

BMO Preferred Share Fund (the “Fund”)

For the six-month period ended March 31, 2023 (the “Period”)

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

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

2023 Semi-Annual Management Report of Fund Performance

This semi-annual management report of fund performance contains financial highlights but does not contain the complete semi-annual or annual financial statements of the Fund. If the semi-annual financial statements of the Fund do not accompany the mailing of this report, you may obtain a copy of the semi-annual or annual financial statements at your request, and at no cost, by calling 1-800-665-7700 and 1-800-668-7327, by writing to us at BMO Investments Inc., First Canadian Place, 100 King Street West, 43rd Floor, Toronto, Ontario, M5X 1A1 or by visiting our website at www.bmo.com/gam/ca/advisor/legal-and-regulatory or SEDAR at www.sedar.com. You may also contact us using one of these methods to request a copy of the Fund’s proxy voting policies and procedures, proxy voting disclosure record and/or quarterly portfolio disclosure.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Results of Operations

During the Period, the Fund’s total net asset value changed from approximately \$526 million to approximately \$488 million. Series A units of the Fund returned -2.53%. Please see the *Past Performance* section for information on the performance returns of the Fund’s other series.

Over the Period, the S&P/TSX Preferred Share Index declined -1.0%, underperforming the S&P/TSX Composite Total Return Index. Preferred share underperformance was the result of the Bank of Canada’s (“BoC”) decision to increase interest rates by 125 basis points, bringing its key benchmark rate to 4.5%. The Government of Canada’s 5-year bond yield, which is a key driver for the preferred shares market, dropped slightly to end the Period at 3.0%. Canada’s 2-to-10-year yield curve ended at -0.84%.

The Fund’s stock selection in the Energy and Utilities sectors contributed to performance during the Period. Individual contributors included Pembina Pipeline Corporation, Series 9, Cumulative, Fixed/Floating Rate Preferred Shares (4.302%, 1/12/2025). This position offers a 3.91% reset and is a non-index holding, which removed some of the selling pressure that has appeared in recent months. The higher reset is also more likely to be redeemed at par value, further supporting the issue. Overweight positions in Great-West Lifeco Inc. Preferred Series S (5.25%) and Power Corporation of Canada Preferred Series G (5.6%) offered attractive perpetual yields and have performed well as the BoC paused its interest-rate hikes.

The Fund’s overweight allocation to the Financials sector was the most significant detractor from performance due to the impact of higher interest rates on the sector and the speed at which they changed banking growth. The effects of the Credit Suisse Group AG takeover on additional tier-1 credit also weighed on the sector, even though the rules governing non-viable convertible capital differ by region. The Fund’s position in the Real Estate sector also detracted from performance amid concerns about the potential for higher interest rates to last longer. Holding an underweight position relative to the benchmark helped mitigate the underperformance. Individual detractors included Brookfield Office Properties Inc. Series N (4.01%) and Series R (4.30%) preferred shares. In addition to general concerns about real estate, both issues have longer resets occurring in 2026. They carry increased recessionary risks affecting the future reset pricing despite having an attractive spread (incremental yields relative to Government of Canada bonds of similar maturity). Canadian Western Bank Series 5 (4.30%) preferred shares were under pressure after being removed from the S&P/TSX Preferred Share Index at the most recent rebalance. It offered a 2.76% spread to be reset on April 30, 2023.

Increased positions included Enbridge Inc. Series B and Series N preferred shares to increase the Fund’s exposure to energy, which is below that of the benchmark. These shares offered a strong running yield above 7%.

Decreased positions included multiple banks, primarily The Toronto-Dominion Bank, Royal Bank of Canada and Canadian Imperial Bank of Commerce, to reduce the Fund’s overweight exposure to the sector and to provide the cash required for the year-end drawdown.



Mutual Funds

BMO Preferred Share Fund

Eliminated positions included Northland Power Inc. Series 3 preferred shares, as they were due to be redeemed on January 3, 2023.

For information on the Fund's performance and composition, please refer to the Past Performance section and Summary of Investment Portfolio section of this report.

Recent Developments

With inflation trending down, the BoC held interest rates steady at its last meeting. Their rationale is that prior hikes will bring inflation down to around 3% by mid-2023. The portfolio manager believes we may have seen peak interest rates in Canada as the BoC diverges from the U.S. Federal Reserve Board's ("Fed") continued tightening cycle. While a downturn or recession is widely anticipated, the timing, duration and depth are still unknown.

To position the Fund for a falling interest-rate environment, the portfolio manager will add more perpetual issues to lock in fixed yields. Resets that have short windows to renew at current levels would also be considered.

Additional tightening poses a risk to the outlook. The strong job reports in Canada continue to support the consumer and the demand for services. If the current course of inflation changes, the BoC might need to implement additional tightening. Given that the market has priced in interest rate cuts later this year, the move could prompt a large shift in market sentiment.

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

RELATED PARTY TRANSACTIONS

From time to time, the Manager may, on behalf of the Fund, enter into transactions or arrangements with or involving other members of BMO Financial Group, or certain other persons or companies that are related or connected to the Manager (each a "Related Party"). The purpose of this section is to provide a brief description of any transaction involving the Fund and a Related Party.

Manager

BMO Investments Inc., an indirect, wholly-owned subsidiary of Bank of Montreal ("BMO"), is the Manager and trustee of the Fund. The Manager is paid a management fee by the Fund as compensation for its services, which is described in the "Management Fees" section later in this document.

Portfolio Manager

The Fund's portfolio manager is BMO Asset Management Inc. ("BMOAM"), an affiliate of the Manager. BMOAM provides portfolio management services to the Fund. BMOAM receives from the Manager a management fee based on assets under management, calculated daily and payable monthly.

Administration Fee and Operating Expenses

The Fund pays a fixed administration fee to the Manager in respect of each series other than Series I. The Manager in return pays the operating expenses of these series of the Fund, other than certain specified expenses that are paid directly by the Fund ("Fund Expenses"). Fund Expenses are allocated proportionately among the relevant series. If the Fund Expenses are specific to a series, the Fund Expenses are allocated to that series. The fixed administration fee is calculated as a fixed annual percentage of the net asset value of each relevant series of the Fund. The annual fixed administration fee rate for each series of the Fund other than Series I is 0.20%. The administration fee is subject to applicable taxes. The Manager may, in certain cases, waive a portion of the administration fee that it receives from the Fund or from certain series of the Fund. Separate fees and expenses are negotiated and paid directly by each Series I investor. Further details about the fixed administration fee, Fund Expenses and/or operating expenses can be found in the Fund's most recent simplified prospectus at www.bmo.com/gam/ca/advisor/legal-and-regulatory or www.sedar.com.

Buying and Selling Securities

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

- (a) investments in securities issued by BMO, an affiliate of the Manager, or any other issuer related to the Manager;
- (b) investments in a class of securities of an issuer during the period of distribution of those securities to the public and/or the 60-day period following the distribution period where BMO Nesbitt Burns Inc., an affiliate of the Manager, or any other affiliate of the Manager acted as an underwriter in the distribution;

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- (c) trades in over-the-counter debt securities in the secondary market with BMO Nesbitt Burns Inc., or any other affiliate of the Manager, acting as principal in the Canadian debt securities market; and
- (d) trades of a security of any issuer from or to, another investment fund managed by the Manager or an affiliate of the Manager or a managed account managed by the Manager or an affiliate of the Manager.

In accordance with the IRC's standing instructions, in making a decision to cause the Fund to enter into a Related Party Transaction, the Manager and the portfolio manager of the Fund are required to comply with the Manager's written policies and procedures governing the Related Party Transaction and report periodically to the IRC, describing each instance that the Manager relied on the standing instructions and its compliance or non-compliance with the governing policies and procedures. The governing policies and procedures are designed to ensure that each Related Party Transaction (i) is made free from any influence of BMO, BMO Nesbitt Burns Inc. or an associate or affiliate of BMO and/or BMO Nesbitt Burns Inc., and without taking into account any considerations relevant to BMO, BMO Nesbitt Burns Inc. or an associate or affiliate of BMO and/or BMO Nesbitt Burns Inc.; (ii) represents the business judgment of the Manager, uninfluenced by considerations other than the best interests of the Fund; and (iii) achieves a fair and reasonable result for the Fund.

Brokerage Commissions

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

	Period ended Mar. 31, 2023 \$000	Period ended Mar. 31, 2022 \$000
Total brokerage commissions	44	112
Brokerage commissions paid to BMO Nesbitt Burns Inc.	12	29

Distribution Services

The Manager markets and distributes the Fund through BMO branches and/or (depending on the series) through registered dealers and brokers, including BMO InvestorLine Inc. and BMO Nesbitt Burns Inc., both affiliates of the Manager. The Manager pays to these affiliates a service fee called a "trailing commission" based on the average daily value of the units and/or shares that are held in investor accounts. This service fee is paid monthly or quarterly and varies by purchase option and by series. Effective on or after June 1, 2022, series of units of the Fund that pay a service fee are no longer available for purchase by investors who hold those securities in an account with BMO InvestorLine Inc.

FINANCIAL HIGHLIGHTS

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

The Fund's Net Assets per Unit ⁽¹⁾

Series A Units

	Period ended Mar. 31 2023	2022	Periods ended Sep. 30			2018
	2021	2020	2019	2018	2017	2016
Net assets, beginning of period	\$ 7.29	8.83	7.28	7.39	9.06	9.10
Increase (decrease) from operations:						
Total revenue	\$ 0.21	0.39	0.39	0.39	0.42	0.43
Total expenses ⁽²⁾	\$ -0.07	-0.16	-0.16	-0.14	-0.16	-0.18
Realized gains (losses) for the period	\$ -0.04	0.06	0.02	-0.32	-0.91	-0.01
Unrealized gains (losses) for the period	\$ -0.29	-1.59	1.42	0.18	-0.91	-0.04
Total increase (decrease) from operations ⁽³⁾	\$ -0.19	-1.30	1.67	0.11	-1.56	0.20
Distributions:						
From net investment income (excluding dividends)	\$ —	—	—	—	—	—
From dividends	\$ 0.13	0.20	0.17	0.26	0.28	0.25
From capital gains	\$ —	—	—	—	—	—
Return of capital	\$ 0.00	0.00	0.00	0.00	0.00	0.00
Total Annual Distributions ⁽⁴⁾	\$ 0.13	0.20	0.17	0.26	0.28	0.25
Net assets, end of period	\$ 6.98	7.29	8.83	7.28	7.39	9.06

BMO Preferred Share Fund

Advisor Series Units

	Period ended		Periods ended Sep. 30			
	Mar. 31	2022	2021	2020	2019	2018
	2023					
Net assets, beginning of period	\$ 7.39	8.94	7.37	7.49	9.18	9.22
Increase (decrease)						
from operations:						
Total revenue	\$ 0.21	0.40	0.39	0.39	0.42	0.43
Total expenses ⁽²⁾	\$ -0.07	-0.16	-0.16	-0.14	-0.16	-0.18
Realized gains (losses)						
for the period	\$ -0.04	0.06	0.02	-0.29	-0.97	-0.01
Unrealized gains (losses)						
for the period	\$ -0.27	-1.63	1.31	0.11	-0.73	-0.02
Total increase (decrease)						
from operations ⁽³⁾	\$ -0.17	-1.33	1.56	0.07	-1.44	0.22
Distributions:						
From net investment income						
(excluding dividends)	\$ —	—	—	—	—	—
From dividends	\$ 0.14	0.20	0.17	0.27	0.28	0.26
From capital gains	\$ —	—	—	—	—	—
Return of capital	\$ 0.00	0.00	0.00	0.00	0.00	0.00
Total Annual Distributions ⁽⁴⁾	\$ 0.14	0.20	0.17	0.27	0.28	0.26
Net assets, end of period	\$ 7.06	7.39	8.94	7.37	7.49	9.18

Series F Units

	Period ended		Periods ended Sep. 30			
	Mar. 31	2022	2021	2020	2019	2018
	2023					
Net assets, beginning of period	\$ 7.32	8.90	7.36	7.48	9.19	9.31
Increase (decrease)						
from operations:						
Total revenue	\$ 0.21	0.39	0.38	0.39	0.42	0.44
Total expenses ⁽²⁾	\$ -0.03	-0.08	-0.08	-0.07	-0.08	-0.09
Realized gains (losses)						
for the period	\$ -0.04	0.06	0.02	-0.31	-0.91	-0.01
Unrealized gains (losses)						
for the period	\$ -0.25	-1.60	0.92	-0.09	-1.00	0.18
Total increase (decrease)						
from operations ⁽³⁾	\$ -0.11	-1.23	1.24	-0.08	-1.57	0.52
Distributions:						
From net investment income						
(excluding dividends)	\$ —	—	—	—	—	—
From dividends	\$ 0.18	0.32	0.27	0.34	0.38	0.44
From capital gains	\$ —	—	—	—	—	—
Return of capital	\$ 0.00	0.00	0.00	0.00	0.00	0.00
Total Annual Distributions ⁽⁴⁾	\$ 0.18	0.32	0.27	0.34	0.38	0.44
Net assets, end of period	\$ 6.99	7.32	8.90	7.36	7.48	9.19

Series D Units

	Period ended		Periods ended Sep. 30			
	Mar. 31	2022	2021	2020	2019	2018
	2023					
Net assets, beginning of period	\$ —	8.84	7.30	7.44	9.11	9.15
Increase (decrease)						
from operations:						
Total revenue	\$ —	0.18	0.38	0.39	0.42	0.43
Total expenses ⁽²⁾	\$ —	-0.05	-0.09	-0.08	-0.09	-0.11
Realized gains (losses)						
for the period	\$ —	0.04	0.02	-0.31	-1.00	-0.01
Unrealized gains (losses)						
for the period	\$ —	-0.35	1.44	0.47	-0.59	-0.04
Total increase (decrease)						
from operations ⁽³⁾	\$ —	-0.18	1.75	0.47	-1.26	0.27
Distributions:						
From net investment income						
(excluding dividends)	\$ —	—	—	—	—	—
From dividends	\$ —	0.16	0.24	0.32	0.33	0.33
From capital gains	\$ —	—	—	—	—	—
Return of capital	\$ —	0.00	0.00	0.02	0.00	0.00
Total Annual Distributions ⁽⁴⁾	\$ —	0.16	0.24	0.34	0.33	0.33
Net assets, end of period	\$ —	—	8.84	7.30	7.44	9.11

Series I Units

	Period ended		Periods ended Sep. 30			
	Mar. 31	2022	2021	2020	2019	2018
	2023					
Net assets, beginning of period	\$ 7.11	8.64	7.23	7.49	9.20	9.24
Increase (decrease)						
from operations:						
Total revenue	\$ 0.20	0.38	0.37	0.40	0.42	0.43
Total expenses ⁽²⁾	\$ -0.00	-0.00	-0.00	-0.00	-0.01	0.00
Realized gains (losses)						
for the period	\$ -0.04	0.06	0.02	-0.19	-0.94	-0.01
Unrealized gains (losses)						
for the period	\$ -0.28	-1.60	1.44	-0.11	-0.82	-0.01
Total increase (decrease)						
from operations ⁽³⁾	\$ -0.12	-1.16	1.83	0.10	-1.35	0.41
Distributions:						
From net investment income						
(excluding dividends)	\$ —	—	0.00	0.01	0.00	0.00
From dividends	\$ 0.19	0.38	0.42	0.58	0.44	0.44
From capital gains	\$ —	—	—	—	—	—
Return of capital	\$ 0.00	0.00	0.00	0.00	0.00	0.00
Total Annual Distributions ⁽⁴⁾	\$ 0.19	0.38	0.42	0.59	0.44	0.44
Net assets, end of period	\$ 6.80	7.11	8.64	7.23	7.49	9.20

BMO Preferred Share Fund

Series O Units

	Period ended		Periods ended Sep. 30			
	Mar. 31 2023	2022	2021	2020	2019	2018
Net assets, beginning of period	\$ 7.21	8.77	7.28	7.41	9.09	9.13
Increase (decrease) from operations:						
Total revenue	\$ 0.20	0.38	0.38	0.39	0.42	0.43
Total expenses ⁽²⁾	\$ -0.01	-0.02	-0.02	-0.02	-0.03	-0.03
Realized gains (losses) for the period	\$ -0.03	0.06	0.02	-0.35	-0.97	-0.01
Unrealized gains (losses) for the period	\$ -0.30	-1.61	1.46	0.13	-0.80	-0.01
Total increase (decrease) from operations⁽³⁾	\$ -0.14	-1.19	1.84	0.15	-1.38	0.38
Distributions:						
From net investment income (excluding dividends)	\$ —	—	—	0.01	—	—
From dividends	\$ 0.20	0.37	0.36	0.38	0.41	0.42
From capital gains	\$ —	—	—	—	—	—
Return of capital	\$ 0.00	0.00	0.00	0.00	0.00	0.00
Total Annual Distributions⁽⁴⁾	\$ 0.20	0.37	0.36	0.39	0.41	0.42
Net assets, end of period	\$ 6.89	7.21	8.77	7.28	7.41	9.09

⁽¹⁾ This information is derived from the Fund's unaudited semi-annual and audited annual financial statements.

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

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

⁽⁴⁾ Distributions were either paid in cash or reinvested in additional units of the Fund, or both. The allocation of the distributions from each of income, dividends, capital gains and return of capital is based on the Manager's estimate as at March 31 or September 30 of the period shown, as applicable, which is the Fund's financial period-end. However, the actual allocation of distributions is determined as at December 15, the Fund's tax year-end. Accordingly, the actual allocation among income, dividends, capital gains and return of capital may differ from these estimates.

Ratios and Supplemental Data

Series A Units

	Period ended		Periods ended Sep. 30			
	Mar. 31 2023	2022	2021	2020	2019	2018
Total net asset value (000's) ⁽¹⁾	\$ 3,019	3,436	4,871	3,876	4,638	8,607
Number of units outstanding (000's) ⁽¹⁾	433	471	552	532	628	950
Management expense ratio ⁽²⁾	% 1.90	1.90	1.90	1.90	1.90	1.90
Management expense ratio before waivers or absorptions ⁽²⁾	% 1.96	1.95	1.95	1.95	1.95	1.95
Trading expense ratio ⁽³⁾	% 0.02	0.02	0.03	0.07	0.11	0.06
Portfolio turnover rate ⁽⁴⁾	% 0.97	15.31	15.72	11.51	18.52	18.66
Net asset value per unit	\$ 6.98	7.29	8.83	7.28	7.39	9.06

Advisor Series Units

	Period ended		Periods ended Sep. 30			
	Mar. 31 2023	2022	2021	2020	2019	2018
Total net asset value (000's) ⁽¹⁾	\$ 2,020	2,533	3,458	1,724	3,118	4,578
Number of units outstanding (000's) ⁽¹⁾	286	343	387	234	416	498
Management expense ratio ⁽²⁾	% 1.90	1.90	1.90	1.90	1.90	1.90
Management expense ratio before waivers or absorptions ⁽²⁾	% 1.97	1.97	1.96	1.94	1.94	1.95
Trading expense ratio ⁽³⁾	% 0.02	0.02	0.03	0.07	0.11	0.06
Portfolio turnover rate ⁽⁴⁾	% 0.97	15.31	15.72	11.51	18.52	18.66
Net asset value per unit	\$ 7.06	7.39	8.94	7.37	7.49	9.18

Series F Units

	Period ended		Periods ended Sep. 30			
	Mar. 31 2023	2022	2021	2020	2019	2018
Total net asset value (000's) ⁽¹⁾	\$ 2,823	3,628	6,405	990	1,246	2,632
Number of units outstanding (000's) ⁽¹⁾	404	496	720	135	167	286
Management expense ratio ⁽²⁾	% 0.90	0.90	0.90	0.90	0.89	0.87
Management expense ratio before waivers or absorptions ⁽²⁾	% 0.91	0.91	0.91	0.90	0.89	0.87
Trading expense ratio ⁽³⁾	% 0.02	0.02	0.03	0.07	0.11	0.06
Portfolio turnover rate ⁽⁴⁾	% 0.97	15.31	15.72	11.51	18.52	18.66
Net asset value per unit	\$ 6.99	7.32	8.90	7.36	7.48	9.19

Series D Units

	Period ended		Periods ended Sep. 30			
	Mar. 31 2023	2022	2021	2020	2019	2018
Total net asset value (000's) ⁽¹⁾	\$ —	—	375	235	295	345
Number of units outstanding (000's) ⁽¹⁾	—	—	42	32	40	38
Management expense ratio ⁽²⁾	% —	1.14	1.15	1.15	1.15	1.15
Management expense ratio before waivers or absorptions ⁽²⁾	% —	1.20	1.20	1.21	1.20	1.20
Trading expense ratio ⁽³⁾	% —	0.02	0.03	0.07	0.11	0.06
Portfolio turnover rate ⁽⁴⁾	% —	15.31	15.72	11.51	18.52	18.66
Net asset value per unit	\$ —	—	8.84	7.30	7.44	9.11

Series I Units

	Period ended		Periods ended Sep. 30			
	Mar. 31 2023	2022	2021	2020	2019	2018
Total net asset value (000's) ⁽¹⁾	\$ 0	0	0	0	419,454	346,471
Number of units outstanding (000's) ⁽¹⁾	0	0	0	0	55,985	37,641
Management expense ratio ⁺	% —	—	—	—	—	—
Management expense ratio before waivers or absorptions ⁺	% —	—	—	—	—	—
Trading expense ratio ⁽³⁾	% 0.02	0.02	0.03	0.07	0.11	0.06
Portfolio turnover rate ⁽⁴⁾	% 0.97	15.31	15.72	11.51	18.52	18.66
Net asset value per unit	\$ 6.80	7.11	8.64	7.23	7.49	9.20

Series O Units

	Period ended		Periods ended Sep. 30			
	Mar. 31 2023	2022	2021	2020	2019	2018
Total net asset value (000's) ⁽¹⁾	\$ 480,418	516,342	630,367	505,472	26,533	39,468
Number of units outstanding (000's) ⁽¹⁾	69,689	71,577	71,907	69,448	3,583	4,344
Management expense ratio ⁽²⁾	% 0.25	0.25	0.25	0.25	0.25	0.25
Management expense ratio before waivers or absorptions ⁽²⁾	% 0.25	0.25	0.25	0.25	0.25	0.25
Trading expense ratio ⁽³⁾	% 0.02	0.02	0.03	0.07	0.11	0.06
Portfolio turnover rate ⁽⁴⁾	% 0.97	15.31	15.72	11.51	18.52	18.66
Net asset value per unit	\$ 6.89	7.21	8.77	7.28	7.41	9.09

⁺ Operating expenses are paid by BMOII and management fees are paid directly to BMOII as negotiated with the investor.

⁽¹⁾ This information is provided as at March 31 or September 30 of the period shown, as applicable.

⁽²⁾ Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

⁽³⁾ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

⁽⁴⁾ The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

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Management Fees

The Manager is responsible for the day-to-day management of the business and operations of the Fund. The Manager monitors and evaluates the Fund's performance, pays for the investment advice provided by the Fund's portfolio manager and provides certain administrative services required by the Fund. As compensation for its services, the Manager is entitled to receive a management fee payable monthly, calculated based on the daily net asset value of each series of the Fund at the annual rate set out in the table below. The management fee is subject to applicable taxes. The Manager may, at its discretion, waive a portion or the entire amount of the management fee chargeable at any given time for each series of the Fund.

	Annual Management Fee Rate* %	As a Percentage of Management Fees	
		Dealer Compensation %	General Administration, Investment Advice and Profit %
Series A Units	1.55	64	36
Advisor Series Units	1.55	63	37
Series F Units	0.60	0	100
Series I Units	—	—	—
Series O Units	0.025	0	100

* For Series I Units, separate Series I fees are negotiated and paid directly by each Series I investor. The combined management and administration fees for Series I Units will not exceed the management fee charged for Advisor Series or Series A Units.

PAST PERFORMANCE

The Fund's performance information assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund and is based on the net asset value of the Fund. The reinvestment of distributions increases returns. The performance information does not take into account sales, redemption, distribution, other optional charges or income taxes payable that, if applicable, would have reduced returns or performance. Please remember that how the Fund has performed in the past does not indicate how it will perform in the future.

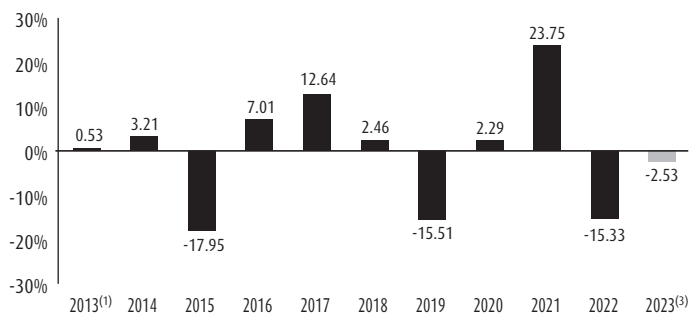
The returns of each series may differ from one another for a number of reasons, including if the series was not issued and outstanding for the entire reporting period and because of the different levels of management fees and expenses allocated and payable by each series.

On February 1, 2017, the management fee on Series F units was lowered from 0.65% to 0.60%. This change could have affected the performance of the Fund had it been in effect throughout the performance measurement periods presented.

Year-by-Year Returns

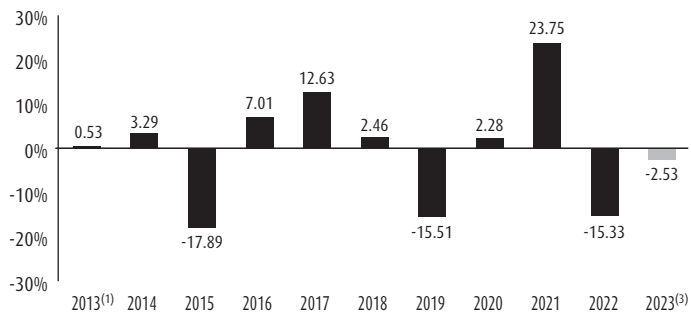
The following bar charts show the performance of each series of the Fund for each of the financial years shown and for the six-month period ended March 31, 2023, and illustrate how the Fund's performance has changed from year to year. The charts show in percentage terms how an investment made on the first day of each financial year would have increased or decreased by the last day of each financial year.

Series A Units

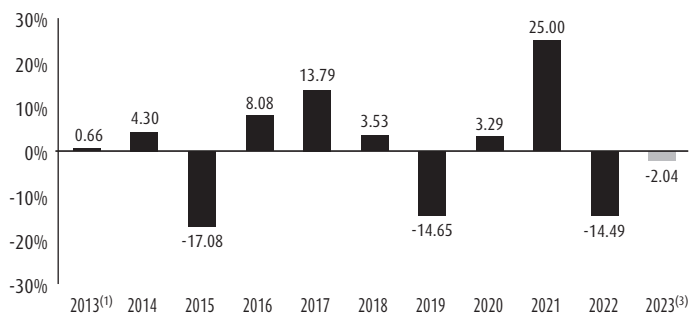


BMO Preferred Share Fund

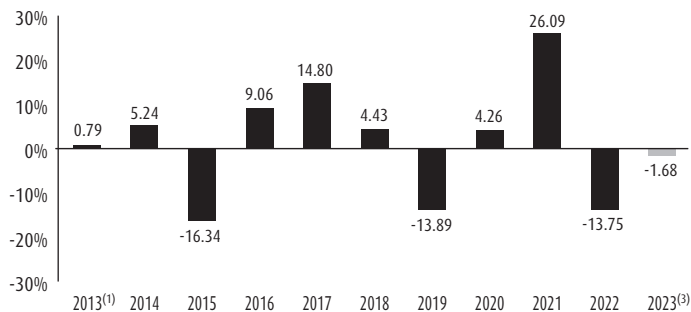
Advisor Series Units



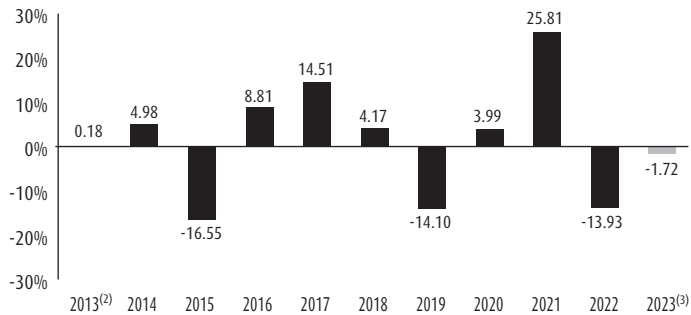
Series F Units



Series I Units



Series O Units



⁽¹⁾ For the period beginning with the performance launch date of August 12, 2013 to September 30, 2013.

⁽²⁾ For the period beginning with the performance launch date of September 20, 2013 to September 30, 2013.

⁽³⁾ For the six-month period ended March 31, 2023.

BMO Preferred Share Fund

SUMMARY OF INVESTMENT PORTFOLIO

As at March 31, 2023

Portfolio Allocation	% of Net Asset Value	Top 25 Holdings Issuer	% of Net Asset Value
Preferred Shares – Fixed/Floaters	72.2	Power Corporation of Canada, Series G, Non-Cumulative, Preferred, Redeemable, 5.600% May 2, 2023, \$25.00	1.4
Preferred Shares – Straight	20.2	Canadian Western Bank, Series 5, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.301% Apr 30, 2024, \$25.00	1.4
Money Market Investments	3.9	Bank of Montreal, Series 31, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.851% Nov 25, 2024, \$25.00	1.4
Preferred Share Fixed Income Fund	2.6	Enbridge Inc., Series 11, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.940% Mar 1, 2025, \$25.00	1.4
Cash/Receivables/Payables	1.0	Royal Bank of Canada, Series AZ, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.700% May 24, 2024, \$25.00	1.4
Preferred Shares – Floating Perpetual	0.1	Toronto-Dominion Bank, The, Series 7, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.201% Jul 31, 2025, \$25.00	1.4
Total Portfolio Allocation	100.0	Bank of Montreal, Series 29, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.624% Aug 25, 2024, \$25.00	1.4
Top 25 Holdings Issuer	% of Net Asset Value	Canadian Imperial Bank of Commerce, Series 43, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.143% Jul 31, 2025, \$25.00	1.3
BMO Laddered Preferred Share Index ETF ⁺	2.6	Pembina Pipeline Corporation, Series 19, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.684% Jun 30, 2025, \$25.00	1.3
Pembina Pipeline Corporation, Series 9, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.302% Dec 1, 2025, \$25.00	2.0	Brookfield Corporation, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.029% Sep 30, 2024, \$25.00	1.3
National Bank of Canada, Series 38, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 7.027% Nov 15, 2027, \$25.00	1.9	Enbridge Inc., Series F, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.689% Jun 1, 2023, \$25.00	1.3
Pembina Pipeline Corporation, Series 5, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 4.573% Jun 1, 2024, \$25.00	1.9	Brookfield Corporation, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.254% Jun 30, 2025, \$25.00	1.2
Canadian Imperial Bank of Commerce, Series 39, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.713% Jul 31, 2024, \$25.00	1.9	Government of Canada, Treasury Bills, 4.319% Jul 6, 2023	1.2
Enbridge Inc., Series B, Cumulative, Fixed/Floating Rate Preferred, Redeemable, 5.202% Jun 1, 2027, \$25.00	1.8	Top Holdings as a Percentage of Total Net Asset Value	39.5
Toronto-Dominion Bank, The, Series 5, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.876% Jan 31, 2025, \$25.00	1.8	Total Net Asset Value	\$488,279,852
Bank of Montreal, Series 27, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.852% May 25, 2024, \$25.00	1.8		
Royal Bank of Canada, Series BD, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.200% May 24, 2025, \$25.00	1.7		
Royal Bank of Canada, Series BB, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.650% Aug 24, 2024, \$25.00	1.7		
Toronto-Dominion Bank, The, Series 1, Non-Cumulative, Fixed/Floating Rate Preferred, Redeemable, 3.662% Oct 31, 2024, \$25.00	1.6		
Great-West Lifeco Inc., Series S, Non-Cumulative, Preferred, Redeemable, 5.250% May 1, 2023, \$25.00	1.4		

⁺The prospectus and other information about the underlying exchange traded fund(s) held in the portfolio are available at www.sedar.com and www.bmo.com/etflegal.

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

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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.
- If you purchased BMO Mutual Funds through a full-service or discount broker, please call 1-800-668-7327 or email clientservices.mutualfunds@bmo.com.

Caution regarding forward-looking statements

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Fund may invest in and the risks detailed from time to time in BMO Mutual Funds' simplified prospectus. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Fund, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, BMO Investments Inc. does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

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Mutual Funds