending transactions to the security lending revenue for the periods ended March 31, 2023 and March 31, 2022:

| For the periods ended                | Mar. 31, 2023 |                                       | Mar. 31, 2022 |                                       |
|--------------------------------------|---------------|---------------------------------------|---------------|---------------------------------------|
|                                      | Amount        | % of Gross Securities Lending Revenue | Amount        | % of Gross Securities Lending Revenue |
| Gross securities lending revenue     | 48            | 100.0                                 | 24            | 100.0                                 |
| Withholding taxes                    | —             | —                                     | —             | —                                     |
|                                      | 48            | 100.0                                 | 24            | 100.0                                 |
| Payment to securities lending agents | 12            | 25.0                                  | 6             | 24.8                                  |
| Net securities lending revenue       | 36            | 75.0                                  | 18            | 75.2                                  |

### Concentration risk

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

| As at                                  | Mar. 31, 2023 | Sep. 30, 2022 |
|--|---------------|---------------|
| <b>Money Market Investments</b>        |               |               |
| Federal                                | 2.9%          | 3.4%          |
| Provincial                             | 1.0%          | —%            |
| <b>Canadian Bonds &amp; Debentures</b> |               |               |
| Corporate Bonds & Debentures           | —%            | 0.5%          |



# BMO Preferred Share Fund

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## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

March 31, 2023

| As at                                | Mar. 31,<br>2023 | Sep. 30,<br>2022 |
|--------------------------------------|------------------|------------------|
| <b>Preferred Shares</b>              |                  |                  |
| Fixed/Floaters Preferreds            | 72.2%            | 72.3%            |
| Floating Perpetual Preferreds        | 0.1%             | 0.1%             |
| Straight Preferreds                  | 20.2%            | 20.0%            |
| <b>Holdings in Investment Funds</b>  |                  |                  |
| Preferred Share Fixed Income Funds   | 2.6%             | 2.7%             |
| <b>Other Assets Less Liabilities</b> | 1.0%             | 1.0%             |
|                                      | <b>100.0%</b>    | <b>100.0%</b>    |

### (g) Fair value hierarchy

The Fund 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 Mar. 31, 2023

| Financial assets     | Level 1        | Level 2      | Level 3  | Total          |
|----------------------|----------------|--------------|----------|----------------|
| Debt Securities      | 14,149         | 4,990        | —        | 19,139         |
| Preferred Securities | 451,597        | —            | —        | 451,597        |
| Investment Funds     | 12,802         | —            | —        | 12,802         |
| <b>Total</b>         | <b>478,548</b> | <b>4,990</b> | <b>—</b> | <b>483,538</b> |

#### As at Sep. 30, 2022

| Financial assets     | Level 1        | Level 2  | Level 3  | Total          |
|----------------------|----------------|----------|----------|----------------|
| Debt Securities      | 20,338         | —        | —        | 20,338         |
| Preferred Securities | 486,164        | —        | —        | 486,164        |
| Investment Funds     | 13,960         | —        | —        | 13,960         |
| <b>Total</b>         | <b>520,462</b> | <b>—</b> | <b>—</b> | <b>520,462</b> |

### Transfers between levels

There were no transfers between the levels during the periods.

### (h) Unconsolidated structured entities

Information on the carrying amount and the size of the investments in structured entities are shown in the following tables:

| As at Mar. 31, 2023                    | Carrying amount (\$) | Carrying amount as a % of the underlying fund's Net Assets |
|--|----------------------|--|
| <b>Securities</b>                      |                      |  |
| BMO Laddered Preferred Share Index ETF | 12,802               | 0.8  |
| <b>Total</b>                           | <b>12,802</b>        |  |

| As at Sep. 30, 2022                    | Carrying amount (\$) | Carrying amount as a % of the underlying fund's Net Assets |
|--|----------------------|--|
| <b>Securities</b>                      |                      |  |
| BMO Laddered Preferred Share Index ETF | 13,960               | 0.8  |
| <b>Total</b>                           | <b>13,960</b>        |  |

**BMO Investments Inc.**

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If you have any questions, please give us a call as follows:

- If you purchased BMO Mutual Funds through a BMO Bank of Montreal branch or BMO Online Banking, please call 1-800-665-7700.
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