

# BMO Mutual Funds 2015

Semi-Annual Financial Statements

March 31, 2015

## BMO Monthly Income 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 Canadian Institute of Chartered Accountants.

# BMO Monthly Income Fund

(unaudited)

## STATEMENT OF FINANCIAL POSITION

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

As at	March 31 2015	September 30 2014	October 1 2013
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	21,833	26,420	26,110
Investments			
Non-derivative financial assets	3,864,584	3,603,780	3,505,395
Derivative assets	30	126	—
Receivable for investments sold	71,038	12,543	14,076
Subscriptions receivable	4,220	1,690	3,306
Interest receivable	13,489	15,260	18,438
Dividends receivable	4,617	3,883	5,124
Distribution receivable from investment trusts	2,171	2,092	1,971
<b>Total assets</b>	<b>3,981,982</b>	<b>3,665,794</b>	<b>3,574,420</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Payable for investments purchased	77,387	8,489	8,407
Redemptions payable	4,052	3,424	10,825
Derivative liabilities	—	24	—
Accrued expenses	4,817	4,292	4,225
<b>Total liabilities</b>	<b>86,256</b>	<b>16,229</b>	<b>23,457</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>3,895,726</b>	<b>3,649,565</b>	<b>3,550,963</b>
<b>Net assets attributable to holders of redeemable units</b>			
Series A Units	3,093,698	2,843,924	2,749,174
Series T6 Units	57,140	48,834	29,880
Series F Units	6,732	3,716	3,471
Premium Series Units	1	—	—
Series D Units	6,388	3,877	—
Series I Units	290,012	263,725	234,853
Series R Units	441,755	485,489	533,585
<b>Net assets attributable to holders of redeemable units per unit</b>			
Series A Units	\$ 7.73	\$ 7.59	\$ 7.05
Series T6 Units	\$ 10.47	\$ 10.32	\$ 9.72
Series F Units	\$ 11.15	\$ 10.77	\$ 10.15
Premium Series Units	\$ 10.06	\$ —	\$ —
Series D Units	\$ 10.86	\$ 10.34	\$ —
Series I Units	\$ 9.66	\$ 9.41	\$ 8.81
Series R Units	\$ 6.85	\$ 6.99	\$ 6.87

## STATEMENT OF COMPREHENSIVE INCOME

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

For the periods ended	March 31 2015	March 31 2014
<b>INCOME</b>		
Interest income	12,619	4,205
Dividend income	29,934	27,739
Distribution from investment trusts	8,142	9,734
Other changes in fair value of investments and derivatives		
Net realized gain	177,627	79,046
Change in unrealized appreciation	114,549	183,420
<b>Net gain in fair value of investments and derivatives</b>	<b>342,871</b>	<b>304,144</b>
Securities lending revenue	332	372
Foreign exchange (loss) gain	(394)	167
<b>Total other income (loss)</b>	<b>(62)</b>	<b>539</b>
<b>Total income</b>	<b>342,809</b>	<b>304,683</b>
<b>EXPENSES</b>		
Management fees (note 6)	24,643	22,970
Fixed administration fees (note 6)	2,301	2,185
Independent review committee fees	8	6
Withholding taxes	1,507	921
Interest charges	0	—
Fund Facts fees	0	0
Commissions and other portfolio transaction costs (note 6)	690	656
Operating expenses absorbed by the Manager	(21)	(57)
<b>Total expenses</b>	<b>29,128</b>	<b>26,681</b>
<b>Increase in net assets attributable to holders of redeemable units</b>	<b>313,681</b>	<b>278,002</b>
<b>Increase in net assets attributable to holders of redeemable units</b>		
Series A Units	245,236	213,462
Series T6 Units	4,235	2,611
Series F Units	409	255
Premium Series Units	0	—
Series D Units	421	—
Series I Units	25,279	20,885
Series R Units	38,101	40,789
<b>Increase in net assets attributable to holders of redeemable units per unit (note 3)</b>		
Series A Units	0.63	0.56
Series T6 Units	0.85	0.78
Series F Units	0.92	0.84
Premium Series Units	0.06	—
Series D Units	0.89	—
Series I Units	0.87	0.77
Series R Units	0.57	0.54

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

# BMO Monthly Income 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 2015	March 31 2014	For the periods ended	March 31 2015	March 31 2014
<b>Series A Units</b>			<b>Series T6 Units</b>		
<b>Net assets attributable to holders of redeemable units at beginning of period</b>	2,843,924	2,749,174	<b>Net assets attributable to holders of redeemable units at beginning of period</b>	48,834	29,880
Increase in net assets attributable to holders of redeemable units	245,236	213,462	Increase in net assets attributable to holders of redeemable units	4,235	2,611
<b>Distributions to holders of redeemable units from:</b>			<b>Distributions to holders of redeemable units from:</b>		
Net investment income	(32,300)	(38,087)	Net investment income	(546)	(391)
Net realized gains on investments and derivatives	(130,762)	(28,240)	Net realized gains on investments and derivatives	(1,959)	(331)
Return of capital	(23,120)	(6,874)	Return of capital	(958)	(346)
<b>Total distributions to holders of redeemable units</b>	<b>(186,182)</b>	<b>(73,201)</b>	<b>Total distributions to holders of redeemable units</b>	<b>(3,463)</b>	<b>(1,068)</b>
<b>Redeemable unit transactions</b>			<b>Redeemable unit transactions</b>		
Proceeds from redeemable units issued	280,442	179,142	Proceeds from redeemable units issued	12,570	10,508
Reinvestments of distributions to holders of redeemable units	155,756	60,638	Reinvestments of distributions to holders of redeemable units	559	196
Redemption of redeemable units	(245,478)	(365,833)	Redemption of redeemable units	(5,595)	(4,429)
<b>Net increase (decrease) from redeemable unit transactions</b>	<b>190,720</b>	<b>(126,053)</b>	<b>Net increase from redeemable unit transactions</b>	<b>7,534</b>	<b>6,275</b>
<b>Net increase in net assets attributable to holders of redeemable units</b>	<b>249,774</b>	<b>14,208</b>	<b>Net increase in net assets attributable to holders of redeemable units</b>	<b>8,306</b>	<b>7,818</b>
<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>3,093,698</b>	<b>2,763,382</b>	<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>57,140</b>	<b>37,698</b>

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# BMO Monthly Income 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 2015	March 31 2014	For the periods ended	March 31 2015	March 31 2014
<b>Series F Units</b>			<b>Series D Units</b>		
<b>Net assets attributable to holders of redeemable units at beginning of period</b>	3,716	3,471	<b>Net assets attributable to holders of redeemable units at beginning of period</b>	3,877	—
Increase in net assets attributable to holders of redeemable units	409	255	Increase in net assets attributable to holders of redeemable units	421	—
<b>Distributions to holders of redeemable units from:</b>			<b>Distributions to holders of redeemable units from:</b>		
Net investment income	(63)	(84)	Net investment income	(61)	—
Net realized gains on investments and derivatives	(162)	(70)	Net realized gains on investments and derivatives	(94)	—
Return of capital	(27)	(0)	Return of capital	(24)	—
<b>Total distributions to holders of redeemable units</b>	<b>(252)</b>	<b>(154)</b>	<b>Total distributions to holders of redeemable units</b>	<b>(179)</b>	<b>—</b>
<b>Redeemable unit transactions</b>			<b>Redeemable unit transactions</b>		
Proceeds from redeemable units issued	2,926	1,179	Proceeds from redeemable units issued	3,116	—
Reinvestments of distributions to holders of redeemable units	145	107	Reinvestments of distributions to holders of redeemable units	146	—
Redemption of redeemable units	(212)	(1,530)	Redemption of redeemable units	(993)	—
<b>Net increase (decrease) from redeemable unit transactions</b>	<b>2,859</b>	<b>(244)</b>	<b>Net increase from redeemable unit transactions</b>	<b>2,269</b>	<b>—</b>
<b>Net increase (decrease) in net assets attributable to holders of redeemable units</b>	<b>3,016</b>	<b>(143)</b>	<b>Net increase in net assets attributable to holders of redeemable units</b>	<b>2,511</b>	<b>—</b>
<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>6,732</b>	<b>3,328</b>	<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>6,388</b>	<b>—</b>
<b>Premium Series Units</b>					
<b>Net assets attributable to holders of redeemable units at beginning of period</b>	—	—			
Increase in net assets attributable to holders of redeemable units	0	—			
<b>Redeemable unit transactions</b>					
Proceeds from redeemable units issued	1	—			
<b>Net increase from redeemable unit transactions</b>	<b>1</b>	<b>—</b>			
<b>Net increase in net assets attributable to holders of redeemable units</b>	<b>1</b>	<b>—</b>			
<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>1</b>	<b>—</b>			

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

# BMO Monthly Income 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 2015	March 31 2014	For the periods ended	March 31 2015	March 31 2014
<b>Series I Units</b>			<b>Series R Units</b>		
<b>Net assets attributable to holders of redeemable units at beginning of period</b>	263,725	234,853	<b>Net assets attributable to holders of redeemable units at beginning of period</b>	485,489	533,585
Increase in net assets attributable to holders of redeemable units	25,279	20,885	Increase in net assets attributable to holders of redeemable units	38,101	40,789
<b>Distributions to holders of redeemable units from:</b>			<b>Distributions to holders of redeemable units from:</b>		
Net investment income	(4,718)	(7,403)	Net investment income	(5,216)	(6,575)
Net realized gains on investments and derivatives	(12,038)	(4,918)	Net realized gains on investments and derivatives	(23,404)	(5,294)
Return of capital	(491)	(23)	Return of capital	(18,723)	(15,149)
<b>Total distributions to holders of redeemable units</b>	<b>(17,247)</b>	<b>(12,344)</b>	<b>Total distributions to holders of redeemable units</b>	<b>(47,343)</b>	<b>(27,018)</b>
<b>Redeemable unit transactions</b>			<b>Redeemable unit transactions</b>		
Proceeds from redeemable units issued	5,788	5,978	Proceeds from redeemable units issued	390	21,101
Reinvestments of distributions to holders of redeemable units	17,247	12,344	Reinvestments of distributions to holders of redeemable units	212	69
Redemption of redeemable units	(4,780)	(9,415)	Redemption of redeemable units	(35,094)	(49,928)
<b>Net increase from redeemable unit transactions</b>	<b>18,255</b>	<b>8,907</b>	<b>Net decrease from redeemable unit transactions</b>	<b>(34,492)</b>	<b>(28,758)</b>
<b>Net increase in net assets attributable to holders of redeemable units</b>	<b>26,287</b>	<b>17,448</b>	<b>Net decrease in net assets attributable to holders of redeemable units</b>	<b>(43,734)</b>	<b>(14,987)</b>
<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>290,012</b>	<b>252,301</b>	<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>441,755</b>	<b>518,598</b>

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

# BMO Monthly Income Fund

(unaudited)

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

(All amounts in thousands of Canadian dollars)

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For the periods ended	March 31 2015	March 31 2014
<b>Total Fund</b>		
<b>Net assets attributable to holders of redeemable units at beginning of period</b>	3,649,565	3,550,963
Increase in net assets attributable to holders of redeemable units	313,681	278,002
<b>Distributions to holders of redeemable units from:</b>		
Net investment income	(42,904)	(52,540)
Net realized gains on investments and derivatives	(168,419)	(38,853)
Return of capital	(43,343)	(22,392)
<b>Total distributions paid to holders of redeemable units</b>	<b>(254,666)</b>	<b>(113,785)</b>
<b>Redeemable unit transactions</b>		
Proceeds from redeemable units issued	305,233	217,908
Reinvestments of distributions to holders of redeemable units	174,065	73,354
Redemption of redeemable units	(292,152)	(431,135)
<b>Net increase (decrease) from redeemable unit transactions</b>	<b>187,146</b>	<b>(139,873)</b>
<b>Net increase in net assets attributable to holders of redeemable units</b>	<b>246,161</b>	<b>24,344</b>
<b>Net assets attributable to holders of redeemable units at end of period</b>	<b>3,895,726</b>	<b>3,575,307</b>

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

# BMO Monthly Income Fund

(unaudited)

## STATEMENT OF CASH FLOWS

(All amounts in thousands of Canadian dollars)

For the periods ended	March 31 2015	March 31 2014
<b>Cash flows from operating activities</b>		
Increase in net assets attributable to holders of redeemable units	313,681	278,002
Adjustments for:		
Foreign exchange loss on cash	1	—
Net realized gain on sale of investments and derivatives	(177,627)	(79,046)
Change in unrealized appreciation of investments and derivatives	(114,549)	(183,420)
Decrease (increase) in interest receivable	1,770	(234)
(Increase) decrease in dividends receivable	(734)	289
Increase in distribution receivable from investment trusts	(79)	(716)
(Increase) decrease in accrued interest on money market investments	(29)	17
Increase in accrued expenses	525	109
Amortization of premium and discounts	16,049	29,875
Return of capital distributions received	951	2,633
Dividend reinvestments	(13)	(619)
Purchases of investments	(2,023,650)	(1,127,660)
Proceeds from sale and maturity of investments	2,048,477	1,351,034
Cash inflows on derivatives	64	63
<b>Net cash from operating activities</b>	<b>64,837</b>	<b>270,327</b>
<b>Cash flows used in financing activities</b>		
Distributions paid to holders of redeemable units, net of reinvested distributions	(80,601)	(40,431)
Proceeds from issuances of redeemable units	302,703	218,434
Amounts paid on redemption of redeemable units	(291,525)	(438,403)
<b>Net cash used in financing activities</b>	<b>(69,423)</b>	<b>(260,400)</b>
Foreign exchange loss on cash	(1)	—
Net (decrease) increase in cash	(4,586)	9,927
Cash at beginning of period	26,420	26,110
<b>Cash at end of period</b>	<b>21,833</b>	<b>36,037</b>
<b>Supplementary Information</b>		
Interest received, net of withholding taxes*	30,409	33,863
Dividends received, net of withholding taxes*	27,700	27,114

\*These items are from operating activities

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

# BMO Monthly Income Fund

(unaudited)

## SCHEDULE OF INVESTMENT PORTFOLIO

March 31, 2015 (All amounts in thousands of Canadian dollars, unless otherwise noted)

	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
<b>MONEY MARKET INVESTMENTS</b>			
<b>Federal — 0.2%</b>			
Government of Canada, Treasury Bills, 0.529% May 7, 2015 .....	7,800	7,790	7,796
<b>Provincial — 1.0%</b>			
Province of Manitoba, Treasury Bills, 0.701% Jun 10, 2015 .....	10,000	9,985	9,986
Province of Newfoundland, Treasury Bills, 1.026% Apr 16, 2015 .....	10,000	9,975	9,996
Province of Ontario, Treasury Bills, 0.702% Jun 3, 2015 .....	10,000	9,985	9,988
Province of Ontario, Treasury Bills, 0.717% Jun 3, 2015 .....	10,000	9,983	9,987
		39,928	39,957
<b>Total Money Market Investments — 1.2%</b> .....	<b>47,718</b>		<b>47,753</b>

	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
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## BONDS & DEBENTURES

### CANADIAN BONDS

#### Federal Bonds — 10.9%

Government of Canada, 1.000% Aug 1, 2016 .....	128,668	129,292	129,556
Government of Canada, 1.250% Aug 1, 2017 .....	16,738	16,928	17,041
Government of Canada, Unsecured, 1.500% Mar 1, 2020 .....	109,444	112,824	113,252
Government of Canada, 2.750% Jun 1, 2022 .....	9,742	10,826	10,887
Government of Canada, 2.250% Jun 1, 2025 .....	34,783	37,327	37,678
Government of Canada, 5.000% Jun 1, 2037 .....	11,820	17,963	18,308
Government of Canada, 3.500% Dec 1, 2045 .....	72,771	92,938	97,915
		418,098	424,637

#### Provincial Bonds — 11.5%

Ontario Hydro Corporation, Series 02, Euro Medium Term Notes, Putable, 8.400% Nov 6, 2020 .....	5,954	7,889	8,041
Province of British Columbia, Debentures, 9.950% May 15, 2021 .....	18,000	26,785	26,964
Province of British Columbia, Series BCCD-T, Senior, Unsecured, Notes, 9.000% Aug 23, 2024 .....	20,880	31,814	33,545
Province of British Columbia, Unsecured, Notes, 3.200% Jun 18, 2044 .....	33,814	33,599	37,148
Province of Newfoundland, Series 5X, 10.950% Apr 15, 2021 .....	22,450	35,458	34,575
Province of Nova Scotia, Debentures, 9.600% Jan 30, 2022 .....	11,241	16,335	16,943
Province of Ontario, 3.150% Jun 2, 2022 .....	33,143	33,998	36,389
Province of Ontario, Unsecured, Notes, 3.500% Jun 2, 2024 .....	46,769	48,723	52,573
Province of Ontario, Unsecured, 3.450% Jun 2, 2045 .....	84,671	81,367	95,288

	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Province of Quebec, Unsecured, Notes, 4.500% Dec 1, 2020 .....	40,242	45,711	47,059
Province of Quebec, Unsecured 3.750% Sep 1, 2024 .....	8,206	9,389	9,402
Province of Quebec, Unsecured, 3.500% Dec 1, 2045 .....	43,174	41,678	48,608
		412,746	446,535

#### Municipal Bonds — 0.1%

City of Montreal, Unsecured, Notes, 4.100% Dec 1, 2034 .....	4,359	4,337	5,018
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#### Corporate Bonds & Debentures — 16.0%

407 International Inc., Series 10-D1, Medium Term Notes, Secured, Subordinated, 3.870% Nov 24, 2017 .....	4,000	4,272	4,261
407 International Inc., Series 13-A1, Medium Term Notes, Senior, Callable, 4.680% Oct 7, 2053 .....	7,000	6,999	8,672
Aéroports de Montreal, Series H, Secured, Notes, 5.670% Oct 16, 2037 .....	2,240	2,588	3,071
Alimentation Couche-Tard Inc., Series 4, Senior, Unsecured, Notes, 4.214% Aug 21, 2020 .....	5,305	5,663	5,800
AltaGas Income Trust, Medium Term Notes, Senior, Unsecured, 5.490% Mar 27, 2017 .....	10,000	10,613	10,744
AltaLink, L.P., Series 2011-1, Medium Term Notes, Senior, Secured, 4.462% Nov 8, 2041 .....	3,600	3,536	4,266
AltaLink Investments LP, Series 15-1, Senior, Unsecured, Notes, Callable, 2.244% Mar 7, 2022 .....	7,922	7,923	7,913
Bank of Montreal, Deposit Notes, Senior, Unsecured, 2.120% Mar 16, 2022 .....	13,664	13,659	13,769
Bank of Nova Scotia, Deposit Notes, Senior, Unsecured, 1.330% May 1, 2018 .....	4,638	4,637	4,631
Bank of Nova Scotia, Deposit Notes, Senior, Unsecured, 2.270% Jan 13, 2020 .....	2,580	2,579	2,638
Bank of Nova Scotia, Fixed to Floating, Notes, Subordinated, Callable, 2.580% Mar 30, 2027 .....	11,500	11,497	11,315
BC Gas Utility, Ltd., Series B, Senior, Secured, Mortgage, 10.300% Sep 30, 2016 .....	10,000	12,679	11,294
bclMC Realty Corp., Series 6, Medium Term Notes, 5.650% Jan 5, 2018 .....	11,500	12,195	12,840
Bell Canada, Medium Term Notes, Senior, Unsecured, 3.540% Jun 12, 2020 .....	13,705	14,245	14,676
British Columbia Ferry Services Inc., Series 08-1, Senior, Secured, Mortgage, 5.581% Jan 11, 2038 .....	7,100	8,048	9,514
British Columbia Ferry Services Inc., Series 13-1, Senior, Secured, Notes, Callable, 4.702% Oct 23, 2043 .....	3,000	3,000	3,661
British Columbia Telephone Company, Series 3, Unsecured, Debentures, 10.650% Jun 19, 2021 .....	11,400	15,697	16,690
Brookfield Renewable Energy Partners ULC, Medium Term Notes, Senior, Unsecured, 3.752% Jun 2, 2025 .....	5,230	5,230	5,293

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# BMO Monthly Income Fund

(unaudited)

## SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

March 31, 2015 (All amounts in thousands of Canadian dollars, unless otherwise noted)

	Par Value (in thousands)	Cost (\$)	Fair Value (\$)		Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Calloway Real Estate Investment Trust, Series I, Senior, Unsecured, Notes, 3.985% May 30, 2023	2,065	2,206	2,194	Manufacturers Life Insurance Company, The, Notes, Subordinated, Callable, 4.210% Nov 18, 2021	10,329	10,771	10,772
Calloway Real Estate Investment Trust, Series N, Senior, Unsecured, Notes, 3.556% Feb 6, 2025	4,958	4,979	4,880	Manufacturers Life Insurance Company, The, Fixed to Floating, Notes, Subordinated, Callable, 2.100% Jun 1, 2025	8,250	8,250	8,345
Cameco Corporation, Series D, Senior, Unsecured, Notes, 5.670% Sep 2, 2019	10,000	11,434	11,360	National Bank of Canada, Unsecured, Notes, 3.580% Apr 26, 2016	5,000	5,000	5,129
Canadian Imperial Bank of Commerce, Deposit Notes, Senior, Unsecured, 2.650% Nov 8, 2016	551	564	564	National Bank of Canada, Deposit Notes, Unsecured, 2.702% Dec 15, 2016	11,100	11,134	11,373
Canadian Imperial Bank of Commerce, Unsecured, Notes, 2.350% Oct 18, 2017	15,343	15,735	15,747	National Bank of Canada, Deposit Notes, Senior, Unsecured, 1.742% Mar 3, 2020	6,180	6,181	6,176
Canadian Imperial Bank of Commerce, Deposit Notes, Unsecured, 2.350% Jun 24, 2019	8,500	8,493	8,820	National Bank of Canada, Deposit Notes, Senior, Unsecured, 2.105% Mar 18, 2022	7,271	7,271	7,278
Canadian Utilities Limited, Series 1990-2, Unsecured, Notes, 11.770% Nov 30, 2020	5,000	7,925	7,620	North West Redwater Partnership/NWR Financing Co. Ltd., Series C, Secured, Notes, Callable, 2.100% Feb 23, 2022	6,182	6,180	6,201
Centra Gas Ontario Inc., Senior, Unsecured, Notes, 8.650% Oct 19, 2018	7,000	8,932	8,679	North West Redwater Partnership/NWR Financing Co. Ltd., Series D, Secured, Notes, Callable, 3.700% Feb 23, 2043	4,320	4,336	4,482
Choice Properties Real Estate Investment Trust, Series E, Senior, Unsecured, Notes, 2.297% Sep 14, 2020	5,130	5,130	5,104	NOVA Gas Transmission Ltd., Series 23, Senior, Unsecured, Debentures, 9.900% Dec 16, 2024	11,779	17,228	18,547
Cogeco Cable Inc., Secured, Notes, Callable, 4.175% May 26, 2023	4,500	4,559	4,869	RioCan Real Estate Investment Trust, Series Q, Senior, Unsecured, Notes, 3.850% Jun 28, 2019	3,325	3,568	3,566
CU Inc., Senior, Unsecured, Debentures, 4.543% Oct 24, 2041	5,000	4,986	6,045	RioCan Real Estate Investment Trust, Series W, Senior, Unsecured, Notes, 3.287% Feb 15, 2024	4,125	4,126	4,140
CU Inc., Senior, Unsecured, Notes, 3.805% Sep 10, 2042	4,365	3,925	4,704	Royal Bank of Canada, Senior, Unsecured, Notes, 2.680% Dec 8, 2016	21,880	22,224	22,407
Dollarama Inc., Senior, Unsecured, Notes, 3.095% Nov 5, 2018	10,950	11,048	11,436	Royal Bank of Canada, Deposit Notes, Senior, Unsecured, 2.770% Dec 11, 2018	8,200	8,571	8,599
Enbridge Gas Distribution Inc., Senior, Unsecured, Debentures, 9.850% Dec 2, 2024	5,000	7,544	7,925	Royal Bank of Canada, Deposit Notes, Senior, Unsecured, 1.968% Mar 2, 2022	16,488	16,488	16,453
FortisAlberta Inc., Senior, Unsecured, Notes, 5.400% Apr 21, 2036	1,100	1,219	1,439	Saputo Inc., Medium Term Notes, Senior, Unsecured, 2.654% Nov 26, 2019	3,400	3,400	3,530
Gaz Metro and Company, Limited Partnership, Series D, Secured, Mortgage, 10.450% Oct 31, 2016	15,900	20,887	18,054	Shaw Communications Inc., Senior, Unsecured, Notes, Callable, 5.700% Mar 2, 2017	15,500	16,793	16,705
GE Capital Canada Funding Company, Senior, Unsecured, Notes, 2.420% May 31, 2018	8,060	8,321	8,338	Shaw Communications Inc., Senior, Unsecured, Notes, 5.500% Dec 7, 2020	673	786	787
GE Capital Canada Funding Company, Medium Term Notes, Senior, Unsecured, 5.680% Sep 10, 2019	4,600	5,353	5,401	Sun Life Financial Inc., Series B, Fixed to Floating, Senior, Unsecured, Notes, Callable, 4.950% Jun 1, 2036	8,660	8,998	8,998
Great-West Lifeco Inc., Senior, Unsecured, Notes, Callable, 6.140% Mar 21, 2018	10,000	10,518	11,378	Suncor Energy, Inc., Medium Term Notes, Unsecured, Callable, 3.100% Nov 26, 2021	3,315	3,304	3,498
H&R Real Estate Investment Trust, Series H, Senior, Unsecured, Notes, Floating Rate, Oct 9, 2015	3,800	3,800	3,817	TELUS Corporation, Medium Term Notes, Senior, Unsecured, 1.500% Mar 27, 2018	5,209	5,207	5,203
Husky Energy Inc., Senior, Unsecured, Notes, Callable, 3.550% Mar 12, 2025	6,814	6,793	6,917	TELUS Corporation, Series CH, Senior, Unsecured, Notes, 5.050% Jul 23, 2020	6,000	6,933	6,901
Hydro Ottawa Holdings, Inc., Senior, Unsecured, Notes, Callable, 3.639% Feb 2, 2045	3,090	3,090	3,062	TMX Group Ltd, Senior, Unsecured, Notes, 3.253% Oct 3, 2018	7,500	7,500	7,938
IGM Financial, Inc., Senior, Unsecured, Notes, 7.350% Apr 8, 2019	5,000	5,757	6,051	Toronto Hydro Corporation, Series 11, Senior, Unsecured, Notes, Callable, 3.550% Jul 28, 2045	4,599	4,591	4,783
Intact Financial Corporation, Series 1, Medium Term Notes, Senior, Unsecured, 5.410% Sep 3, 2019	14,128	15,118	16,190	Toronto-Dominion Bank, The, Deposit Notes, Senior, Unsecured, 2.433% Aug 15, 2017	14,000	14,192	14,381
Inter Pipeline Ltd., Series 7, Medium Term Notes, Senior, Unsecured, Callable, 3.173% Mar 24, 2025	4,135	4,135	4,136	Toronto-Dominion Bank, The, Deposit Notes, Senior, Unsecured, 1.693% Apr 2, 2020	4,945	4,945	4,947
Loblaws Companies Limited, Series 2-B, Medium Term Notes, Senior, Unsecured, 5.220% Jun 18, 2020	5,000	5,788	5,771	Toronto-Dominion Bank, The, Deposit Notes, Senior, Unsecured, 2.621% Dec 22, 2021	4,221	4,221	4,409
				Toyota Credit Canada Inc., Medium Term Notes, Senior, Unsecured, 2.200% Oct 19, 2017	3,658	3,748	3,740

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

# BMO Monthly Income Fund

(unaudited)

## SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

March 31, 2015 (All amounts in thousands of Canadian dollars, unless otherwise noted)

	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
TransAlta Corporation, Medium Term Notes, Senior, Unsecured, 5.000% Nov 25, 2020 .....	5,112	5,089	5,385
TransCanada PipeLines Limited, Medium Term Notes, Senior, Unsecured, 9.350% May 27, 2019 .....	11,200	15,565	14,461
Union Gas Limited, Series 1993, Senior, Unsecured, Notes, 8.750% Aug 3, 2018 .....	10,758	13,320	13,218
Wells Fargo Financial Canada Corporation, Medium Term Notes, Senior, Unsecured, 2.774% Feb 9, 2017 .....	319	319	328
Wells Fargo Financial Canada Corporation, Medium Term Notes, Senior, Unsecured, 3.040% Jan 29, 2021 .....	4,000	4,134	4,267
Wells Fargo Financial Canada Corporation, Medium Term Notes, Senior, Unsecured, 3.460% Jan 24, 2023 .....	10,000	10,000	10,854
Winnipeg Airports Authority, Senior, Secured, Notes, 4.569% Nov 20, 2019 .....	13,665	13,994	15,440
.....	611,666	624,790	
<b>Asset-Backed Securities — 0.1%</b>			
Hollis Receivable Term Trust II, Series 2015-1, Class A, Receivables-Backed, 1.788% Feb 26, 2020 .....	4,858	4,858	4,884
<b>Mortgage-Backed Securities — 0.1%</b>			
Real Estate Asset Liquidity Trust, Series 2007-2, Class A1, 5.195% Mar 12, 2017 .....	2,518	2,511	2,632
<b>Total Canadian Bonds — 38.7%</b> .....	<b>1,454,216</b>	<b>1,508,496</b>	
<b>FOREIGN BONDS</b>			
<b>Germany — 0.3%</b>			
Daimler Canada Finance Inc., Senior, Unsecured, Notes, 2.280% Feb 17, 2017 .....	2,000	2,034	2,032
Daimler Canada Finance Inc., Senior, Unsecured, Notes, 2.270% Mar 26, 2018 .....	5,000	5,054	5,128
Daimler Canada Finance Inc., Senior, Unsecured, Notes, 1.420% Oct 2, 2018 .....	2,935	2,935	2,936
.....	10,023	10,096	
<b>Japan — 0.1%</b>			
Toyota Credit Canada Inc., Senior, Unsecured, Notes, 1.800% Feb 19, 2020 .....	5,900	5,894	5,935
<b>United Kingdom — 0.6%</b>			
BP Capital Markets PLC, Unsecured, Notes, 2.744% Feb 24, 2017 .....	5,000	5,000	5,102
BP Capital Markets PLC, Medium Term Notes, Senior, Unsecured, 3.497% Nov 9, 2020 .....	5,915	5,915	6,315
National Grid Electricity Transmission PLC, Euro Medium Term Notes, Senior, Unsecured, 2.730% Sep 20, 2017 .....	10,000	10,000	10,327
.....	20,915	21,744	
<b>United States — 0.7%</b>			
AT&T Inc., Senior, Unsecured, Notes, 3.825% Nov 25, 2020 .....	9,025	9,025	9,697
Ford Credit Canada Ltd., Senior, Unsecured, Notes, 3.320% Dec 19, 2017 .....	13,400	13,999	13,985

	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
Ford Credit Canada Ltd., Senior, Unsecured, Notes, 3.700% Aug 2, 2018 .....	3,000	3,123	3,188
.....	26,147	26,870	
<b>Total Foreign Bonds — 1.7%</b> .....	<b>62,979</b>	<b>64,645</b>	
<b>Total Bonds &amp; Debentures — 40.4%</b> .....	<b>1,517,195</b>	<b>1,573,141</b>	

	Number of Units	Cost* (\$)	Fair Value (\$)
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### HOLDINGS IN EXCHANGE TRADED FUNDS

BMO MSCI EAFE Hedged to CAD Index ETF .....	8,090,000	141,759	162,787
BMO S&P 500 Index ETF .....	2,500,000	44,150	72,168
<b>Total Holdings in Exchange Traded Funds — 6.0%</b> .....	<b>185,908</b>	<b>234,955</b>	

	Number of Shares or Units	Cost* (\$)	Fair Value (\$)
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### EQUITIES

#### CANADIAN EQUITIES

##### Consumer Discretionary — 3.4%

Canadian Tire Corporation, Limited, Class A .....	170,500	13,052	21,999
Cogeco Cable Inc. ....	243,100	12,412	16,509
Dollarama Inc. ....	211,200	10,760	14,953
Magna International Inc. ....	370,000	17,652	25,053
Restaurant Brands International Inc., Toronto Exchange .....	203,813	9,494	9,897
Shaw Communications Inc., Class B .....	878,000	20,266	24,953
Thomson Reuters Corporation .....	385,200	14,085	19,780
.....	97,721	133,144	

##### Consumer Staples — 1.7%

Alimentation Couche-Tard Inc., Class B .....	495,000	16,234	24,983
Jean Coutu Group (PJC) Inc., The, Class A .....	484,600	8,144	13,118
Metro Inc. ....	505,000	10,097	17,332
North West Company Inc., The, .....	482,000	11,643	12,064
.....	46,118	67,497	

##### Energy — 6.5%

ARC Resources Ltd. ....	505,400	11,783	10,998
Baytex Energy Corp. ....	44,286	796	887
Baytex Energy Corp., Treasury Offering, Apr 2, 2015 .....	70,714	1,227	1,397
Canadian Natural Resources Limited .....	413,100	16,155	16,037
Cenovus Energy Inc. ....	525,000	11,665	11,209
Enbridge Inc. ....	326,300	17,558	19,921
Enbridge Income Fund Holdings Inc. ....	392,100	9,900	14,625
EnCana Corporation .....	899,600	14,186	12,720
Gibson Energy Inc. ....	295,900	7,757	7,687
Inter Pipeline Ltd. ....	468,500	15,922	15,292
Keyera Corp. ....	274,200	14,727	23,101
Mullen Group Ltd. ....	334,600	7,340	6,722
Pembina Pipeline Corporation .....	603,500	21,942	24,152
Peyto Exploration & Development Corp. ....	214,400	5,187	7,281
Suncor Energy Inc. ....	829,100	30,922	30,685
TransCanada Corporation .....	454,600	19,993	24,621

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

# BMO Monthly Income Fund

(unaudited)

## SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

March 31, 2015 (All amounts in thousands of Canadian dollars, unless otherwise noted)

	Number of Shares or Units	Cost* (\$)	Fair Value (\$)		Number of Shares or Units	Cost* (\$)	Fair Value (\$)
Veresen Inc.....	1,479,800	23,795	24,683	Northland Power Inc.....	1,470,000	27,091	25,446
.....		230,855	252,018	TransAlta Corporation .....	2,150,000	27,471	25,262
				.....		187,154	206,644
<b>Financials — 12.0%</b>				<b>Total Canadian Equities — 32.7%</b> .....		<b>1,076,814</b>	<b>1,274,036</b>
Allied Properties REIT .....	466,700	14,812	18,799	<b>FOREIGN EQUITIES</b>			
Bank of Montreal .....	425,100	27,450	32,265	<b>Australia — 0.3%</b>			
Bank of Nova Scotia.....	320,000	18,665	20,333	BHP Billiton Limited, Australian Exchange.....	30,806	1,074	909
Brookfield Asset Management Inc., Class A.....	385,000	13,779	26,080	Brambles Industries Limited.....	55,406	535	614
Brookfield Property Partners L.P.....	835,000	18,166	25,768	Coca-Cola Amatil Limited .....	139,025	1,439	1,443
Calloway REIT.....	299,200	8,391	8,707	Cochlear Limited.....	9,695	837	844
Canadian Apartment Properties REIT.....	801,900	18,278	23,416	CSL Limited.....	10,226	791	907
Canadian Imperial Bank of Commerce.....	229,800	21,144	21,100	Fortescue Metals Group Ltd.....	300,000	669	563
Canadian REIT.....	452,500	19,805	21,046	Newcrest Mining Limited .....	92,291	922	1,185
Chartwell Retirement Residences.....	1,493,400	14,773	18,458	Sonic Healthcare Limited .....	49,610	874	976
CI Financial Corporation.....	620,500	19,480	21,972	Sydney Airport, Stapled Security.....	124,164	585	619
Cominar REIT.....	483,200	9,975	9,273	Telstra Corporation Limited.....	236,213	1,301	1,436
DH Corporation .....	480,000	12,515	18,571	Wesfarmers Limited.....	19,588	823	829
First Capital Realty Inc.....	1,280,000	23,814	25,254	Westpac Banking Corporation .....	12,614	396	478
Manulife Financial Corporation.....	440,000	9,383	9,464	Woodside Petroleum Ltd.....	24,502	818	812
National Bank of Canada .....	210,800	8,744	9,747	Woolworths Limited.....	21,530	716	611
RioCan REIT.....	863,000	22,001	25,001	.....		11,780	12,226
Royal Bank of Canada.....	835,000	50,757	63,660	<b>Austria — 0.0%</b>			
Sun Life Financial Inc.....	150,000	6,022	5,855	Andritz AG.....	3,463	257	262
Toronto-Dominion Bank, The, .....	1,180,000	44,929	63,968	OMV AG .....	7,324	248	255
.....		382,883	468,737	.....			517
<b>Industrials — 0.6%</b>				<b>Belgium — 0.2%</b>			
Canadian National Railway Company.....	250,000	19,291	21,205	Ageas SA/NV .....	16,293	710	741
<b>Information Technology — 0.2%</b>				Belgacom SA.....	26,305	1,028	1,167
Open Text Corporation .....	90,000	6,052	6,017	Colruyt SA .....	15,060	797	830
<b>Materials — 1.4%</b>				Groupe Bruxelles Lambert.....	6,337	659	665
Barrick Gold Corporation.....	553,500	7,771	7,666	Solvay SA.....	4,611	817	845
Eldorado Gold Corporation.....	500,000	3,386	2,905	Telenet Group Holding N.V.....	9,654	631	672
Franco-Nevada Corporation.....	400,000	20,881	24,552	Umicore .....	12,603	656	665
Goldcorp Inc.....	665,800	16,475	15,260	.....		5,298	5,585
Silver Wheaton Corp.....	125,000	3,190	3,008	<b>Bermuda — 0.8%</b>			
Tahoe Resources Inc.....	200,000	3,083	2,776	Axis Capital Holdings Ltd.....	124,400	7,146	8,127
.....		54,786	56,167	RenaissanceRe Holdings Ltd.....	82,500	9,469	10,421
<b>Telecommunication Services — 1.6%</b>				Validus Holdings, Ltd. ....	198,500	8,302	10,584
BCE Inc.....	570,000	19,503	30,563	.....		24,917	29,132
Manitoba Telecom Services Inc.....	298,200	10,202	7,160	<b>China — 0.0%</b>			
TELUS Corporation .....	591,500	22,249	24,884	Yangzijiang Shipbuilding Holdings Limited .....	766,400	817	893
.....		51,954	62,607	<b>Denmark — 0.1%</b>			
<b>Utilities — 5.3%</b>				A.P. Moller - Maersk A/S .....	257	666	681
Algonquin Power & Utilities Corp.....	120,000	1,105	1,123	Novo Nordisk A/S, Class B.....	17,233	897	1,168
ATCO Ltd., Class I .....	271,000	11,410	12,228	.....		1,563	1,849
Brookfield Infrastructure Partners L.P.....	443,900	15,966	25,600	<b>France — 0.2%</b>			
Brookfield Renewable Energy Partners L.P.....	489,100	15,202	19,564	Aeroports de Paris.....	1,813	259	275
Canadian Utilities Limited, Class A .....	610,000	22,737	24,260	Bureau Veritas SA .....	11,342	312	309
Capital Power Corporation.....	950,000	21,987	23,284	Electricite de France S.A.....	26,189	899	797
Emera Inc.....	608,500	21,013	25,070	Eutelsat Communications .....	19,872	824	833
Fortis Inc.....	643,000	23,172	24,807	GDF Suez .....	24,805	709	622
				Hermes International.....	769	272	344
				SCOR.....	17,504	636	749
				Societe BIC S.A.....	4,841	768	873
				Suez Environnement SA.....	21,171	465	460
				Total S.A.....	9,866	731	622

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

# BMO Monthly Income Fund

(unaudited)

## SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

March 31, 2015 (All amounts in thousands of Canadian dollars, unless otherwise noted)

	Number of Shares or Units	Cost* (\$)	Fair Value (\$)		Number of Shares or Units	Cost* (\$)	Fair Value (\$)
Vallourec S.A.	10,000	295	309	Yamazaki Baking Co., Ltd.	41,000	857	937
Veolia Environnement	14,147	324	339		19,839		22,093
Vivendi S.A.	30,149	825	949	<b>Luxembourg — 0.0%</b>			
		7,319	7,481	SES S.A.	6,031	260	270
<b>Germany — 0.2%</b>				Subsea 7 S.A.	43,525	636	474
Allianz SE	2,966	585	653			896	744
Deutsche Telekom AG	70,273	1,354	1,630	<b>Macau — 0.0%</b>			
E.ON SE	57,534	1,155	1,085	MGM China Holdings Limited	285,600	1,004	679
Fraport AG	10,143	743	769	SJM Holdings Limited	506,000	1,204	835
HUGO BOSS AG	5,242	830	808			2,208	1,514
RWE Aktiengesellschaft	18,493	746	599	<b>Netherlands — 0.0%</b>			
Telefonica Duetschland Holding AG	84,238	584	617	Royal Dutch Shell PLC, B Shares	16,556	648	652
		5,997	6,161	Royal Dutch Shell Plc, Class A, London Exchange	11,006	431	414
						1,079	1,066
<b>Hong Kong — 0.1%</b>				<b>New Zealand — 0.0%</b>			
China Mobile Limited, ADR	6,200	441	511	Spark New Zealand Limited	380,000	847	1,068
CLP Holdings Limited	77,500	789	857	<b>Norway — 0.1%</b>			
Hang Seng Bank Limited	44,200	862	1,013	DnB ASA	35,535	684	724
Li & Fung Limited	770,000	1,012	951	Gjensidige Forsikring ASA	41,765	852	914
Link Real Estate Investment Trust, The	40,000	291	312	Statoil ASA	49,055	1,269	1,098
NWS Holdings Limited	242,000	512	511	Telenor ASA	52,505	1,298	1,344
		3,907	4,155			4,103	4,080
<b>Israel — 0.1%</b>				<b>Singapore — 0.1%</b>			
Bank Hapoalim B.M.	120,561	729	735	Ascendas REIT	402,400	871	961
Bezeq The Israel Telecommunication Corp., Ltd.	634,593	1,174	1,498	CapitaMall Trust	203,700	405	413
Israel Chemicals Ltd.	93,625	819	843	Singapore Exchange Ltd.	223,200	1,428	1,676
Teva Pharmaceutical Industries Ltd.	11,581	827	914	StarHub Limited	232,300	860	933
		3,549	3,990	Wilmar International Limited	196,400	563	589
						4,127	4,572
<b>Italy — 0.1%</b>				<b>Spain — 0.1%</b>			
Eni S.p.A.	38,500	992	844	Abertis Infraestructuras S.A.	35,162	781	805
Snam Rete Gas S.p.A.	93,768	543	575	Amadeus IT Holding S.A., Class A	16,177	827	879
Terna - Rete Elettrica Nazionale S.p.A.	150,352	820	839	Banco Popular Espanol, S.A.	75,000	403	464
		2,355	2,258	Endesa S.A.	35,000	836	855
<b>Japan — 0.6%</b>				Grifols, S.A.	12,037	598	655
Aeon Co., Ltd.	61,000	779	849	Telefonica S.A.	36,145	619	651
Aisin Seiki Co., Ltd.	15,800	610	727	Telefonica S.A., Rights, Apr 13, 2015	36,145	7	7
Canon Inc.	20,100	844	900	Zardoya Otis SA	17,184	258	281
Daito Trust Construction Co., Ltd.	10,700	1,277	1,516			4,329	4,597
Daiwa Securities Group Inc.	65,000	634	649	<b>Sweden — 0.1%</b>			
Hisamitsu Pharmaceutical Co., Inc.	5,200	258	271	Nordea Bank AB	80,890	1,242	1,250
Hitachi Construction Machinery Co., Ltd.	49,200	1,050	1,090	Skandinaviska Enskilda Banken AB, A Shares	77,226	1,123	1,144
Hokuriku Electric Power Company	57,300	900	962	Svenska Handelsbanken AB, A Shares	25,189	1,393	1,440
Japan Airlines Co., Ltd.	39,800	1,204	1,571	Swedbank AB	50,455	1,487	1,527
JGC Corporation	32,000	906	806			5,245	5,361
JX Holdings, Inc.	157,100	799	764	<b>Switzerland — 0.0%</b>			
Lawson, Inc.	11,400	901	1,002	Roche Holding AG	1,885	590	658
Mizuho Financial Group, Inc.	290,600	588	647	<b>Taiwan — 0.1%</b>			
Nippon Telegraph and Telephone Corporation	15,600	1,044	1,218	Chunghwa Telecom Co., Ltd., ADR	16,900	583	686
NTT Data Corporation	20,500	870	1,131	Taiwan Semiconductor Manufacturing Company Limited, ADR	22,700	458	675
Osaka Gas Co., Ltd.	149,000	651	790	United Microelectronics Corporation, ADR	526,100	1,247	1,626
Otsuka Holdings Co., Ltd.	22,400	852	889			2,288	2,987
Park24 Company Ltd.	70,000	1,508	1,816	<b>United Kingdom — 0.5%</b>			
Sankyo Co., Ltd.	21,100	861	952	Admiral Group plc	38,989	989	1,119
Sharp Corporation	222,000	602	551	Ashmore Group plc	96,203	599	513
Suntory Beverage & Food Limited	8,800	362	477				
TOKYO GAS CO., LTD.	102,000	647	814				
Tonengeneral Sekiyu K.K.	70,000	835	764				

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# BMO Monthly Income Fund

(unaudited)

## SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

March 31, 2015 (All amounts in thousands of Canadian dollars, unless otherwise noted)

	Number of Shares or Units	Cost* (\$)	Fair Value (\$)		Number of Shares or Units	Cost* (\$)	Fair Value (\$)
AstraZeneca PLC, London Exchange	9,809	887	852	Gap Inc.	179,700	9,373	9,862
BHP Billiton Plc, London Exchange	26,475	764	728	HCP, Inc.	32,500	1,873	1,779
BP p.l.c.	126,397	1,039	1,034	Hospitality Properties Trust	240,300	7,814	10,041
Enso plc, Class A	166,800	8,354	4,451	Intel Corporation	172,950	6,924	6,850
Inmarsat plc	20,401	283	354	International Business Machines Corporation	42,000	7,699	8,538
InterContinental Hotels Group PLC	15,500	618	766	International Paper Company	45,100	3,158	3,170
National Grid plc	48,905	830	792	Intuit Inc.	19,600	2,308	2,407
Next plc	6,964	916	919	Kellogg Company	111,200	8,852	9,288
Noble Corporation PLC	100,000	2,258	1,809	Kimberly-Clark Corporation	62,200	7,535	8,438
Rio Tinto plc, London Exchange	10,931	664	566	Kohl's Corporation	49,200	4,785	4,876
Severn Trent Plc	21,565	813	834	L Brands Inc.	84,600	5,463	10,103
Shire plc	6,000	454	604	Las Vegas Sands Corp.	121,100	8,530	8,442
SSE plc	28,752	818	809	LyondellBasell Industries N.V., Class A	53,300	6,009	5,927
William Hill PLC	115,012	822	801	Marsh & McLennan Companies, Inc.	132,000	8,520	9,377
William Morrison Supermarkets PLC	307,183	955	1,112	Mattel, Inc.	55,000	1,591	1,592
		22,063	18,063	McDonald's Corporation	15,400	1,675	1,901
<b>United States — 15.2%</b>				McGraw Hill Financial Inc.	51,600	3,972	6,758
3M Company	45,200	8,789	9,443	Micron Technology, Inc.	98,100	3,430	3,371
Aflac Incorporated	35,400	2,326	2,870	Murphy Oil Corporation	110,300	7,074	6,510
Alliant Energy Corporation	24,500	1,748	1,955	New York Community Bancorp, Inc.	495,500	8,298	10,499
Altria Group, Inc.	30,900	1,828	1,958	Newmont Mining Corporation	113,100	3,468	3,110
Ameren Corp.	199,000	8,070	10,636	NextEra Energy, Inc.	58,737	6,912	7,741
American Electric Power Company, Inc.	116,762	7,263	8,318	People's United Financial Inc.	175,000	2,938	3,369
American Water Works Company, Inc.	67,700	4,230	4,648	Pepco Holdings, Inc.	196,425	6,024	6,675
AmerisourceBergen Corporation	73,700	9,106	10,610	Pepsico, Inc.	78,200	8,828	9,471
Apple Inc.	59,000	9,048	9,298	Pfizer Inc.	184,200	6,088	8,116
Archer Daniels Midland Company	127,600	7,415	7,660	Philip Morris International Inc.	78,500	7,336	7,490
AT&T Inc.	132,100	4,960	5,463	Pinnacle West Capital Corporation	120,800	7,428	9,754
C. R. Bard, Inc.	10,250	1,801	2,173	PPL Corporation	77,775	3,148	3,316
Cablevision Systems Corporation, Class A	444,900	8,368	10,312	Procter & Gamble Company, The	78,912	8,012	8,190
Campbell Soup Company	98,000	5,471	5,778	Progressive Corporation, The	230,200	6,892	7,930
Capitol Federal Financial, Inc.	665,700	8,819	10,539	Public Service Enterprise Group Incorporated	70,830	3,376	3,761
Cardinal Health, Inc.	43,200	4,705	4,939	Public Storage, Inc.	42,000	7,559	10,487
CenturyLink Inc.	213,000	8,294	9,321	R.R. Donnelley & Sons Company	258,700	4,796	6,288
Chipotle Mexican Grill, Inc.	2,600	2,195	2,142	Rayonier Inc.	256,500	10,018	8,758
Clorox Company, The	47,500	4,774	6,641	Reynolds American Inc.	18,600	1,429	1,623
Coach, Inc.	165,800	8,173	8,700	Safeway Inc., Casa Ley, S.A. de C.V., Contingent Value Rights, Jan 30, 2019 <sup>1</sup>	196,800	—	253
Coca-Cola Company, The	76,700	3,794	3,939	Safeway Inc., Property Development Centers, LLC, Contingent Value Rights, Jan 30, 2017	196,800	—	12
Colgate-Palmolive Company	120,800	8,263	10,609	Seagate Technology PLC	129,000	8,716	8,501
Commerce Bancshares, Inc.	121,790	5,492	6,528	Skyworks Solutions, Inc.	26,300	3,198	3,274
Computer Sciences Corporation	101,250	8,445	8,371	Southern Company, The	173,800	8,199	9,747
Consolidated Edison, Inc.	119,675	8,319	9,246	Southwestern Energy Company	56,700	2,507	1,665
Crown Castle International Corp.	37,400	3,101	3,910	T. Rowe Price Group, Inc.	102,400	8,705	10,503
Cullen/Frost Bankers, Inc.	95,800	7,592	8,382	Target Corporation	76,200	7,572	7,921
Dollar Tree, Inc.	15,400	1,570	1,583	TECO Energy, Inc.	428,500	8,168	10,529
Dr Pepper Snapple Group, Inc.	54,723	4,833	5,439	Time Warner Cable	47,500	8,536	9,017
Duke Energy Corporation	66,700	6,240	6,486	TJX Companies, Inc., The	18,100	1,564	1,606
Edwards Lifesciences Corp.	53,600	6,098	9,671	TransDigm Group Incorporated	34,500	9,706	9,557
Energy Corporation	103,600	8,018	10,168	Ventas, Inc.	25,000	2,302	2,312
EOG Resources, Inc.	30,000	3,690	3,484	Verizon Communications Inc.	83,400	4,417	5,137
EPR Properties	110,600	6,270	8,409	Wal-Mart Stores, Inc.	90,900	9,581	9,469
Estee Lauder Companies Inc., The, Class A	69,200	7,051	7,289	Windstream Holdings, Inc.	219,200	2,375	2,054
Everest Re Group, Ltd.	18,300	3,279	4,033				
F5 Networks Inc.	21,900	3,170	3,188				
Federated Investors Inc., Class B	249,600	7,854	10,714				
FirstEnergy Corporation	46,400	1,934	2,060				
Franklin Resources, Inc.	24,300	1,587	1,579				

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

# BMO Monthly Income Fund

(unaudited)

## SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

March 31, 2015 (All amounts in thousands of Canadian dollars, unless otherwise noted)

	Number of Shares or Units	Cost <sup>+</sup> (\$)	Fair Value (\$)
Xcel Energy Inc.....	176,737.....	6,938.....	7,792
.....	.....	525,602.....	593,649
<b>Total Foreign Equities — 18.9%</b> .....	.....	<b>661,223.....</b>	<b>734,699</b>
<b>Total Equities — 51.6%</b> .....	.....	<b>1,738,037..</b>	<b>2,008,735</b>
<b>Total Investment Portfolio — 99.2%</b> .....	.....	<b>3,488,858..</b>	<b>3,864,584</b>
Total Unrealized Gain on Forward Currency Contracts — 0.0% .....	.....	.....	30
Other Assets Less Liabilities — 0.8% .....	.....	.....	31,112
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS - 100.0%</b> .....	.....	.....	<b>3,895,726</b>

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

\* These securities have no quoted market value and are valued using valuation techniques (note 3).

Settlement Date	Currency Buy	Position (000s)	Currency Sell	Position (000s)	Contract Rates	Counterparty	Credit Rating*	Unrealized Gain
<b>UNREALIZED GAIN ON FORWARD CURRENCY CONTRACTS</b>								
8-Apr-15.....	CAD .....	3,212.....	AUD .....	(3,300).....	0.9734.....	Bank of New York Mellon Trust Co. N.A. (The).....	A-1+ .....	30
<b>Total Unrealized Gain on Forward Currency Contracts .....</b>								<b>30</b>

\*Credit Rating provided by Standard & Poor's.

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

# BMO Monthly Income Fund

(unaudited)

## NOTES TO THE FINANCIAL STATEMENTS

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

March 31, 2015

### 1. The Mutual Fund

BMO Monthly Income Fund (the “Fund”) is an open-ended investment fund established under the laws of the province of Ontario and is governed by a Master Declaration of Trust dated November 6, 2007. 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 Advisor Series, Series T5, Series T6, Series M, Series F, Premium Series, Series D, Series H, Series I, Series NBA, Series NBF, Series O, Series L, Series R 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 Fund’s series and respective launch date(s) and for the management fee rates 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.

The information provided in these interim financial statements is for the periods ended March 31, 2015 and March 31, 2014 except for the comparative information in the Statement of Financial Position and the related notes, which are as at September 30, 2014 and October 1, 2013. Financial information for a Fund established during the period(s) is presented from the date of inception as noted in Note 8. Financial information provided for a series established during the period(s) is presented from the launch date as noted in Note 8.

These financial statements were authorized for issue by the Manager on May 13, 2015.

### 2. Basis of preparation and presentation

These interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) IAS 34 Interim Financial Reporting. These are the Fund’s first interim financial statements during the first year of reporting in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

As required by Canadian securities legislation and the Canadian Accounting Standards Board, the Fund has adopted this basis of accounting effective October 1,

2014. The Fund’s financial statements were previously prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”), as previously defined and as described in the notes to the Fund’s annual financial statements for the year ended September 30, 2014. Canadian GAAP, as previously defined, differs in some areas from IFRS. To comply with IFRS, the Fund has amended certain accounting policies, classification, measurement and disclosure previously applied in the Canadian GAAP financial statements. Financial information related to all periods have been presented on a consistent basis.

As required under IFRS, as applicable, the Fund has:

- provided comparative financial information including an opening Statement of Financial Position as at the transition date
- retroactively applied all IFRS, other than in respect of elections taken under IFRS 1; and
- applied all mandatory exceptions as applicable for the first-time adopters of IFRS.

Note 8 contains reconciliations and descriptions of the effects of the transition to IFRS on the Fund’s reported financial position, financial performance and cash flows.

Any subsequent changes to IFRS that are given effect in the Fund’s annual financial statements for the year ending September 30, 2015 could result in restatement of these interim financial statements, including the transition adjustments recognized on transition to IFRS.

### 3. Summary of significant accounting policies

#### Fund mergers

The Manager has adopted the purchase method of accounting for certain Fund mergers which occurred during the periods. Under this method, 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”. This identification is based on the comparison of the relative net asset values of the Funds as well as consideration of the continuation of such aspects of the Continuing Fund as: investment advisors; investment objectives and practices; type of portfolio securities; and management fees and expenses. Where applicable, refer to Note 8 for the details of the merger transactions.

# BMO Monthly Income Fund

(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, 2015

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### Financial instruments

The Fund records financial instruments at fair value. Investment transactions are accounted for on the trade date. The Fund's investments are either designated at fair value through profit or loss ("FVTPL") at inception or classified as held for trading. The changes in the investment fair values and related transaction costs are recorded in the Fund's Statement of Comprehensive Income.

Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purpose of selling or repurchasing in the near future, or on initial recognition, are part of a portfolio of identified financial instruments that the Fund manages together and that have a recent actual pattern of short-term profit taking. The Fund classifies all derivatives and short positions as held for trading. The Fund does not designate any derivatives as hedges in a hedging relationship.

The Fund designates all other investments at FVTPL, as they have reliably measurable fair values, are part of a group of financial assets or liabilities that are managed and have their performance evaluated on a fair value basis in accordance with the Fund's investment strategy.

The Fund has issued multiple series of redeemable units, 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 are classified as financial liabilities and presented at the redemption amounts.

All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid or discounted, when appropriate, at the contract's effective interest rate.

The Fund has determined that it meets the definition of "investment entity" and as a result, it measures subsidiaries at FVTPL.

### Cost of investments

The cost of investments represents the amount paid for each security and is determined on an average cost basis.

### Fair value measurement

Investments are recorded at their fair value with the change between this amount and their average cost being recorded as change in unrealized appreciation (depreciation) in the Statement of Comprehensive Income.

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 securities 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 and other debt securities fair value is represented by bid prices provided by independent security pricing services. Short-term investments, if any, are carried at amortized cost which approximates fair value. 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. Exchange traded funds held as investments are valued at close prices except for related exchange traded funds which 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.

For securities where market quotes are not available, unreliable or not considered to reflect the current value, the Fund may determine another value which it considers to be fair and reasonable, or using a valuation technique that, to the extent possible, makes maximum use of inputs and assumptions based on observable market data including volatility, comparable companies 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 Fund uses internal models where the inputs are not based on observable market data.



# BMO Monthly Income Fund

(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, 2015

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### **Derivative instruments**

Derivative instruments are financial contracts that derive their value from underlying changes in interest rates, foreign exchange rates or other financial or commodity prices or indices.

Derivative instruments are either regulated exchange-traded contracts or negotiated over-the-counter contracts. The Fund may use these instruments for trading purposes, as well as to manage the Fund's risk exposures.

Derivatives are marked to fair value. Discussion of the fair value measurement of derivatives is included in Note 3. Realized and unrealized gains and losses are recorded in the Statement of Comprehensive Income.

#### *Forward currency contracts*

A forward currency contract is an agreement between two parties (the Fund and the counterparty) to purchase or sell a currency against another currency at a set price on a future date. The Fund may enter into forward currency contracts for hedging purposes which can include the economic hedging of all or a portion of the currency exposure of an investment or group of investments, either directly or indirectly. The Fund may also enter into these contracts for non-hedging purposes which can include increasing the exposure to a foreign currency or the shifting exposure to foreign currency fluctuations from one country to another. The value of forward currency contracts entered into by the Fund is recorded as the difference between the value of the contract on the Valuation Date and the value on the date the contract originated.

#### *Option contracts*

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.

#### *Purchased option contracts*

The premium paid for purchasing a call option is recorded as an asset in the Statement of Financial Position. The premium 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.

#### *Written option contracts*

The premium received from writing a call or put option is recorded as a liability 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 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 investment the Fund had purchased.

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

#### *Futures contracts*

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, the "notional value". Any difference between the notional value on each Valuation Date is recorded as "Net realized gain (loss)" in the Statement of Comprehensive Income. Treasury bills or cash are held as margin against futures contracts.

# BMO Monthly Income Fund

(unaudited)

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

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

March 31, 2015

### Income recognition

Dividend income and distributions from investment trust units 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 instruments' 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. Foreign exchange gains (losses) on completed transactions are included in "Realized gains (losses)" and unrealized foreign exchange gains (losses) are included in "Change in unrealized appreciation (depreciation)" in the Statement of Comprehensive Income. Foreign exchange gains and losses relating to cash, receivables and payables are included as "Foreign exchange gain (loss)".

### Securities lending

A Fund may engage in securities lending pursuant to the terms of an agreement which includes restrictions as set out in Canadian securities legislation. Collateral held is government Treasury Bills and qualified Notes.

Income from securities lending, where applicable, is included in the Statement of Comprehensive Income and is recognized when earned. The market value of the securities loaned and collateral held is determined

daily. Aggregate values of securities held in trust as at March 31, 2015, September 30, 2014 and October 1, 2013, where applicable, are disclosed in Note 8.

### 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.

### Cash

Cash is comprised of cash and deposits with banks which include banker acceptances and overnight demand deposits. Cash is recorded at amortized cost.

### Other assets and other liabilities

Dividend receivable, interest receivable, distributions from investment trust units receivable, due from broker and subscriptions receivable are measured at fair value and subsequently measured at amortized cost. Similarly, due to broker, redemptions payable and accrued expenses are initially measured at amortized cost. Other assets and liabilities are short-term in nature, and are carried at cost or amortized cost, which approximates fair value.

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

"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 ("Net Assets") of the series divided by the weighted average number of units of the series outstanding during the period.

### 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 Fund has determined that it 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 in the Statement of Financial Position.

The Fund incurs withholding taxes imposed by certain countries on investment income and capital gains.

# BMO Monthly Income Fund

(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, 2015

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Such income and gains are recorded on a gross basis with the related withholding taxes shown as a separate expense in the Statement of Comprehensive Income.

### Investments in associates, joint ventures and subsidiaries

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 Fund has determined that it is an investment entity and as such, it accounts for subsidiaries at fair value. Joint ventures are those 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 have been designated at FVTPL.

### Unconsolidated structured entities

The Fund has determined that the underlying funds in which the Fund invests 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 also disclosed as interest in unconsolidated structured entities.

The Fund invests 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) of investments" in the Statements of Comprehensive Income.

Mortgage-related securities are created from pools of residential or commercial mortgage loans, including mortgage loans made by savings and loan institutions, mortgage bankers, commercial banks and others. Asset-backed securities are created from many types

of assets, including auto loans, credit card receivables, home equity loans and student loans.

The Fund does not provide and has not committed to providing any additional significant financial information or other support to the unconsolidated structured entities other than its investment in the unconsolidated structured entities. During the periods, the Fund had no sponsored 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 on the Statement of Financial Position depending on the existence of intention and legal right to offset opposite positions of such instruments held with the same counterparties. Amounts offset in the Statement of Financial Position are 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 transactions where a master netting arrangement or similar agreement is in place with a right to offset only in the event of default, insolvency or bankruptcy, or where the Fund has no intention to settling on a net basis.

### Accounting standards issued but not yet adopted

Below are accounting standards issued or amended but not yet effective and not yet adopted. The Manager does not expect the adoption of these standards or amendments to have significant impact to the Fund's financial statements.

In July 2014, the IASB issued the most recent version of IFRS 9 Financial Instruments, which addresses classification and measurement, impairment and hedge accounting.

The new standard requires assets to be carried at amortized cost, fair value through profit and loss or fair value through comprehensive income based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset. The classification and measurement of liabilities remains generally unchanged with the exception of liabilities recorded at fair value through profit and loss. For these liabilities, fair value changes attributable to changes in the entity's own credit risk

# BMO Monthly Income Fund

(unaudited)

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

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

March 31, 2015

are to be presented in other comprehensive income unless they affect amounts recorded in income.

The new standard also addresses impairment of financial assets. It also introduced a new hedge accounting model that expands the scope of eligible hedged items and risks eligible for hedge accounting, and aligns hedge accounting more closely with risk management.

The new standard is effective for the Fund for its fiscal year beginning October 1, 2018. The Fund is evaluating the impact of this standard on its financial statements.

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

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 Fund has made in preparing its financial statements:

##### **Accounting judgements:**

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

The Fund unitholders are mainly Canadian residents, with the subscriptions and redemptions of the redeemable shares 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 faithfully 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 of measurement of financial instruments and application of fair value option**

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgements about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value options for financial assets.

##### **Accounting estimates:**

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

The Fund has established policies and control procedures that are intended to ensure these judgements 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 estimates used in determining fair value.

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

The redeemable units of the Fund are classified as 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. 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 on 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 Day, in accordance with Part 14 of National Instrument (NI) 81-106 Investment Fund Continuous Disclosure for

# BMO Monthly Income Fund

(unaudited)

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

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

March 31, 2015

the purpose of processing unitholder transactions. Net Assets are determined in accordance with IFRS and may differ to the Funds' NAV. Where a Funds' 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.

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

#### **(b) Fixed administration fees**

The Manager pays certain operating expenses of the series A, Advisor, T5, T6, T8, M, F, Premium, D, H, O, L, R and Classic 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 average NAV of the Fund. Refer to Note 8 for the fixed administration fee rates charged to the Fund.

#### **(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 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 NBA and NBF series pay all of its operating 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 or 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, 2015 and March 31, 2014, 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, 2015, September 30, 2014 and October 1, 2013, 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

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

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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 Private Investment Counsel Inc., BMO Asset Management Corp., BMO Asset Management Inc., BMO InvestorLine, Pyrford International Limited, Money Inc., Lloyd George Management (Europe) Limited, BMO Trust Company, F&C Asset Management Limited, BMO Global Asset Management (Asia) Limited Hong Kong, or other investment funds offered by BMO, and may involve the purchase or sale of Fund securities through or from a member of Bank of Montreal, the purchase or sale of securities issued or guaranteed by a member of Bank of Montreal, the purchase or redemption of units or shares of other BMO Mutual Funds or the provision of services to the Manager.

### 7. Financial instrument risk

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 instrument risk of the underlying fund(s), depending on the investment objectives and the type of securities held by the 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 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. 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 instruments, 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

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

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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.

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

The Fund's exposure to liquidity risk is concentrated in the daily cash redemptions of units. The Fund primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Fund retains sufficient cash and cash equivalent 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 on 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 Monthly Income Fund

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NOTES TO THE FINANCIAL STATEMENTS (cont'd)  
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## 8. Fund specific information

### (a) Fund and Series information, change in units and significant events

The Fund is authorized to issue an unlimited number of units in each of Series A Units, Series T6 Units, Series F Units, Premium Series Units, Series D Units, Series I Units and Series R Units, which are redeemable at the unitholders' option.

Series	Launch date
Series A	March 22, 1999
Series T6	April 1, 2013
Series F	November 3, 2008
Premium Series	*
Series D	April 8, 2014
Series I	March 5, 2008
Series R	March 11, 2013

\* This series is currently not offered for distribution.

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

Series T6 units are suitable for investors holding these units outside of a registered plan and wishing to receive a monthly distribution.

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 trailer commission is paid to discount brokerages in respect to Series D units which means a lower management fee can be charged.

Series I units are available for purchase by institutional investors who make the required minimum investments and 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 R units are only available for purchase in nonregistered accounts. Series R units are suitable for investors who are comfortable with their distribution being comprised of up to 100% of return of capital.

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

For the periods ended (in thousands of units)	Mar. 31, 2015	Mar. 31, 2014
<b>Series A</b>		
Units issued and outstanding, beginning of period	374,575	390,196
Issued	36,571	24,701
Issued on reinvestment of distributions	21,020	8,453
Redeemed during the period	(32,053)	(50,589)
Units issued and outstanding, end of period	400,113	372,761
<b>Series T6</b>		
Units issued and outstanding, beginning of period	4,734	3,075
Issued	1,209	1,055
Issued on reinvestment of distributions	55	20
Redeemed during the period	(539)	(444)
Units issued and outstanding, end of period	5,459	3,706
<b>Series F</b>		
Units issued and outstanding, beginning of period	345	342
Issued	265	114
Issued on reinvestment of distributions	14	11
Redeemed during the period	(20)	(149)
Units issued and outstanding, end of period	604	318
<b>Premium Series</b>		
Units issued and outstanding, beginning of period	—	—
Issued	0	—
Units issued and outstanding, end of period	0	—



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NOTES TO THE FINANCIAL STATEMENTS (cont'd)  
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For the periods ended (in thousands of units)	Mar. 31, 2015	Mar. 31, 2014
<b>Series D</b>		
Units issued and outstanding, beginning of period	375	—
Issued	293	—
Issued on reinvestment of distributions	14	—
Redeemed during the period	(94)	—
Units issued and outstanding, end of period	588	—

<b>Series I</b>		
Units issued and outstanding, beginning of period	28,033	26,652
Issued	607	668
Issued on reinvestment of distributions	1,871	1,408
Redeemed during the period	(500)	(1,051)
Units issued and outstanding, end of period	30,011	27,677

<b>Series R</b>		
Units issued and outstanding, beginning of period	69,435	77,711
Issued	60	3,042
Issued on reinvestment of distributions	31	10
Redeemed during the period	(5,064)	(7,178)
Units issued and outstanding, end of period	64,462	73,585

## Series name change

As at the close of business on March 28, 2013, the series name was changed from BMO Guardian Monthly Income Fund Series F to Series F.

## (b) Reconciliation of NAV to net assets

As at March 31, 2015, September 30, 2014 and October 1, 2013, there were no differences between the Fund's NAV per unit and its net assets per unit calculated for each Series in accordance with IFRS.

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

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the periods ended March 31, 2015 and March 31, 2014 is calculated as follows:

	Mar. 31, 2015	Mar. 31, 2014
<b>Series A Units</b>		
Increase in net assets attributable to holders of redeemable units	245,236	213,462
Weighted average units outstanding during the period	386,478	379,479
Increase in net assets attributable to holders of redeemable units per unit	0.63	0.56
<b>Series T6 Units</b>		
Increase in net assets attributable to holders of redeemable units	4,235	2,611
Weighted average units outstanding during the period	4,987	3,352
Increase in net assets attributable to holders of redeemable units per unit	0.85	0.78
<b>Series F Units</b>		
Increase in net assets attributable to holders of redeemable units	409	255
Weighted average units outstanding during the period	444	304
Increase in net assets attributable to holders of redeemable units per unit	0.92	0.84
<b>Premium Series Units</b>		
Increase in net assets attributable to holders of redeemable units	0	—
Weighted average units outstanding during the period	0	—
Increase in net assets attributable to holders of redeemable units per unit	0.06	—
<b>Series D Units</b>		
Increase in net assets attributable to holders of redeemable units	421	—
Weighted average units outstanding during the period	475	—
Increase in net assets attributable to holders of redeemable units per unit	0.89	—
<b>Series I Units</b>		
Increase in net assets attributable to holders of redeemable units	25,279	20,885
Weighted average units outstanding during the period	29,069	27,296
Increase in net assets attributable to holders of redeemable units per unit	0.87	0.77

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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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	Mar. 31, 2015	Mar. 31, 2014
<b>Series R Units</b>		
Increase in net assets attributable to holders of redeemable units	38,101	40,789
Weighted average units outstanding during the period	66,461	74,916
Increase in net assets attributable to holders of redeemable units per unit	0.57	0.54

### (d) Income taxes

The Fund did not have any available capital and non-capital losses carried forward for income tax purposes as of the tax year-ended December 2014.

### (e) Related party transactions

#### Management fees

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

Series	Management Fees (%)	Fixed Administration Fees (%)
Series A	1.300	0.120
Series T6	1.300	0.120
Series F	0.550	0.120
Premium Series	—	0.120
Series D	0.800	0.120
Series I	*	*
Series R	1.300	0.120

\* 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 for the period ended March 31, 2015 amounted to \$4,409 (September 30, 2014 - \$3,916; October 1, 2013 - \$3,860).

#### Expenses

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

### Brokerage commissions and soft dollars

Brokerage commissions paid on securities transactions and amounts paid to related parties of the Manager for brokerage services provided to the Fund for the periods are as follows:

	Mar. 31, 2015 (\$)	Mar. 31, 2014 (\$)
Total brokerage amounts paid	603	591
Total brokerage amounts paid to related parties	31	37

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

### Units held by the Manager and key officers of the Manager

The Manager held the following units of the Fund:

Series	Mar. 31, 2015 Number of Units	Value of Units (\$)
Premium Series	100	1

Series	Sep. 30, 2014 Number of Units	Value of Units (\$)
Series D	101	1

Series	Oct. 1, 2013 Number of Units	Value of Units (\$)
Series T6	1,031	10
Series R	1,379	9

### (f) Financial instrument risk

The Fund's objective is to provide a fixed monthly distribution while preserving the value of investments. The Fund invested primarily in Canadian fixed income securities with higher-than-average yields, issued by the federal government, provincial governments, government agencies and corporations as well as preferred and common shares, real estate investment trusts, royalty trusts and other high-yielding investments.

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

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

### Currency risk

The tables below summarize the Fund's exposure to currency risk. Amounts shown are based on the carrying value of monetary and non-monetary assets (including derivatives and the underlying principle (notional) amount of forward currency contracts, if any).

#### As at Mar. 31, 2015

	Cash and other current receivables & payables (\$)	Invest- ments (monetary & non- monetary) (\$)	Forward currency contracts (\$)	Net currency exposure (\$)	As a % of Net Assets (%)
Australian Dollar	86	12,226	(3,182)	9,130	0.2
Danish Krone	67	1,849	-	1,916	0.1
Euro	52	26,869	-	26,921	0.7
Hong Kong Dollar	11	5,158	-	5,169	0.1
Israeli Shekel	1	3,990	-	3,991	0.1
Japanese Yen	164	22,093	-	22,257	0.6
New Zealand Dollar	33	1,068	-	1,101	0.0
Norwegian Krone	-	4,554	-	4,554	0.1
Pound Sterling	25	12,869	-	12,894	0.3
Singapore Dollar	-	5,465	-	5,465	0.1
Swedish Krona	142	5,361	-	5,503	0.2
Swiss Franc	-	658	-	658	0.0
U.S. Dollar	945	632,539	-	633,484	16.3
<b>Total</b>	<b>1,526</b>	<b>734,699</b>	<b>(3,182)</b>	<b>733,043</b>	<b>18.8</b>

All amounts in Canadian dollars

#### As at Sep. 30, 2014

	Cash and other current receivables & payables (\$)	Invest- ments (monetary & non- monetary) (\$)	Forward currency contracts (\$)	Net currency exposure (\$)	As a % of Net Assets (%)
Australian Dollar	(415)	6,855	(1,372)	5,068	0.1
Danish Krone	-	1,772	-	1,772	0.0
Euro	(291)	11,659	2,122	13,490	0.4
Hong Kong Dollar	1,163	2,024	-	3,187	0.1
Israeli Shekel	49	2,230	-	2,279	0.1
Japanese Yen	457	16,457	-	16,914	0.5
New Zealand Dollar	29	950	-	979	0.0
Norwegian Krone	(562)	3,864	-	3,302	0.1
Pound Sterling	58	6,874	3,632	10,564	0.3
Singapore Dollar	-	2,874	-	2,874	0.1
Swedish Krona	-	7,516	-	7,516	0.2
Swiss Franc	-	625	-	625	0.0
U.S. Dollar	292	449,140	-	449,432	12.3
<b>Total</b>	<b>780</b>	<b>512,840</b>	<b>4,382</b>	<b>518,002</b>	<b>14.2</b>

All amounts in Canadian dollars

#### As at Oct. 1, 2013

	Cash and other current receivables & payables (\$)	Invest- ments (monetary & non- monetary) (\$)	Forward currency contracts (\$)	Net currency exposure (\$)	As a % of Net Assets (%)
U.S. Dollar	1,207	254,916	-	256,123	7.2

All amounts in Canadian dollars

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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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As at March 31, 2015, September 30, 2014 and October 1, 2013, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all factors remaining constant, Net Assets could possibly have increased or decreased, respectively, by approximately \$36,652 (September 30, 2014 – \$25,900; October 1, 2013 – \$12,806). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

### Interest rate risk

The following table summarizes the Fund's exposure to interest rate risk by remaining term to maturity:

Number of years	Interest Rate Exposure as at		
	Mar. 31, 2015	Sep. 30, 2014	Oct. 1, 2013
Less than one year	51,569	5,093	31,346
One to three years	349,951	325,445	374,783
Three to five years	286,669	347,469	327,315
Five to ten years	505,093	428,164	595,324
Greater than ten years	427,612	326,191	95,263
<b>Total</b>	<b>1,620,894</b>	<b>1,432,362</b>	<b>1,424,031</b>

All amounts in Canadian dollars

As at March 31, 2015, September 30, 2014 and October 1, 2013, if the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, Net Assets could possibly have decreased or increased, respectively, by approximately \$120,838 (September 30, 2014 – \$103,048; October 1, 2013 – \$59,402). The Fund's interest rate sensitivity was determined based on portfolio weighted duration. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

### Other market risk

The Fund has a significant exposure to other market risk arising from its investment in equity securities. Using historical correlation between the Fund's return and the return of its benchmark, if the benchmark, composed of 50% S&P/TSX Composite Total Return Index and 50% FTSE TMX Canada Universe Bond 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 \$129,194 (September 30, 2014 - \$130,786; October 1, 2013 - \$143,354). 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 credit risk exposure grouped by credit ratings is listed in the following table:

Credit Rating	As a % of Net Assets as at		
	Mar. 31, 2015	Sep. 30, 2014	Oct. 1, 2013
R-1 High	0.2	0.1	0.2
R-1 Mid	0.8	-	0.2
R-1 Low	0.2	-	-
AAA	13.6	12.2	14.0
AA	9.3	9.6	8.0
A	11.4	12.5	12.8
BBB	6.1	4.9	4.9
<b>Total</b>	<b>41.6</b>	<b>39.3</b>	<b>40.1</b>

### Securities lending

The Fund had assets involved in securities lending transactions outstanding as at March 31, 2015, September 30, 2014 and October 1, 2013 as follows:

	Aggregate value of securities on loan (\$)	Aggregate value of collateral received for the loan (\$)
Mar. 31, 2015	752,602	795,827
Sep. 30, 2014	598,768	630,668
Oct. 1, 2013	681,144	719,227

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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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### Concentration risk

The following is a summary of the Fund's concentration risk:

	Mar. 31, 2015	Sep. 30, 2014	Oct. 1, 2013
<b>Money Market Investments</b>			
Federal.....	0.2%	—%	0.2%
Provincial.....	1.0%	0.1%	0.2%
<b>Canadian Bonds &amp; Debentures</b>			
Federal Bonds.....	10.9%	9.4%	10.9%
Provincial Bonds.....	11.5%	12.8%	9.4%
Municipal Bonds.....	0.1%	0.1%	0.3%
Corporate Bonds & Debentures.....	16.0%	15.9%	18.0%
Asset-Backed Securities.....	0.1%	—%	0.1%
Mortgage-Backed Securities.....	0.1%	0.1%	0.2%
<b>Foreign Bonds &amp; Debentures</b>			
Germany.....	0.3%	—%	—%
Japan.....	0.1%	—%	—%
United Kingdom.....	0.6%	0.6%	0.4%
United States.....	0.7%	0.2%	0.4%
<b>Canadian Equities</b>			
Consumer			
Discretionary.....	3.4%	4.4%	4.8%
Consumer Staples.....	1.7%	2.4%	5.0%
Energy.....	6.5%	7.0%	8.2%
Financials.....	12.0%	12.9%	14.8%
Industrials.....	0.6%	1.1%	1.2%
Information			
Technology.....	0.2%	—%	—%
Materials.....	1.4%	0.6%	1.3%
Telecommunication			
Services.....	1.6%	1.7%	3.1%
Utilities.....	5.3%	5.8%	5.0%
<b>Foreign Equities</b>			
Australia.....	0.3%	0.2%	—%
Austria.....	0.0%	—%	—%
Belgium.....	0.2%	0.0%	—%
Bermuda.....	0.8%	0.5%	—%
China.....	0.0%	—%	—%
Colombia.....	—%	—%	0.2%
Denmark.....	0.1%	0.1%	—%
Finland.....	—%	0.0%	—%
France.....	0.2%	0.1%	—%
Germany.....	0.2%	0.1%	—%

	Mar. 31, 2015	Sep. 30, 2014	Oct. 1, 2013
Hong Kong.....	0.1%	0.0%	—%
Israel.....	0.1%	0.1%	—%
Italy.....	0.1%	0.0%	—%
Japan.....	0.6%	0.5%	—%
Luxembourg.....	0.0%	0.0%	—%
Macau.....	0.0%	0.0%	—%
Netherlands.....	0.0%	0.0%	0.1%
New Zealand.....	0.0%	0.0%	—%
Norway.....	0.1%	0.1%	—%
Singapore.....	0.1%	0.1%	—%
Spain.....	0.1%	0.0%	—%
Sweden.....	0.1%	0.2%	—%
Switzerland.....	0.0%	0.0%	—%
Taiwan.....	0.1%	0.1%	—%
United Kingdom.....	0.5%	0.4%	—%
United States.....	15.2%	11.6%	7.1%
<b>Exchange Traded Funds.....</b>			
	6.0%	9.5%	7.8%
<b>Other Assets Less</b>			
Liabilities.....	0.8%	1.3%	1.3%
	100.0%	100.0%	100.0%

### (g) Financial assets and financial liabilities

#### Categories of financial assets and financial liabilities

The table below shows the categories of financial assets and financial liabilities:

	Mar. 31, 2015	Sep. 30, 2014	Oct. 1, 2013
Financial assets designated as FVTPL	3,864,584	3,603,780	3,505,395
Financial assets held for trading	30	126	—
Loans and receivables	95,535	35,468	42,915
Financial liabilities held for trading	—	23	—
Financial liabilities measured at amortized cost	86,256	16,206	23,457

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

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Net gains and losses on financial assets and financial liabilities		
	Mar. 31, 2015	Mar. 31, 2014
<b>Net realized gains (losses) on financial assets</b>		
Held for trading	64	63
Designated at FVTPL	228,258	120,661
	228,322	120,724
<b>Net realized gains (losses) on financial liabilities</b>		
Held for trading	—	—
<b>Total net realized gains (losses) on financial assets and liabilities</b>		
	228,322	120,724
<b>Change in unrealized gains (losses) on financial assets</b>		
Held for trading	—	—
Designated at FVTPL	114,622	183,528
	114,622	183,528
<b>Change in unrealized gains (losses) on financial liabilities</b>		
Held for trading	(73)	(108)
<b>Total change in unrealized gains (losses) on financial assets and liabilities</b>		
	114,549	183,420

### (h) 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, 2015

Financial assets	Level 1	Level 2	Level 3	Total
Equity Securities	1,901,422	107,048	265	2,008,735
Debt Securities	7,516	1,613,378	—	1,620,894
Derivatives	—	30	—	30
Investment Funds	234,955	—	—	234,955
<b>Total</b>	<b>2,143,893</b>	<b>1,720,456</b>	<b>265</b>	<b>3,864,614</b>

### As at Sep. 30, 2014

Financial assets	Level 1	Level 2	Level 3	Total
Equity Securities	1,750,358	74,770	—	1,825,128
Debt Securities	4,613	1,427,749	—	1,432,362
Derivatives	—	126	—	126
Investment Funds	346,290	—	—	346,290
<b>Total</b>	<b>2,101,261</b>	<b>1,502,645</b>	<b>—</b>	<b>3,603,906</b>

### Financial liabilities

Derivatives	—	(23)	—	(23)
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### As at Oct. 1, 2013

Financial assets	Level 1	Level 2	Level 3	Total
Equity Securities	1,800,874	4,010	—	1,804,884
Debt Securities	—	1,424,031	—	1,424,031
Investment Funds	276,480	—	—	276,480
<b>Total</b>	<b>2,077,354</b>	<b>1,428,041</b>	<b>—</b>	<b>3,505,395</b>

### Transfers between levels

There were no transfers between the levels during the periods.

### Changes in Level 3 Fair Value Measurements

The following table presents a reconciliation of all Level 3 financial instruments during the periods ended March 31, 2015, September 30, 2014 and October 1, 2013, including realized and unrealized gains (losses) included in earnings.

# BMO Monthly Income Fund

(unaudited)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)  
 (All amounts in thousands of Canadian dollars, except per unit data)  
 March 31, 2015

	Mar. 31, 2015	Sep. 30, 2014	Oct. 1, 2013		Mar. 31, 2015	Sep. 30, 2014	Oct. 1, 2013
<b>Financial Assets</b>							
<b>Equity Securities</b>							
Opening Balance	—	—	—	Ford Auto			
Purchase issuance	265	—	—	Securitization Trust, Series 2013-R1, Class A1, Asset- Backed Notes, Floating Rate, Dec 15, 2014 .....	-	-	3,729
Sales/settlements	—	—	—	Hollis Receivable			
Realized and unrealized gains/(losses) included in earnings	—	—	—	Term Trust II, Series 2015-1, Class A, Receivables-Backed, 1.788% Feb 26, 2020.....	4,884	-	-
Transfers in	—	—	—	Real Estate Asset			
Transfers out	—	—	—	Liquidity Trust, Series 2007-2, Class A1, 5.195% Mar 12, 2017.....	2,632	4,613	6,478
Closing Balance	265	—	—	<b>Total</b>	<b>242,471</b>	<b>350,903</b>	<b>286,687</b>

The Manager has assessed the effect of changing the inputs to possible alternatives and determined that they would not have a significant impact on net assets of the Fund.

Transfers are made between the various fair value hierarchy levels due to changes in the availability of quoted market prices or observable inputs due to changing market conditions.

During the period, \$10 million of debt securities were transferred from Level 2 to Level 1 due to increased availability of quoted prices in the active markets.

### Level 3 additional disclosures:

The level 3 positions held in the Fund were not considered significant.

### (i) Unconsolidated structured entities

Information on the carrying amount and the size of the investments in structured entities is shown in the table below.

	Mar. 31, 2015	Sep. 30, 2014	Oct. 1, 2013
<b>Carrying amount</b>			
BMO High Yield U.S. Corporate Bond Hedged to CAD Index ETF .....	-	65,497	109,130
BMO MSCI EAFE Hedged to CAD Index ETF .....	162,787	171,134	-
BMO S&P 500 Index ETF .....	72,168	109,659	167,350

### Carrying amount as a percentage of the underlying fund's net assets

BMO High Yield U.S. Corporate Bond Hedged to CAD Index ETF .....	-%	6.2%	17.9%
BMO MSCI EAFE Hedged to CAD Index ETF .....	20.0%	24.2%	-%
BMO S&P 500 Index ETF .....	2.9%	6.8%	24.0%

The carrying value of mortgage related and other asset-backed securities are included in "Investments - Non derivative financial assets" in the Statement of Financial Position. This amount also represents the maximum exposure to losses at that date.

The change in fair value of mortgage related and other asset-backed securities are included in the Statement of Comprehensive Income in "Change in unrealized appreciation (depreciation)".

# BMO Monthly Income 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, 2015

### (j) Transition to IFRS

The differences between the Fund's Canadian GAAP accounting policies and IFRS requirements resulted in measurement and classification differences on transition to IFRS. The net impact of these differences was recorded in opening Net Assets as of October 1, 2013.

The following information reflects the Fund's transition elections under IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1"), the standard for first-time adoption and the significant accounting changes resulting from our adoption of IFRS. The general principle under IFRS 1 is retroactive application, such that the Fund's Statement of Financial Position as at October 1, 2013 was restated as though the Fund has always applied IFRS with the net impact shown as an adjustment to opening Net Assets.

#### Transition elections

The Fund had applied the voluntary exemption upon transition to designate financial assets or financial liabilities at FVTPL. All financial assets designated at FVTPL upon transition were previously recorded at fair value under Canadian GAAP as required by Accounting Guideline 18, Investment Companies.

#### Statement of cash flows

Under Canadian GAAP, the Fund was exempt from providing a Statement of Cash Flows. IAS 1, Presentation of Financial Statements ("IAS 1"), requires that a Statement of Cash Flows be presented as part of a complete set of financial statements. As such, the Fund has presented a Statement of Cash Flows in the semi-annual financial statements for the periods ended March 31, 2015 and March 31, 2014.

#### Classification of redeemable units issued by the Fund

Under Canadian GAAP, redeemable units of the Fund were presented as Net Assets. IAS 32, Financial Instruments: Disclosure and Presentation ("IAS 32"), however, requires an assessment to determine whether the units issued to unitholders are puttable instruments that qualify for equity treatment. The Fund's units do not meet the criteria in IAS 32 for equity classification and therefore, have been reclassified as financial liabilities on transition to IFRS and presented on the Statement of Financial Position as Net Assets.

#### Reclassification adjustments

In addition to the measurement adjustments noted above, the Fund reclassified certain amounts upon transition in order to conform its financial statement presentation under IFRS. Under Canadian GAAP, the Fund presented withholding taxes by netting them against investment income, whereas they have been reclassified and presented separately as an expense under IFRS.

#### Revaluation of investments at FVTPL

Canadian GAAP required the use of bid prices for long positions and ask prices for short positions in the fair valuation of investments traded in an active market, rather than the use of close prices used for the purpose of determining NAV. IFRS 13, Fair Value Measurement ("IFRS 13"), requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. The standard also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. Upon adoption of IFRS, the Fund has determined that for traded securities, close prices are considered to be fair value, if they fall within the bid-ask spread. See Note 3 for the Fund's fair value measurement policy.

#### Reconciliation of Net Assets as reported under Canadian GAAP to IFRS

	Sep. 30, 2014	Mar. 31, 2014	Oct. 1, 2013
Net assets representing unitholders' equity under Canadian GAAP	3,646,417	3,573,555	3,548,833
Revaluation of investments at FVTPL	3,148	1,752	2,130
Net assets attributable to holders of redeemable units	3,649,565	3,575,307	3,550,963



# BMO Monthly Income Fund

(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, 2015

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### Reconciliation of increase (decrease) in net assets reported under Canadian GAAP to IFRS

	Sep. 30, 2014	Mar. 31, 2014
Increase in net assets from operations under Canadian GAAP	434,105	278,380
Revaluation of investments at FVTPL	1,017	(378)
Increase in net assets attributable to holders of redeemable units	435,122	278,002

### Presentation of interest income

Under Canadian GAAP, the Fund presented interest income on debt instruments in the Statement of Operations calculated using the stated rate without amortization of discounts, premiums or transaction costs. IFRS requires interest income to be calculated using the effective interest method. As a result, \$29,875 was reclassified from “Change in unrealized appreciation (depreciation)” to “Interest income” in the Statement of Comprehensive Income for the period ended March 31, 2014 to conform to the IFRS presentation.

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