

# BMO Guaranteed Investment Funds

SEMI-ANNUAL FINANCIAL STATEMENTS  
(UNAUDITED)

June 30, 2016

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

BMO Life Assurance Company, the issuer of BMO Guaranteed Investment Funds (the "Funds"), appoints independent auditors to audit the Funds' Annual Financial Statements.

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

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**STATEMENT OF FINANCIAL POSITION**

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

As at	June 30, 2016	December 31, 2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	142	111
Investments		
Non-derivative financial assets	4,359	6,240
Subscriptions receivable	—	304
Distribution receivable from investment trusts	4	2
<b>Total assets</b>	<b>4,505</b>	<b>6,657</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accrued expenses	10	6
<b>Total liabilities</b>	<b>10</b>	<b>6</b>
<b>Net assets held for the benefit of policyowners</b>	<b>4,495</b>	<b>6,651</b>
<b>Net assets held for the benefit of policyowners</b>		
100/100 Class A Units	4,395	2,760
75/75 Class A Units	50	—
Holding Money Market Units	—	3,891
75/100 Class A Units	50	—
<b>Net assets held for the benefit of policyowners per unit</b>		
100/100 Class A Units	\$ 10.04	\$ 10.04
75/75 Class A Units	\$ 10.00	\$ —
Holding Money Market Units	\$ —	\$ 10.14
75/100 Class A Units	\$ 10.00	\$ —

**STATEMENT OF COMPREHENSIVE INCOME**

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

For the periods ended	June 30, 2016	June 30, 2015
<b>INCOME</b>		
Interest income	6	26
Distribution from investment trusts	17	9
<b>Total income</b>	<b>23</b>	<b>35</b>
<b>EXPENSES</b>		
Management fees (note 8)	26	20
Fixed administration fees (note 8)	6	2
Operating expenses absorbed by the Manager	(15)	(7)
<b>Total expenses</b>	<b>17</b>	<b>15</b>
Increase in net assets held for the benefit of policyowners	6	20
<b>Increase in net assets held for the benefit of policyowners</b>		
100/100 Class A Units	1	3
75/75 Class A Units	0	—
Holding Money Market Units	5	17
75/100 Class A Units	0	—
<b>Increase in net assets held for the benefit of policyowners per unit (note 3)</b>		
100/100 Class A Units	0.00	0.02
75/75 Class A Units	0.00	—
Holding Money Market Units	0.02	0.03
75/100 Class A Units	0.00	—

**STATEMENT OF CHANGES IN NET ASSETS HELD FOR THE BENEFIT OF POLICYOWNERS**

(All amounts in thousands of Canadian dollars)

<i>For the periods ended</i>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
<b>100/100 Class A Units</b>		
<b>Net assets held for the benefit of policyowners at beginning of period</b>	2,760	1,187
Increase in net assets held for the benefit of policyowners	1	3
<b>Withdrawable unit transactions</b>		
Proceeds from withdrawable units issued	3,043	2,189
Withdrawal of withdrawable units	(1,409)	(755)
Net increase from withdrawable unit transactions	1,634	1,434
Net increase in net assets held for the benefit of policyowners	1,635	1,437
<b>Net assets held for the benefit of policyowners</b>	<b>4,395</b>	<b>2,624</b>
<b>75/75 Class A Units</b>		
<b>Net assets held for the benefit of policyowners at beginning of period</b>	—	—
Increase in net assets held for the benefit of policyowners	0	—
<b>Withdrawable unit transactions</b>		
Proceeds from withdrawable units issued	50	—
Net increase from withdrawable unit transactions	50	—
Net increase in net assets held for the benefit of policyowners	50	—
<b>Net assets held for the benefit of policyowners</b>	<b>50</b>	<b>—</b>

**STATEMENT OF CHANGES IN NET ASSETS HELD FOR THE BENEFIT OF POLICYOWNERS (cont'd)**

(All amounts in thousands of Canadian dollars)

<i>For the periods ended</i>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
<b>Holding Money Market Units</b>		
<b>Net assets held for the benefit of policyowners at beginning of period</b>	3,891	3,743
Increase in net assets held for the benefit of policyowners	5	17
<b>Withdrawable unit transactions</b>		
Proceeds from withdrawable units issued	17,820	52,262
Withdrawal of withdrawable units	(21,716)	(50,010)
Net (decrease) increase from withdrawable unit transactions	(3,896)	2,252
Net (decrease) increase in net assets held for the benefit of policyowners	(3,891)	2,269
<b>Net assets held for the benefit of policyowners</b>	<b>—</b>	<b>6,012</b>
<b>75/100 Class A Units</b>		
<b>Net assets held for the benefit of policyowners at beginning of period</b>	—	—
Increase in net assets held for the benefit of policyowners	0	—
<b>Withdrawable unit transactions</b>		
Proceeds from withdrawable units issued	50	—
Net increase from withdrawable unit transactions	50	—
Net increase in net assets held for the benefit of policyowners	50	—
<b>Net assets held for the benefit of policyowners</b>	<b>50</b>	<b>—</b>

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

**STATEMENT OF CHANGES IN NET ASSETS HELD FOR THE BENEFIT OF POLICYOWNERS (cont'd)**

(All amounts in thousands of Canadian dollars)

<i>For the periods ended</i>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
<b>Total Fund</b>		
Net assets held for the benefit of policyowners at beginning of period	6,651	4,930
Increase in net assets held for the benefit of policyowners	6	20
<b>Withdrawable unit transactions</b>		
Proceeds from withdrawable units issued	20,963	54,451
Withdrawal of withdrawable units	(23,125)	(50,765)
Net (decrease) increase from withdrawable unit transactions	(2,162)	3,686
Net (decrease) increase in net assets held for the benefit of policyowners	(2,156)	3,706
<b>Net assets held for the benefit of policyowners</b>	<b>4,495</b>	<b>8,636</b>

**STATEMENT OF CASH FLOWS**

(All amounts in thousands of Canadian dollars)

<i>For the periods ended</i>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
<b>Cash flows from operating activities</b>		
Increase in net assets held for the benefit of policyowners	6	20
Adjustments for:		
Increase in distribution receivable from investment trusts	(2)	(3)
Decrease in accrued interest on money market investments	1	1
Increase in accrued expenses	4	2
Purchases of investments	(19,000)	(56,939)
Proceeds from sale and maturity of investments	20,880	52,543
Net cash from operating activities	1,889	(4,376)
<b>Cash flows from financing activities</b>		
Proceeds from issuances of withdrawable units	21,267	55,136
Amounts paid on withdrawal of withdrawable units	(23,125)	(50,770)
Net cash from financing activities	(1,858)	4,366
Net increase (decrease) in cash	31	(10)
Cash at beginning of period	111	125
<b>Cash at end of period</b>	<b>142</b>	<b>115</b>
<b>Supplementary Information:</b>		
Interest received, net of withholding taxes*	7	27
Distribution received from investment trusts*	15	6

\*These items are from operating activities

**SCHEDULE OF INVESTMENT PORTFOLIO**

*(All amounts in thousands of Canadian dollars, unless otherwise noted)*

As at June 30, 2016	Number of Units	Cost (\$)	Fair Value (\$)
<b>HOLDING IN INVESTMENT FUND</b>			
<b>Money Market Fund — 97.0%</b>			
BMO Money Market Fund, Series I	4,359	4,359	4,359
<b>Total Investment Portfolio — 97.0%</b>		<b>4,359</b>	<b>4,359</b>
Other Assets Less Liabilities — 3.0%			136
<b>NET ASSETS HELD FOR THE BENEFIT OF POLICYOWNERS — 100.0%</b>			<b>4,495</b>

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

## Notes to the Financial Statements (unaudited)

Fund Specific Information (in thousands of Canadian dollars, except per unit data)

### Fund and Class information

The Fund is authorized to issue an unlimited number of units in each of 100/100 Class A Units, 75/75 Class A Units, Holding Money Market Units and 75/100 Class A Units, which are redeemable at the policyowners' option.

Class	Launch Date
100/100 Class A Units	December 2, 2013
75/75 Class A Units	June 21, 2016
Holding Money Market Units	December 2, 2013
75/100 Class A Units	June 21, 2016

### Change in units

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

For the periods ended (in thousands of units)	June 30, 2016	June 30, 2015
<b>100/100 Class A Units</b>		
Units issued and outstanding, beginning of period	274	118
Issued for cash	304	218
Withdrawn during the period	(140)	(75)
Units issued and outstanding, end of period	438	261
<b>75/75 Class A Units</b>		
Units issued and outstanding, beginning of period	—	—
Issued for cash	5	—
Units issued and outstanding, end of period	5	—
<b>Holding Money Market Units</b>		
Units issued and outstanding, beginning of period	384	372
Issued for cash	1,755	5,194
Withdrawn during the period	(2,139)	(4,954)
Units issued and outstanding, end of period	—	612
<b>75/100 Class A Units</b>		
Units issued and outstanding, beginning of period	—	—
Issued for cash	5	—
Units issued and outstanding, end of period	5	—

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

The Manager held the following units of the Fund:

As at June 30, 2016 Class	Number of Units	Value of Units (\$)
100/100 Class A Units	55,000	552
75/75 Class A Units	5,000	50
75/100 Class A Units	5,000	50

  

As at December 31, 2015 Class	Number of Units	Value of Units (\$)
100/100 Class A Units	55,000	552

### Financial instrument risk

The Fund's objective is to provide a high level of interest income and liquidity and to preserve the capital invested. The Fund invests primarily in mutual funds that invest in high-quality money market instruments issued by governments and corporations in Canada.

### Financial instrument risk of the underlying fund

The Fund is not significantly exposed directly to currency risk, interest rate risk, other market risk and credit risk; it is indirectly exposed to these risks through its investment in the underlying fund to the extent the underlying fund was exposed to these risks.

### Fair value hierarchy

As at June 30, 2016 Financial assets	Level 1	Level 2	Level 3	Total
Investment funds	4,359	—	—	4,359
<b>Total</b>	<b>4,359</b>	<b>—</b>	<b>—</b>	<b>4,359</b>

  

As at December 31, 2015 Financial assets	Level 1	Level 2	Level 3	Total
Investment funds	2,744	—	—	2,744
Debt securities	—	3,496	—	3,496
<b>Total</b>	<b>2,744</b>	<b>3,496</b>	<b>—</b>	<b>6,240</b>

### Transfers between levels

There were no transfers between the levels during the 2016 period (2015 — \$ nil).

### Unconsolidated structured entities

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

Carrying amount	June 30, 2016	December 31, 2015
BMO Money Market Fund, Series I	4,359	2,744
<b>Total</b>	<b>4,359</b>	<b>2,744</b>

### Carrying amount as a % of the underlying fund's Net Assets

BMO Money Market Fund, Series I	0.75%	0.44%
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The accompanying notes are an integral part of these financial statements.

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

Fund Specific Information (in thousands of Canadian dollars, except per unit data)

### Increase or decrease in net assets held for the benefit of policyowners

The increase (decrease) in net assets held for the benefit of policyowners for the periods ended June 30, 2016 and June 30, 2015 is calculated as follows:

<i>For the periods ended</i>	June 30, 2016	June 30, 2015
<b>100/100 Class A Units</b>		
Increase in net assets held for the benefit of policyowners	1	3
Weighted average units outstanding during the period	402	192
Increase in net assets held for the benefit of policyowners per unit	0.00	0.02

<i>For the periods ended</i>	June 30, 2016	June 30, 2015
<b>75/75 Class A Units</b>		
Increase in net assets held for the benefit of policyowners	0	—
Weighted average units outstanding during the period	5	—
Increase in net assets held for the benefit of policyowners per unit	0.00	—

<i>For the periods ended</i>	June 30, 2016	June 30, 2015
<b>Holding Money Market Units</b>		
Increase in net assets held for the benefit of policyowners	5	17
Weighted average units outstanding during the period	289	641
Increase in net assets held for the benefit of policyowners per unit	0.02	0.03

<i>For the periods ended</i>	June 30, 2016	June 30, 2015
<b>75/100 Class A Units</b>		
Increase in net assets held for the benefit of policyowners	0	—
Weighted average units outstanding during the period	5	—
Increase in net assets held for the benefit of policyowners per unit	0.00	—

### Concentration risk

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

<i>As at</i>	June 30, 2016	December 31, 2015
<b>Money Market Investments</b>		
Federal	—%	52.5%
<b>Investment Fund</b>		
Money Market Fund	97.0%	41.3%
<b>Other Assets less Liabilities</b>		
	3.0%	6.2%
	<b>100.0%</b>	<b>100.0%</b>

### Financial assets and financial liabilities

#### Categories of financial assets and financial liabilities

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

<i>As at</i>	June 30, 2016	December 31, 2015
Financial assets designated at FVTPL	4,359	6,240
Loans and receivables	4	306
Financial liabilities measured at amortized cost	10	6

#### Net gains and losses on financial assets and financial liabilities at fair value

<i>For the periods ended</i>	June 30, 2016	June 30, 2015
<b>Net realized gains on financial assets at FVTPL</b>		
Designated at FVTPL	23	35
<b>Total net realized gains on financial assets at FVTPL</b>		
	23	35

#### Offsetting financial assets and financial liabilities

There were no amounts offset as at June 30, 2016 and December 31, 2015.



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

Fund Specific Information (in thousands of Canadian dollars, except per unit data)

### Financial Statements — Financial Highlights (unaudited)

The following table shows selected key financial information about the Fund which is intended to help you understand the Fund's financial performance for the periods indicated.

100/100 Class A Units	Six months ended	Years ended December 31,		
	June 30, 2016	2015	2014	2013 <sup>(1)</sup>
Net assets (\$000s)	4,395	2,760	1,187	550
Net asset value per unit (\$)	10.04	10.04	10.01	10.00
Units issued and outstanding (000's)	438	274	118	55
Management fees (%)	1.00	1.00	1.00	1.00
Management expense ratio (%)	0.66	0.56	0.85	0.81
Management expense ratio before waivers (%)	1.39	1.37	1.39	1.41
Portfolio turnover ratio (%)*	n/a	n/a	n/a	n/a

\* Portfolio turnover ratios are not disclosed for money market funds.

<sup>(1)</sup> The information shown in this column is for the period beginning December 2, 2013 (the class' inception date) and ending December 31, 2013.

75/75 Class A Units	June 17, 2016 to	Years ended December 31,		
	June 30, 2016	2015	2014	2013
Net assets (\$000s)	50			
Net asset value per unit (\$)	10.00			
Units issued and outstanding (000's)	5			
Management fees (%)	1.00			
Management expense ratio (%)	0.88			
Management expense ratio before waivers (%)	1.41			
Portfolio turnover ratio (%)*	n/a			

\* Portfolio turnover ratios are not disclosed for money market funds.

Holding Money Market Units	Six months ended	Years ended December 31,		
	June 30, 2016	2015	2014	2013 <sup>(1)</sup>
Net assets (\$000s)	—	3,891	3,743	1,180
Net asset value per unit (\$)	—	10.14	10.07	10.01
Units issued and outstanding (000's)	—	384	372	108
Management fees (%)	0.27	0.27	0.26	0.27
Management expense ratio (%)	0.28	0.28	0.26	0.27
Management expense ratio before waivers (%)	0.30	0.30	0.30	0.29
Portfolio turnover ratio (%)*	n/a	n/a	n/a	n/a

\* Portfolio turnover ratios are not disclosed for money market funds.

<sup>(1)</sup> The information shown in this column is for the period beginning December 2, 2013 (the class' inception date) and ending December 31, 2013.

75/100 Class A Units	June 17, 2016 to	Years ended December 31,		
	June 30, 2016	2015	2014	2013
Net assets (\$000s)	50			
Net asset value per unit (\$)	10.00			
Units issued and outstanding (000's)	5			
Management fees (%)	1.00			
Management expense ratio (%)	0.88			
Management expense ratio before waivers (%)	1.41			
Portfolio turnover ratio (%)*	n/a			

\* Portfolio turnover ratios are not disclosed for money market funds.

# BMO Canadian Balanced Growth GIF

(unaudited)

## STATEMENT OF FINANCIAL POSITION

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

As at	June 30, 2016	December 31, 2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	362	180
Investments		
Non-derivative financial assets	21,245	18,389
Derivative assets	16	—
Subscriptions receivable	4	—
Distribution receivable from investment trusts	85	91
<b>Total assets</b>	<b>21,712</b>	<b>18,660</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Redemptions payable	4	3
Derivative liabilities	5	—
Accrued expenses	144	131
<b>Total liabilities</b>	<b>153</b>	<b>134</b>
<b>Net assets held for the benefit of policyowners</b>	<b>21,559</b>	<b>18,526</b>
<b>Net assets held for the benefit of policyowners</b>		
100/100 Class A Units	17,442	14,895
100/100 Prestige Class Units	4,117	3,631
<b>Net assets held for the benefit of policyowners per unit</b>		
100/100 Class A Units	\$ 10.12	\$ 9.93
100/100 Prestige Class Units	\$ 9.60	\$ 9.39

## STATEMENT OF COMPREHENSIVE INCOME

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

For the periods ended	June 30, 2016	June 30, 2015
<b>INCOME</b>		
Interest income	—	0
Distribution from investment trusts	280	208
Other changes in fair value of investments and derivatives		
Net realized (loss) gain	(482)	5
Change in unrealized appreciation (depreciation)	924	(147)
<b>Net gain in fair value of investments and derivatives</b>	<b>722</b>	<b>66</b>
<b>Total income</b>	<b>722</b>	<b>66</b>
<b>EXPENSES</b>		
Management fees (note 8)	136	107
Fixed administration fees (note 8)	27	20
Insurance fees (note 8)	112	93
Commissions and other portfolio transaction costs (note 8)	8	5
<b>Total expenses</b>	<b>283</b>	<b>225</b>
Increase (decrease) in net assets held for the benefit of policyowners	439	(159)
<b>Increase (decrease) in net assets held for the benefit of policyowners</b>		
100/100 Class A Units	347	(121)
100/100 Prestige Class Units	92	(38)
<b>Increase (decrease) in net assets held for the benefit of policyowners per unit (note 3)</b>		
100/100 Class A Units	0.21	(0.11)
100/100 Prestige Class Units	0.22	(0.15)

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

**STATEMENT OF CHANGES IN NET ASSETS HELD FOR THE BENEFIT OF POLICYOWNERS**

(in thousands of Canadian dollars)

<i>For the periods ended</i>	June 30, 2016	June 30, 2015
<b>100/100 Class A Units</b>		
<b>Net assets held for the benefit of policyowners at beginning of period</b>	14,895	9,589
Increase (decrease) in net assets held for the benefit of policyowners	347	(121)
<b>Withdrawable unit transactions</b>		
Proceeds from withdrawable units issued	2,888	6,036
Withdrawal of withdrawable units	(688)	(1,431)
Net increase from withdrawable unit transactions	2,200	4,605
Net increase in net assets held for the benefit of policyowners	2,547	4,484
<b>Net assets held for the benefit of policyowners</b>	17,442	14,073
<b>100/100 Prestige Class Units</b>		
<b>Net assets held for the benefit of policyowners at beginning of period</b>	3,631	1,111
Increase (decrease) in net assets held for the benefit of policyowners	92	(38)
<b>Withdrawable unit transactions</b>		
Proceeds from withdrawable units issued	405	2,070
Withdrawal of withdrawable units	(11)	(50)
Net increase from withdrawable unit transactions	394	2,020
Net increase in net assets held for the benefit of policyowners	486	1,982
<b>Net assets held for the benefit of policyowners</b>	4,117	3,093

**STATEMENT OF CHANGES IN NET ASSETS HELD FOR THE BENEFIT OF POLICYOWNERS (cont'd)**

(in thousands of Canadian dollars)

<i>For the periods ended</i>	June 30, 2016	June 30, 2015
<b>Total Fund</b>		
<b>Net assets held for the benefit of policyowners at beginning of period</b>	18,526	10,700
Increase (decrease) in net assets held for the benefit of policyowners	439	(159)
<b>Withdrawable unit transactions</b>		
Proceeds from withdrawable units issued	3,293	8,106
Withdrawal of withdrawable units	(699)	(1,481)
Net increase from withdrawable unit transactions	2,594	6,625
Net increase in net assets held for the benefit of policyowners	3,033	6,466
<b>Net assets held for the benefit of policyowners</b>	21,559	17,166

# BMO Canadian Balanced Growth GIF

(unaudited) (cont'd)



## STATEMENT OF CASH FLOWS

(in thousands of Canadian dollars)

For the periods ended	June 30, 2016	June 30, 2015
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets held for the benefit of policyowners	439	(159)
Adjustments for:		
Net realized loss (gain) on sale of investments and derivatives	482	(5)
Change in unrealized (appreciation) depreciation of investments and derivatives	(924)	147
Decrease (increase) in distribution receivable from investment trusts	6	(30)
Increase in accrued expenses	13	58
Purchases of investments	(8,278)	(7,584)
Proceeds from sale and maturity of investments	5,872	1,092
Cash outflows on derivatives	(19)	—
Net cash from operating activities	(2,409)	(6,481)
<b>Cash flows from financing activities</b>		
Proceeds from issuances of withdrawable units	3,289	8,106
Amounts paid on withdrawal of withdrawable units	(698)	(1,542)
Net cash from financing activities	2,591	6,564
Net increase in cash	182	83
Cash at beginning of period	180	85
<b>Cash at end of period</b>	<b>362</b>	<b>168</b>
<b>Supplementary Information:</b>		
Interest received, net of withholding taxes*	—	0
Distribution received from investment trusts*	286	178

\* These items are from operating activities

## SCHEDULE OF INVESTMENT PORTFOLIO

(in thousands of Canadian dollars, unless otherwise noted)

As at June 30, 2016	Number of Units	Cost* (\$)	Fair Value (\$)
<b>HOLDINGS IN INVESTMENT FUNDS — 98.5%</b>			
<b>Canadian Equity Fund — 30.0%</b>			
BMO S&P/TSX Capped Composite Index ETF	341,820	6,577	6,480
<b>Fixed Income Funds — 59.0%</b>			
BMO Mid Corporate Bond Index ETF	247,100	4,055	4,120
BMO Mid Federal Bond Index ETF	441,640	7,411	7,637
BMO Mid-Term US IG Corporate Bond Index ETF	50,800	989	962
		<b>12,455</b>	<b>12,719</b>
<b>International Equity Fund — 4.7%</b>			
BMO MSCI EAFE Index ETF	66,100	1,065	1,011
<b>U.S. Equity Fund — 4.8%</b>			
BMO S&P 500 Index ETF	34,600	1,017	1,035
<b>Total Investment Portfolio — 98.5%</b>		<b>21,114</b>	<b>21,245</b>
Total Unrealized Gain on Forward Currency Contracts — 0.1%			16
Total Unrealized Loss on Forward Currency Contract — (0.0)%			(5)
Other Assets Less Liabilities — 1.4%			303
<b>NET ASSETS HELD FOR THE BENEFIT OF POLICYOWNERS — 100.0%</b>			<b>21,559</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.

Settlement Date	Currency Buy	Position (000s)	Currency Sell	Position (000s)	Contract Rate	Counterparty	Credit Rating*	Unrealized Gain
<b>UNREALIZED GAIN ON FORWARD CURRENCY CONTRACTS</b>								
6-Jul-16	CAD	1,046	USD	(800)	1.3080	Bank of New York Mellon Trust Co. N.A.(The)	A-1+	13
3-Aug-16	CAD	61	EUR	(43)	1.4422	Bank of New York Mellon Trust Co. N.A.(The)	A-1+	0
3-Aug-16	CAD	192	GBP	(110)	1.7497	Bank of New York Mellon Trust Co. N.A.(The)	A-1+	3
<b>Total Unrealized Gain on Forward Currency Contracts</b>								<b>16</b>
Settlement Date	Currency Buy	Position (000s)	Currency Sell	Position (000s)	Contract Rate	Counterparty	Credit Rating*	Unrealized Loss
<b>UNREALIZED LOSS ON FORWARD CURRENCY CONTRACT</b>								
6-Jul-16	USD	800	CAD	(1,039)	0.7701	Bank of New York Mellon Trust Co. N.A.(The)	A-1+	(5)
<b>Total Unrealized Loss on Forward Currency Contract</b>								<b>(5)</b>

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

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

## Notes to the Financial Statements (unaudited)

Fund Specific Information (in thousands of Canadian dollars, except per unit data)

### Fund and Class information

The Fund is authorized to issue an unlimited number of units in each of 100/100 Class A Units and 100/100 Prestige Class Units, which are redeemable at the policyowners' option.

Class	Launch Date
100/100 Class A Units	December 2, 2013
100/100 Prestige Class Units	October 1, 2014

### Change in units

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

For the periods ended (in thousands of units)	June 30, 2016	June 30, 2015
<b>100/100 Class A Units</b>		
Units issued and outstanding, beginning of period	1,500	916
Issued for cash	292	563
Withdrawn during the period	(69)	(134)
Units issued and outstanding, end of period	1,723	1,345
<b>100/100 Prestige Class Units</b>		
Units issued and outstanding, beginning of period	387	113
Issued for cash	43	206
Withdrawn during the period	(1)	(5)
Units issued and outstanding, end of period	429	314

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

The Manager held the following units of the Fund:

As at June 30, 2016		
Class	Number of Units	Value of Units (\$)
100/100 Class A Units	10,000	101
100/100 Prestige Class Units	5,000	48

  

As at December 31, 2015		
Class	Number of Units	Value of Units (\$)
100/100 Class A Units	10,000	99
100/100 Prestige Class Units	5,000	47

### Financial instrument risk

The Fund's objective is to achieve long term capital growth and income. The Fund invests primarily in exchange traded funds that invest in Canadian equity and fixed income securities.

### Financial instrument risk of the underlying funds

The Fund is indirectly exposed to currency risk, interest rate risk, other market risk and credit risk through its investment in the underlying funds to the extent the underlying funds were exposed to these risks.

As at June 30, 2016, the Fund was also exposed to insignificant credit risk from its investment in forward currency contracts.

### Fair value hierarchy

As at June 30, 2016		Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
Investment funds	21,245	—	—	—	21,245
Derivatives	—	16	—	—	16
<b>Total</b>	<b>21,245</b>	<b>16</b>	<b>—</b>	<b>—</b>	<b>21,261</b>

Financial liabilities	Level 1	Level 2	Level 3	Total
Derivatives	—	(5)	—	(5)

As at December 31, 2015		Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
Investment funds	18,389	—	—	—	18,389

### Transfers between levels

There were no transfers between the levels during the 2016 period (2015 — \$ nil).

### Unconsolidated structured entities

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

Carrying amount	June 30, 2016	December 31, 2015
BMO Mid Corporate Bond Index ETF	4,120	3,417
BMO Mid Federal Bond Index ETF	7,637	7,950
BMO Mid-Term US IG Corporate Bond Index ETF	962	—
BMO MSCI EAFE Index ETF	1,011	—
BMO S&P 500 Index ETF	1,035	—
BMO S&P/TSX Capped Composite Index ETF	6,480	7,022
<b>Total</b>	<b>21,245</b>	<b>18,389</b>

### Carrying amount as a % of the underlying fund's Net Assets

	June 30, 2016	December 31, 2015
BMO Mid Corporate Bond Index ETF	0.40%	0.40%
BMO Mid Federal Bond Index ETF	1.09%	1.30%
BMO Mid-Term US IG Corporate Bond Index ETF	0.09%	—%
BMO MSCI EAFE Index ETF	0.09%	—%
BMO S&P 500 Index ETF	0.04%	—%
BMO S&P/TSX Capped Composite Index ETF	0.50%	0.70%

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

Fund Specific Information (in thousands of Canadian dollars, except per unit data)

### Increase or decrease in net assets held for the benefit of policyowners

The increase (decrease) in net assets held for the benefit of policyowners for the periods ended June 30, 2016 and June 30, 2015 is calculated as follows:

For the periods ended	June 30, 2016	June 30, 2015
<b>100/100 Class A Units</b>		
Increase (decrease) in net assets held for the benefit of policyowners	347	(121)
Weighted average units outstanding during the period	1,615	1,130
Increase (decrease) in net assets held for the benefit of policyowners per unit	0.21	(0.11)

For the periods ended	June 30, 2016	June 30, 2015
<b>100/100 Prestige Class Units</b>		
Increase (decrease) in net assets held for the benefit of policyowners	92	(38)
Weighted average units outstanding during the period	414	252
Increase (decrease) in net assets held for the benefit of policyowners per unit	0.22	(0.15)

### Brokerage commissions

For the periods ended	June 30, 2016	June 30, 2015
Total brokerage amounts paid	8	5
Total brokerage amounts paid to related parties	8	5

The Company may select brokers who charge a commission in "soft dollars" if they determine in good faith that the commission is reasonable in relation to the order execution and research services utilized. There were no ascertainable soft dollars paid or payable to dealers by the Fund during the periods.

### Concentration risk

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

As at	June 30, 2016	December 31, 2015
<b>Investment Funds</b>		
Canadian Equity Fund	30.0%	37.9%
Fixed Income Funds	59.0%	61.4%
International Equity Fund	4.7%	—%
U.S. Equity Fund	4.8%	—%
<b>Other Assets less Liabilities</b>	1.5%	0.7%
	<b>100.0%</b>	<b>100.0%</b>

### Financial assets and financial liabilities

#### Categories of financial assets and financial liabilities

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

As at	June 30, 2016	December 31, 2015
Financial assets designated at FVTPL	21,245	18,389
Financial assets held for trading	16	—
Loans and receivables	89	91
Financial liabilities held for trading	5	—
Financial liabilities measured at amortized cost	148	134

For the periods ended	June 30, 2016	June 30, 2015
<b>Net realized (losses) gains on financial assets</b>		
Designated at FVTPL	(183)	213
	(183)	213

#### Net realized losses on financial liabilities

Held for trading	(19)	—
	(19)	—

<b>Total net realized (losses) gains on financial assets and financial liabilities</b>	(202)	213
--	-------	-----

#### Change in unrealized gains (losses) on financial assets

Designated at FVTPL	913	(147)
Held for trading	11	—
	924	(147)

#### Total change in unrealized gains (losses) on financial assets and financial liabilities

	924	(147)
--	-----	-------

### Offsetting financial assets and financial liabilities

There were no amounts offset as at June 30, 2016 and December 31, 2015.

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

Fund Specific Information (in thousands of Canadian dollars, except per unit data)

### Financial Statements — Financial Highlights (unaudited)

The following table shows selected key financial information about the Fund which is intended to help you understand the Fund's financial performance for the periods indicated.

100/100 Class A Units	Six months ended	Years ended December 31,		
	June 30, 2016	2015	2014	2013 <sup>(1)</sup>
Net assets (\$000s)	17,442	14,895	9,589	104
Net asset value per unit (\$)	10.12	9.93	10.47	9.98
Units issued and outstanding (000's)	1,723	1,500	916	10
Management fees (%)	1.50	1.50 <sup>†</sup>	1.55	1.55
Management expense ratio (%)	3.06	3.19	3.41	3.45
Management expense ratio before waivers (%)	3.06	3.19	3.41	3.45
Portfolio turnover ratio (%) <sup>*</sup>	29.57	52.01	13.98	—

100/100 Prestige Class Units	Six months ended	Years ended December 31,		
	June 30, 2016	2015	2014 <sup>(2)</sup>	2013
Net assets (\$000s)	4,117	3,631	1,111	—
Net asset value per unit (\$)	9.60	9.39	9.86	—
Units issued and outstanding (000's)	429	387	113	—
Management fees (%)	1.15	1.15 <sup>††</sup>	1.20	—
Management expense ratio (%)	2.66	2.68	3.05	—
Management expense ratio before waivers (%)	2.66	2.68	3.05	—
Portfolio turnover ratio (%)	29.57	52.01	13.98	—

\* For the financial period-ended December 31, 2013, no purchases or sales of portfolio securities were made in the Fund. As a result, the portfolio turnover rate for this period was zero.

<sup>†</sup> Effective May 1, 2015, the management fee rate was reduced from 1.55% to 1.50%.

<sup>††</sup> Effective May 1, 2015, the management fee rate was reduced from 1.20% to 1.15%.

<sup>(1)</sup> The information in this column is for the period beginning December 2, 2013 (the class' inception date) and ending December 31, 2013.

<sup>(2)</sup> The information in this column is for the period beginning October 1, 2014 (the class' inception date) and ending December 31, 2014.

## STATEMENT OF FINANCIAL POSITION

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

As at	June 30, 2016	December 31, 2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	124	86
Investments		
Non-derivative financial assets	9,317	8,433
Derivative assets	10	—
Subscriptions receivable	4	—
Distribution receivable from investment trusts	30	28
<b>Total assets</b>	<b>9,485</b>	<b>8,547</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Redemptions payable	1	1
Derivative liabilities	3	—
Accrued expenses	59	54
<b>Total liabilities</b>	<b>63</b>	<b>55</b>
<b>Net assets held for the benefit of policyowners</b>	<b>9,422</b>	<b>8,492</b>
<b>Net assets held for the benefit of policyowners</b>		
100/100 Class A Units	7,475	6,826
100/100 Prestige Class Units	1,947	1,666
<b>Net assets held for the benefit of policyowners per unit</b>		
100/100 Class A Units	\$9.78	\$9.71
100/100 Prestige Class Units	\$9.39	\$9.30

## STATEMENT OF COMPREHENSIVE INCOME

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

For the periods ended	June 30, 2016	June 30, 2015
<b>INCOME</b>		
Interest income	—	0
Distribution from investment trusts	128	121
Other changes in fair value of investments and derivatives		
Net realized loss	(490)	(0)
Change in unrealized appreciation (depreciation)	546	(234)
<b>Net gain (loss) in fair value of investments and derivatives</b>	<b>184</b>	<b>(113)</b>
<b>Total income (loss)</b>	<b>184</b>	<b>(113)</b>
<b>EXPENSES</b>		
Management fees (note 8)	65	49
Fixed administration fees (note 8)	12	10
Insurance fees (note 8)	37	29
Interest charges	0	—
Commissions and other portfolio transaction costs (note 8)	5	2
<b>Total expenses</b>	<b>119</b>	<b>90</b>
Increase (decrease) in net assets held for the benefit of policyowners	65	(203)
<b>Increase (decrease) in net assets held for the benefit of policyowners</b>		
100/100 Class A Units	49	(170)
100/100 Prestige Class Units	16	(33)
<b>Increase (decrease) in net assets held for the benefit of policyowners per unit (note 3)</b>		
100/100 Class A Units	0.07	(0.31)
100/100 Prestige Class Units	0.09	(0.25)

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



**STATEMENT OF CHANGES IN NET ASSETS HELD FOR THE BENEFIT OF POLICYOWNERS**

(in thousands of Canadian dollars)

<i>For the periods ended</i>	June 30, 2016	June 30, 2015
<b>100/100 Class A Units</b>		
<b>Net assets held for the benefit of policyowners at beginning of period</b>	6,826	4,444
Increase (decrease) in net assets held for the benefit of policyowners	49	(170)
<b>Withdrawable unit transactions</b>		
Proceeds from withdrawable units issued	1,098	2,714
Withdrawal of withdrawable units	(498)	(801)
Net increase from withdrawable unit transactions	600	1,913
Net increase in net assets held for the benefit of policyowners	649	1,743
<b>Net assets held for the benefit of policyowners</b>	7,475	6,187
<b>100/100 Prestige Class Units</b>		
<b>Net assets held for the benefit of policyowners at beginning of period</b>	1,666	1,183
Increase (decrease) in net assets held for the benefit of policyowners	16	(33)
<b>Withdrawable unit transactions</b>		
Proceeds from withdrawable units issued	575	290
Withdrawal of withdrawable units	(310)	(25)
Net increase from withdrawable unit transactions	265	265
Net increase in net assets held for the benefit of policyowners	281	232
<b>Net assets held for the benefit of policyowners</b>	1,947	1,415

**STATEMENT OF CHANGES IN NET ASSETS HELD FOR THE BENEFIT OF POLICYOWNERS (cont'd)**

(in thousands of Canadian dollars)

<i>For the periods ended</i>	June 30, 2016	June 30, 2015
<b>Total Fund</b>		
<b>Net assets held for the benefit of policyowners at beginning of period</b>	8,492	5,627
Increase (decrease) in net assets held for the benefit of policyowners	65	(203)
<b>Withdrawable unit transactions</b>		
Proceeds from withdrawable units issued	1,673	3,004
Withdrawal of withdrawable units	(808)	(826)
Net increase from withdrawable unit transactions	865	2,178
Net increase in net assets held for the benefit of policyowners	930	1,975
<b>Net assets held for the benefit of policyowners</b>	9,422	7,602

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

**STATEMENT OF CASH FLOWS**

(in thousands of Canadian dollars)

For the periods ended	June 30, 2016	June 30, 2015
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets held for the benefit of policyowners	65	(203)
Adjustments for:		
Net realized loss on sale of investments and derivatives	490	0
Change in unrealized (appreciation) depreciation of investments and derivatives	(546)	234
Increase in distribution receivable from investment trusts	(2)	(7)
Increase in accrued expenses	5	23
Purchases of investments	(4,776)	(2,728)
Proceeds from sale and maturity of investments	3,954	554
Cash outflows on derivatives	(13)	—
Net cash from operating activities	(823)	(2,127)
<b>Cash flows from financing activities</b>		
Proceeds from issuances of withdrawable units	1,669	3,004
Amounts paid on withdrawal of withdrawable units	(808)	(829)
Net cash from financing activities	861	2,175
Net increase in cash	38	48
Cash at beginning of period	86	27
<b>Cash at end of period</b>	<b>124</b>	<b>75</b>
<b>Supplementary Information:</b>		
Interest received, net of withholding taxes*	—	0
Distribution received from investment trusts*	126	114
Interest expense*	0	—

\* These items are from operating activities

**SCHEDULE OF INVESTMENT PORTFOLIO**

(in thousands of Canadian dollars, unless otherwise noted)

As at June 30, 2016	Number of Units	Cost* (\$)	Fair Value (\$)
<b>HOLDINGS IN INVESTMENT FUNDS — 98.9%</b>			
<b>Canadian Equity Funds — 19.7%</b>			
BMO Canadian Dividend ETF	23,550	401	368
BMO Equal Weight REITs Index ETF	8,500	166	172
BMO Equal Weight Utilities Index ETF	10,245	159	170
BMO Laddered Preferred Share Index ETF	19,515	239	187
BMO Low Volatility Canadian Equity ETF	13,500	373	372
BMO S&P/TSX Capped Composite Index ETF	19,500	337	370
BMO S&P/TSX Equal Weight Banks Index ETF	9,515	222	216
		<b>1,897</b>	<b>1,855</b>
<b>Fixed Income Funds — 63.1%</b>			
BMO Mid Corporate Bond Index ETF	115,500	1,898	1,926
BMO Mid Federal Bond Index ETF	206,360	3,456	3,569
BMO Mid-Term US IG Corporate Bond Index ETF	23,700	461	449
		<b>5,815</b>	<b>5,944</b>
<b>International Equity Fund — 8.0%</b>			
BMO MSCI EAFE Index ETF	49,000	790	750
<b>U.S. Equity Fund — 8.1%</b>			
BMO S&P 500 Index ETF	25,700	756	768
<b>Total Investment Portfolio — 98.9%</b>		<b>9,258</b>	<b>9,317</b>
Total Unrealized Gain on Forward Currency Contracts — 0.1%			10
Total Unrealized Loss on Forward Currency Contract — (0.0)%			(3)
Other Assets Less Liabilities — 1.0%			98
<b>NET ASSETS HELD FOR THE BENEFIT OF POLICYOWNERS — 100.0%</b>			<b>9,422</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.

## SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

(in thousands of Canadian dollars, unless otherwise noted)

Settlement Date	Currency Buy	Position (000s)	Currency Sell	Position (000s)	Contract Rate	Counterparty	Credit Rating*	Unrealized Gain
<b>UNREALIZED GAIN ON FORWARD CURRENCY CONTRACTS</b>								
6-Jul-16	CAD	654	USD	(500)	1.3080	Bank of New York Mellon Trust Co. N.A.(The)	A-1+	8
3-Aug-16	CAD	47	EUR	(33)	1.4422	Bank of New York Mellon Trust Co. N.A.(The)	A-1+	0
3-Aug-16	CAD	140	GBP	(80)	1.7497	Bank of New York Mellon Trust Co. N.A.(The)	A-1+	2
<b>Total Unrealized Gain on Forward Currency Contracts</b>								<b>10</b>
Settlement Date	Currency Buy	Position (000s)	Currency Sell	Position (000s)	Contract Rate	Counterparty	Credit Rating*	Unrealized Loss
<b>UNREALIZED LOSS ON FORWARD CURRENCY CONTRACT</b>								
6-Jul-16	USD	500	CAD	(649)	0.7701	Bank of New York Mellon Trust Co. N.A.(The)	A-1+	(3)
<b>Total Unrealized Loss on Forward Currency Contract</b>								<b>(3)</b>

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

## Notes to the Financial Statements (unaudited)

Fund Specific Information (in thousands of Canadian dollars, except per unit data)

### Fund and Class information

The Fund is authorized to issue an unlimited number of units in each of 100/100 Class A Units and 100/100 Prestige Class Units, which are redeemable at the policyowners' option.

Class	Launch Date
100/100 Class A Units	December 2, 2013
100/100 Prestige Class Units	October 1, 2014

### Change in units

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

For the periods ended (in thousands of units)	June 30, 2016	June 30, 2015
<b>100/100 Class A Units</b>		
Units issued and outstanding, beginning of period	703	430
Issued for cash	114	261
Withdrawn during the period	(52)	(77)
Units issued and outstanding, end of period	765	614
<b>100/100 Prestige Class Units</b>		
Units issued and outstanding, beginning of period	179	120
Issued for cash	62	30
Withdrawn during the period	(34)	(3)
Units issued and outstanding, end of period	207	147

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

The Manager held the following units of the Fund:

As at June 30, 2016		
Class	Number of Units	Value of Units (\$)
100/100 Class A Units	10,000	98
100/100 Prestige Class Units	5,000	47

  

As at December 31, 2015		
Class	Number of Units	Value of Units (\$)
100/100 Class A Units	10,000	97
100/100 Prestige Class Units	5,000	46

### Financial instrument risk

The Fund's objective is to achieve long term capital growth and monthly income. The Fund invests primarily in exchange traded funds that invest in Canadian income-generating securities: dividend-paying common stocks, preferred shares, income trusts, as well as high quality fixed income securities or cash equivalents.

### Financial instrument risk of the underlying funds

The Fund is indirectly exposed to currency risk, interest rate risk, other market risk and credit risk through its investment in the underlying funds to the extent the underlying funds were exposed to these risks.

As at June 30, 2016, the Fund was also exposed to insignificant credit risk from its investment in forward currency contracts.

### Fair value hierarchy

As at June 30, 2016				
Financial assets	Level 1	Level 2	Level 3	Total
Investment funds	9,317	—	—	9,317
Derivatives	—	10	—	10
<b>Total</b>	<b>9,317</b>	<b>10</b>	<b>—</b>	<b>9,327</b>

  

As at December 31, 2015				
Financial Liabilities	Level 1	Level 2	Level 3	Total
Derivatives	—	(3)	—	(3)

  

As at December 31, 2015				
Financial assets	Level 1	Level 2	Level 3	Total
Investment funds	8,433	—	—	8,433

### Transfers between levels

There were no transfers between the levels during the 2016 period (2015 — \$ nil).

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

Fund Specific Information (in thousands of Canadian dollars, except per unit data)

### Unconsolidated structured entities

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

Carrying amount	June 30, 2016	December 31, 2015
BMO Canadian Dividend ETF	368	856
BMO Equal Weight REITs Index ETF	172	507
BMO Equal Weight Utilities Index ETF	170	343
BMO Laddered Preferred Share Index ETF (formerly BMO S&P/TSX Laddered Preferred Share Index ETF)	187	548
BMO Low Volatility Canadian Equity ETF	372	845
BMO Mid Corporate Bond Index ETF	1,926	1,501
BMO Mid Federal Bond Index ETF	3,569	3,496
BMO Mid-Term US IG Corporate Bond Index ETF	449	—
BMO MSCI EAFE Index ETF	750	—
BMO S&P/TSX Capped Composite Index ETF	370	—
BMO S&P/TSX Equal Weight Banks Index ETF	216	337
BMO S&P 500 Index ETF	768	—
<b>Total</b>	<b>9,317</b>	<b>8,433</b>

  

Carrying amount as a % of the underlying fund's Net Assets	June 30, 2016	December 31, 2015
BMO Canadian Dividend ETF	0.06%	0.20%
BMO Equal Weight REITs Index ETF	0.04%	0.10%
BMO Equal Weight Utilities Index ETF	0.07%	0.20%
BMO Laddered Preferred Share Index ETF (formerly BMO S&P/TSX Laddered Preferred Share Index ETF)	0.02%	0.00%
BMO Low Volatility Canadian Equity ETF	0.04%	0.00%
BMO Mid Corporate Bond Index ETF	0.19%	0.01%
BMO Mid Federal Bond Index ETF	0.51%	0.60%
BMO Mid-Term US IG Corporate Bond Index ETF	0.04%	—%
BMO MSCI EAFE Index ETF	0.07%	—%
BMO S&P/TSX Capped Composite Index ETF	0.03%	—%
BMO S&P/TSX Equal Weight Banks Index ETF	0.02%	0.05%
BMO S&P 500 Index ETF	0.03%	—%

### Increase or decrease in net assets held for the benefit of policyowners

The increase (decrease) in net assets held for the benefit of the policyowners for the periods ended June 30, 2016 and June 30, 2015 is calculated as follows:

For the periods ended	June 30, 2016	June 30, 2015
<b>100/100 Class A Units</b>		
Increase (decrease) in net assets held for the benefit of policyowners	49	(170)
Weighted average units outstanding during the period	719	542
Increase (decrease) in net assets held for the benefit of policyowners per unit	0.07	(0.31)

For the periods ended	June 30, 2016	June 30, 2015
<b>100/100 Prestige Class Units</b>		
Increase (decrease) in net assets held for the benefit of policyowners	16	(33)
Weighted average units outstanding during the period	182	129
Increase (decrease) in net assets held for the benefit of policyowners per unit	0.09	(0.25)

### Brokerage commissions

For the periods ended	June 30, 2016	June 30, 2015
Total brokerage amounts paid	5	2
Total brokerage amounts paid to related parties	5	2

The Company may select brokers who charge a commission in "soft dollars" if they determine in good faith that the commission is reasonable in relation to the order execution and research services utilized. There were no ascertainable soft dollars paid or payable to dealers by the Fund during the periods.

### Concentration risk

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

As at	June 30, 2016	December 31, 2015
<b>Investment Funds</b>		
Canadian Equity Funds	19.7%	40.5%
Fixed Income Funds	63.1%	58.8%
International Equity Fund	8.0%	—%
U.S. Equity Fund	8.1%	—%
<b>Other Assets less Liabilities</b>	1.1%	0.7%
	<b>100.0%</b>	<b>100.0%</b>

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

Fund Specific Information (in thousands of Canadian dollars, except per unit data)

### Financial assets and financial liabilities

#### Categories of financial assets and financial liabilities

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

As at	June 30, 2016	December 31, 2015
Financial assets designated at FVTPL	9,317	8,433
Financial assets held for trading	10	—
Loans and receivables	34	28
Financial liabilities held for trading	3	—
Financial liabilities measured at amortized cost	60	55

#### Net gains and losses on financial assets and financial liabilities at fair value

For the periods ended	June 30, 2016	June 30, 2015
<b>Net realized (losses) gains on financial assets</b>		
Designated at FVTPL	(349)	121
	(349)	121
<b>Net realized losses on financial liabilities</b>		
Held for trading	(13)	—
	(13)	—
<b>Total net realized (losses) gains on financial assets and financial liabilities</b>	(362)	121
<b>Change in unrealized gains (losses) on financial assets</b>		
Designated at FVTPL	539	(234)
Held for trading	7	—
	546	(234)
<b>Total change in unrealized gains (losses) on financial assets and financial liabilities</b>	546	(234)

#### Offsetting financial assets and financial liabilities

There were no amounts offset as at June 30, 2016 and December 31, 2015.

### Financial Statements — Financial Highlights (unaudited)

The following table shows selected key financial information about the Fund which is intended to help you understand the Fund's financial performance for the periods indicated.

	Six months ended June 30, 2016	Years ended December 31,		
100/100 Class A Units	June 30, 2016	2015	2014	2013 <sup>(1)</sup>
Net assets (\$000s)	7,475	6,826	4,444	109
Net asset value per unit (\$)	9.78	9.71	10.34	9.99
Units issued and outstanding (000's)	765	703	430	11
Management fees (%)	1.70	1.70	1.70	1.70
Management expense ratio (%)	3.04	3.04	3.03	3.08
Management expense ratio before waivers (%)	3.04	3.04	3.03	3.08
Portfolio turnover ratio (%)*	46.06	38.96	20.59	—

	Six months ended June 30, 2016	Years ended December 31,		
100/100 Prestige Class Units	June 30, 2016	2015	2014 <sup>(2)</sup>	2013
Net assets (\$000s)	1,947	1,666	1,183	—
Net asset value per unit (\$)	9.39	9.30	9.86	—
Units issued and outstanding (000's)	207	179	120	—
Management fees (%)	1.35	1.35	1.35	—
Management expense ratio (%)	2.63	2.61	2.69	—
Management expense ratio before waivers (%)	2.63	2.61	2.69	—
Portfolio turnover ratio (%)	46.06	38.96	20.59	—

\* For the financial period-ended December 31, 2013, no purchases or sales of portfolio securities were made in the Fund. As a result, the portfolio turnover rate for this period was zero.

<sup>(1)</sup> The information in this column is for the period beginning December 2, 2013 (the class' inception date) and ending December 31, 2013.

<sup>(2)</sup> The information in this column is for the period beginning October 1, 2014 (the class' inception date) and ending December 31, 2014.

# BMO US Balanced Growth GIF

(unaudited)

## STATEMENT OF FINANCIAL POSITION

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

As at	June 30, 2016	December 31, 2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	346	330
Investments		
Non-derivative financial assets	39,248	34,254
Derivative assets	120	—
Subscriptions receivable	24	—
Distribution receivable from investment trusts	118	117
<b>Total assets</b>	<b>39,856</b>	<b>34,701</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Redemptions payable	40	5
Derivative liabilities	50	—
Accrued expenses	265	224
<b>Total liabilities</b>	<b>355</b>	<b>229</b>
<b>Net assets held for the benefit of policyowners</b>	<b>39,501</b>	<b>34,472</b>
<b>Net assets held for the benefit of policyowners</b>		
100/100 Class A Units	29,376	26,745
100/100 Prestige Class Units	10,125	7,727
<b>Net assets held for the benefit of policyowners per unit</b>		
100/100 Class A Units	\$ 10.22	\$ 10.50
100/100 Prestige Class Units	\$ 9.81	\$ 10.05

## STATEMENT OF COMPREHENSIVE INCOME

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

For the periods ended	June 30, 2016	June 30, 2015
<b>INCOME</b>		
Interest income	—	0
Distribution from investment trusts	426	192
Other changes in fair value of investments and derivatives		
Net realized loss	(1,932)	(5)
Change in unrealized appreciation (depreciation)	1,188	(223)
<b>Net loss in fair value of investments and derivatives</b>	<b>(318)</b>	<b>(36)</b>
<b>Total loss</b>	<b>(318)</b>	<b>(36)</b>
<b>EXPENSES</b>		
Management fees (note 8)	250	114
Fixed administration fees (note 8)	51	22
Insurance fees (note 8)	208	96
Commissions and other portfolio transaction costs (note 8)	22	8
<b>Total expenses</b>	<b>531</b>	<b>240</b>
Decrease in net assets held for the benefit of policyowners	(849)	(276)
<b>Decrease in net assets held for the benefit of policyowners</b>		
100/100 Class A Units	(683)	(234)
100/100 Prestige Class Units	(166)	(42)
<b>Decrease in net assets held for the benefit of policyowners per unit (note 3)</b>		
100/100 Class A Units	(0.25)	(0.20)
100/100 Prestige Class Units	(0.18)	(0.11)

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

**STATEMENT OF CHANGES IN NET ASSETS HELD FOR THE BENEFIT OF POLICYOWNERS**  
(in thousands of Canadian dollars)

<i>For the periods ended</i>	June 30, 2016	June 30, 2015
<b>100/100 Class A Units</b>		
<b>Net assets held for the benefit of policyowners at beginning of period</b>	26,745	6,214
Decrease in net assets held for the benefit of policyowners	(683)	(234)
<b>Withdrawable unit transactions</b>		
Proceeds from withdrawable units issued	6,432	12,457
Withdrawal of withdrawable units	(3,118)	(196)
Net increase from withdrawable unit transactions	3,314	12,261
Net increase in net assets held for the benefit of policyowners	2,631	12,027
<b>Net assets held for the benefit of policyowners</b>	29,376	18,241
<b>100/100 Prestige Class Units</b>		
<b>Net assets held for the benefit of policyowners at beginning of period</b>	7,727	1,870
Decrease in net assets held for the benefit of policyowners	(166)	(42)
<b>Withdrawable unit transactions</b>		
Proceeds from withdrawable units issued	2,758	3,964
Withdrawal of withdrawable units	(194)	(163)
Net increase from withdrawable unit transactions	2,564	3,801
Net increase in net assets held for the benefit of policyowners	2,398	3,759
<b>Net assets held for the benefit of policyowners</b>	10,125	5,629

**STATEMENT OF CHANGES IN NET ASSETS HELD FOR THE BENEFIT OF POLICYOWNERS (cont'd)**  
(in thousands of Canadian dollars)

<i>For the periods ended</i>	June 30, 2016	June 30, 2015
<b>Total Fund</b>		
<b>Net assets held for the benefit of policyowners at beginning of period</b>	34,472	8,084
Decrease in net assets held for the benefit of policyowners	(849)	(276)
<b>Withdrawable unit transactions</b>		
Proceeds from withdrawable units issued	9,190	16,421
Withdrawal of withdrawable units	(3,312)	(359)
Net increase from withdrawable unit transactions	5,878	16,062
Net increase in net assets held for the benefit of policyowners	5,029	15,786
<b>Net assets held for the benefit of policyowners</b>	39,501	23,870

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



# BMO US Balanced Growth GIF

(unaudited) (cont'd)

## STATEMENT OF CASH FLOWS

(in thousands of Canadian dollars)

For the periods ended	June 30, 2016	June 30, 2015
<b>Cash flows from operating activities</b>		
Decrease in net assets held for the benefit of policyowners	(849)	(276)
Adjustments for:		
Net realized loss on sale of investments and derivatives	1,932	5
Change in unrealized (appreciation) depreciation of investments and derivatives	(1,188)	223
Increase in distribution receivable from investment trusts	(1)	(41)
Increase in accrued expenses	41	103
Purchases of investments	(34,512)	(16,709)
Proceeds from sale and maturity of investments	28,963	859
Cash outflows on derivatives	(259)	—
Net cash from operating activities	(5,873)	(15,836)
<b>Cash flows from financing activities</b>		
Proceeds from issuances of withdrawable units	9,166	16,429
Amounts paid on withdrawal of withdrawable units	(3,277)	(408)
Net cash from financing activities	5,889	16,021
Net increase in cash	16	185
Cash at beginning of period	330	53
<b>Cash at end of period</b>	<b>346</b>	<b>238</b>

### Supplementary Information:

Interest received, net of withholding taxes*	—	0
Distribution received from investment trusts*	425	151

\* These items are from operating activities

## SCHEDULE OF INVESTMENT PORTFOLIO

(in thousands of Canadian dollars, unless otherwise noted)

As at June 30, 2016	Number of Units	Cost* (\$)	Fair Value (\$)
<b>HOLDINGS IN INVESTMENT FUNDS — 99.4%</b>			
<b>Fixed Income Funds — 58.1%</b>			
BMO Mid Corporate Bond Index ETF	446,200	7,295	7,441
BMO Mid Federal Bond Index ETF	797,540	13,603	13,792
BMO Mid-Term US IG Corporate Bond Index ETF	91,600	1,773	1,734
		<b>22,671</b>	<b>22,967</b>
<b>U.S. Equity Fund — 41.3%</b>			
BMO S&P 500 Index ETF	544,500	15,820	16,281
<b>Total Investment Portfolio — 99.4%</b>		<b>38,491</b>	<b>39,248</b>
Total Unrealized Gain on Forward Currency Contract — 0.3%			120
Total Unrealized Loss on Forward Currency Contract — (0.1)%			(50)
Other Assets Less Liabilities — 0.4%			183
<b>NET ASSETS HELD FOR THE BENEFIT OF POLICYOWNERS — 100.0%</b>			<b>39,501</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.

Settlement Date	Currency Buy	Position (000s)	Currency Sell	Position (000s)	Contract Rate	Counterparty	Credit Rating*	Unrealized Gain
<b>UNREALIZED GAIN ON FORWARD CURRENCY CONTRACT</b>								
6-Jul-16	CAD	9,810	USD	(7,500)	1.3080	Bank of New York Mellon Trust Co. N.A.(The)	A-1+	120
<b>Total Unrealized Gain on Forward Currency Contract</b>								<b>120</b>
Settlement Date	Currency Buy	Position (000s)	Currency Sell	Position (000s)	Contract Rate	Counterparty	Credit Rating*	Unrealized Loss
<b>UNREALIZED LOSS ON FORWARD CURRENCY CONTRACT</b>								
6-Jul-16	USD	7,500	CAD	(9,739)	0.7701	Bank of New York Mellon Trust Co. N.A.(The)	A-1+	(50)
<b>Total Unrealized Loss on Forward Currency Contract</b>								<b>(50)</b>

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

# BMO US Balanced Growth GIF

## Notes to the Financial Statements (unaudited)

Fund Specific Information (in thousands of Canadian dollars, except per unit data)

### Fund and Class information

The Fund is authorized to issue an unlimited number of units in each of 100/100 Class A Units and 100/100 Prestige Class Units, which are redeemable at the policyowners' option.

Class	Launch Date
100/100 Class A Units	December 2, 2013
100/100 Prestige Class Units	October 1, 2014

### Change in units

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

For the periods ended (in thousands of units)	June 30, 2016	June 30, 2015
<b>100/100 Class A Units</b>		
Units issued and outstanding, beginning of period	2,548	580
Issued for cash	635	1,142
Withdrawn during the period	(308)	(19)
Units issued and outstanding, end of period	2,875	1,703
<b>100/100 Prestige Class Units</b>		
Units issued and outstanding, beginning of period	769	183
Issued for cash	284	383
Withdrawn during the period	(20)	(16)
Units issued and outstanding, end of period	1,033	550

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

The Manager held the following units of the Fund:

As at June 30, 2016	Number of Units	Value of Units (\$)
<b>Class</b>		
100/100 Class A Units	10,000	102
100/100 Prestige Class Units	5,000	49
<b>As at December 31, 2015</b>		
<b>Class</b>		
100/100 Class A Units	10,000	105
100/100 Prestige Class Units	5,000	50

### Financial instrument risk

The Fund's objective is to achieve long term capital growth and income. The Fund invests primarily in exchange traded funds that seek to provide broad exposure to publicly listed U.S. companies balanced with high quality Canadian fixed income securities or cash equivalents.

### Financial instrument risk of the underlying funds

The Fund is indirectly exposed to currency risk, interest rate risk, other market risk and credit risk through its investment in the underlying funds to the extent the underlying funds were exposed to these risks.

As at June 30, 2016, the Fund was also exposed to insignificant credit risk from its investment in forward currency contracts.

### Fair value hierarchy

As at June 30, 2016	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Investment funds	39,248	—	—	39,248
Derivatives	—	120	—	120
<b>Total</b>	<b>39,248</b>	<b>120</b>	<b>—</b>	<b>39,368</b>
<b>Financial Liabilities</b>				
Derivatives	—	(50)	—	(50)

As at December 31, 2015	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Investment funds	34,254	—	—	34,254

### Transfers between levels

There were no transfers between the levels during the 2016 period (2015 — \$ nil).

### Unconsolidated structured entities

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

Carrying amount	June 30, 2016	December 31, 2015
BMO Mid Corporate Bond Index ETF	7,441	5,368
BMO Mid Federal Bond Index ETF	13,792	12,494
BMO Mid-Term US IG Corporate Bond Index ETF	1,734	—
BMO S&P 500 Hedged to CAD Index ETF	—	16,392
BMO S&P 500 Index ETF	16,281	—
<b>Total</b>	<b>39,248</b>	<b>34,254</b>

### Carrying amount as a % of the underlying fund's Net Assets

	June 30, 2016	December 31, 2015
BMO Mid Corporate Bond Index ETF	0.72%	0.60%
BMO Mid Federal Bond Index ETF	1.97%	2.10%
BMO Mid-Term US IG Corporate Bond Index ETF	0.15%	—%
BMO S&P 500 Hedged to CAD Index ETF	—%	1.70%
BMO S&P 500 Index ETF	0.62%	—%

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

Fund Specific Information (in thousands of Canadian dollars, except per unit data)

### Increase or decrease in net assets held for the benefit of policyowners

The increase (decrease) in net assets held for the benefit of the policyowners for the periods ended June 30, 2016 and June 30, 2015 is calculated as follows:

For the periods ended	June 30, 2016	June 30, 2015
<b>100/100 Class A Units</b>		
Decrease in net assets held for the benefit of policyowners	(683)	(234)
Weighted average units outstanding during the period	2,777	1,145
Decrease in net assets held for the benefit of policyowners per unit	(0.25)	(0.20)

For the periods ended	June 30, 2016	June 30, 2015
<b>100/100 Prestige Class Units</b>		
Decrease in net assets held for the benefit of policyowners	(166)	(42)
Weighted average units outstanding during the period	902	368
Decrease in net assets held for the benefit of policyowners per unit	(0.18)	(0.11)

### Brokerage commissions

For the periods ended	June 30, 2016	June 30, 2015
Total brokerage amounts paid	22	8
Total brokerage amounts paid to related parties	22	8

The Company may select brokers who charge a commission in "soft dollars" if they determine in good faith that the commission is reasonable in relation to the order execution and research services utilized. There were no ascertainable soft dollars paid or payable to dealers by the Fund during the periods.

### Concentration risk

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

As at	June 30, 2016	December 31, 2015
<b>Investment Funds</b>		
Fixed Income Funds	58.1%	51.8%
US Equity Fund	41.3%	47.6%
<b>Other Assets less Liabilities</b>	0.6%	0.6%
	<b>100.0%</b>	<b>100.0%</b>

### Financial assets and financial liabilities

#### Categories of financial assets and financial liabilities

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

As at	June 30, 2016	December 31, 2015
Financial assets designated at FVTPL	39,248	34,254
Financial assets held for trading	120	—
Loans and receivables	142	117
Financial liabilities held for trading	50	—
Financial liabilities measured at amortized cost	305	229

#### Net gains and losses on financial assets and financial liabilities at fair value

For the periods ended	June 30, 2016	June 30, 2015
<b>Net realized (losses) gains on financial assets</b>		
Designated at FVTPL	(1,247)	187
	(1,247)	187

#### Net realized losses on financial liabilities

Held for trading	(259)	—
	(259)	—

#### Total net realized (losses) gains on financial assets and financial liabilities

	(1,506)	187
--	---------	-----

#### Change in unrealized gains (losses) on financial assets

Designated at FVTPL	1,118	(223)
Held for trading	70	—
	1,188	(223)

#### Total change in unrealized gains (losses) on financial assets and financial liabilities

	1,188	(223)
--	-------	-------

#### Offsetting financial assets and financial liabilities

There were no amounts offset as at June 30, 2016 and December 31, 2015.

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

Fund Specific Information (in thousands of Canadian dollars, except per unit data)

### Financial Statements — Financial Highlights (unaudited)

The following table shows selected key financial information about the Fund which is intended to help you understand the Fund's financial performance for the periods indicated.

100/100 Class A Units	Six months ended	Years ended December 31,		
	June 30, 2016	2015	2014	2013 <sup>(1)</sup>
Net assets (\$000s)	29,376	26,745	6,214	210
Net asset value per unit (\$)	10.22	10.50	10.72	9.98
Units issued and outstanding (000's)	2,875	2,548	580	21
Management fees (%)	1.50	1.50 <sup>†</sup>	1.55	1.55
Management expense ratio (%)	3.08	3.12	3.26	3.27
Management expense ratio before waivers (%)	3.08	3.12	3.26	3.27
Portfolio turnover ratio (%) <sup>*</sup>	78.30	51.12	22.35	—

100/100 Prestige Class Units	Six months ended	Years ended December 31,		
	June 30, 2016	2015	2014 <sup>(2)</sup>	2013
Net assets (\$000s)	10,125	7,727	1,870	—
Net asset value per unit (\$)	9.81	10.05	10.23	—
Units issued and outstanding (000's)	1,033	769	183	—
Management fees (%)	1.15	1.15 <sup>††</sup>	1.20	—
Management expense ratio (%)	2.63	2.68	2.94	—
Management expense ratio before waivers (%)	2.63	2.68	2.94	—
Portfolio turnover ratio (%)	78.30	51.12	22.35	—

\* For the financial period-ended December 31, 2013, no purchases or sales of portfolio securities were made in the Fund. As a result, the portfolio turnover rate for this period was zero.

<sup>†</sup> Effective May 1, 2015, the management fee rate was reduced from 1.55% to 1.50%.

<sup>††</sup> Effective May 1, 2015, the management fee rate was reduced from 1.20% to 1.15%.

<sup>(1)</sup> The information in this column is for the period beginning December 2, 2013 (the class' inception date) and ending December 31, 2013.

<sup>(2)</sup> The information in this column is for the period beginning October 1, 2014 (the class' inception date) and ending December 31, 2014.

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

**STATEMENT OF FINANCIAL POSITION**

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

As at	June 30, 2016	December 31, 2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	665	513
Investments		
Non-derivative financial assets	58,877	51,520
Derivative assets	85	—
Subscriptions receivable	22	—
Distribution receivable from investment trusts	208	190
<b>Total assets</b>	<b>59,857</b>	<b>52,223</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Redemptions payable	7	7
Derivative liabilities	28	—
Accrued expenses	365	314
<b>Total liabilities</b>	<b>400</b>	<b>321</b>
<b>Net assets held for the benefit of policyowners</b>	<b>59,457</b>	<b>51,902</b>
<b>Net assets held for the benefit of policyowners</b>		
100/100 Class A Units	46,463	40,293
100/100 Prestige Class Units	12,994	11,609
<b>Net assets held for the benefit of policyowners per unit</b>		
100/100 Class A Units	\$ 10.49	\$ 10.30
100/100 Prestige Class Units	\$ 9.99	\$ 9.79

**STATEMENT OF COMPREHENSIVE INCOME**

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

For the periods ended	June 30, 2016	June 30, 2015
<b>INCOME</b>		
Interest income	—	1
Distribution from investment trusts	797	521
Other changes in fair value of investments and derivatives		
Net realized loss	(1,898)	(14)
Change in unrealized appreciation (depreciation)	2,956	(1,200)
<b>Net gain (loss) in fair value of investments and derivatives</b>	<b>1,855</b>	<b>(692)</b>
<b>Total income (loss)</b>	<b>1,855</b>	<b>(692)</b>
<b>EXPENSES</b>		
Management fees (note 8)	408	221
Fixed administration fees (note 8)	75	43
Insurance fees (note 8)	218	124
Interest charges	0	—
Commissions and other portfolio transaction costs (note 8)	24	14
<b>Total expenses</b>	<b>725</b>	<b>402</b>
<b>Increase (decrease) in net assets held for the benefit of policyowners</b>	<b>1,130</b>	<b>(1,094)</b>
<b>Increase (decrease) in net assets held for the benefit of policyowners</b>		
100/100 Class A Units	861	(910)
100/100 Prestige Class Units	269	(184)
<b>Increase (decrease) in net assets held for the benefit of policyowners per unit (note 3)</b>		
100/100 Class A Units	0.21	(0.39)
100/100 Prestige Class Units	0.21	(0.28)

## STATEMENT OF CHANGES IN NET ASSETS HELD FOR THE BENEFIT OF POLICYOWNERS

(in thousands of Canadian dollars)

For the periods ended	June 30, 2016	June 30, 2015
<b>100/100 Class A Units</b>		
<b>Net assets held for the benefit of policyowners at beginning of period</b>	40,293	14,314
Increase (decrease) in net assets held for the benefit of policyowners	861	(910)
<b>Withdrawable unit transactions</b>		
Proceeds from withdrawable units issued	8,096	20,322
Withdrawal of withdrawable units	(2,787)	(909)
Net increase from withdrawable unit transactions	5,309	19,413
Net increase in net assets held for the benefit of policyowners	6,170	18,503
<b>Net assets held for the benefit of policyowners</b>	46,463	32,817
<b>100/100 Prestige Class Units</b>		
<b>Net assets held for the benefit of policyowners at beginning of period</b>	11,609	4,665
Increase (decrease) in net assets held for the benefit of policyowners	269	(184)
<b>Withdrawable unit transactions</b>		
Proceeds from withdrawable units issued	1,441	4,427
Withdrawal of withdrawable units	(325)	(229)
Net increase from withdrawable unit transactions	1,116	4,198
Net increase in net assets held for the benefit of policyowners	1,385	4,014
<b>Net assets held for the benefit of policyowners</b>	12,994	8,679
<b>Total Fund</b>		
<b>Net assets held for the benefit of policyowners at beginning of period</b>	51,902	18,979
Increase (decrease) in net assets held for the benefit of policyowners	1,130	(1,094)
<b>Withdrawable unit transactions</b>		
Proceeds from withdrawable units issued	9,537	24,749
Withdrawal of withdrawable units	(3,112)	(1,138)
Net increase from withdrawable unit transactions	6,425	23,611
Net increase in net assets held for the benefit of policyowners	7,555	22,517
<b>Net assets held for the benefit of policyowners</b>	59,457	41,496

## STATEMENT OF CASH FLOWS

(in thousands of Canadian dollars)

For the periods ended	June 30, 2016	June 30, 2015
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets held for the benefit of policyowners	1,130	(1,094)
Adjustments for:		
Net realized loss on sale of investments and derivatives	1,898	14
Change in unrealized (appreciation) depreciation of investments and derivatives	(2,956)	1,200
Increase in distribution receivable from investment trusts	(18)	(61)
Increase in accrued expenses	51	161
Purchases of investments	(26,570)	(24,239)
Proceeds from sale and maturity of investments	20,150	719
Cash inflows on derivatives	64	—
Net cash from operating activities	(6,251)	(23,300)
<b>Cash flows from financing activities</b>		
Proceeds from issuances of withdrawable units	9,515	24,754
Amounts paid on withdrawal of withdrawable units	(3,112)	(1,147)
Net cash from financing activities	6,403	23,607
Net increase in cash	152	307
Cash at beginning of period	513	146
<b>Cash at end of period</b>	665	453

### Supplementary Information:

Interest received, net of withholding taxes*	—	1
Distribution received from investment trusts*	779	460
Interest expense*	0	—

\* These items are from operating activities

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

# BMO North American Income Strategy GIF

(unaudited) (cont'd)

## SCHEDULE OF INVESTMENT PORTFOLIO

(in thousands of Canadian dollars, unless otherwise noted)

As at June 30, 2016	Number of Units	Cost* (\$)	Fair Value (\$)
<b>HOLDINGS IN INVESTMENT FUNDS — 99.0%</b>			
<b>Canadian Equity Funds — 17.8%</b>			
BMO Canadian Dividend ETF	196,500	3,335	3,073
BMO Equal Weight REITs Index ETF	52,345	1,027	1,058
BMO Laddered Preferred Share Index ETF	136,010	1,601	1,305
BMO Low Volatility Canadian Equity ETF	93,800	2,585	2,588
BMO S&P/TSX Capped Composite Index ETF	135,600	2,297	2,571
		<b>10,845</b>	<b>10,595</b>
<b>Fixed Income Funds — 55.2%</b>			
BMO Mid Corporate Bond Index ETF	638,000	10,500	10,639
BMO Mid Federal Bond Index ETF	1,139,870	19,239	19,712
BMO Mid-Term US IG Corporate Bond Index ETF	131,300	2,549	2,486
		<b>32,288</b>	<b>32,837</b>
<b>Global Equity Fund — 3.6%</b>			
BMO Global Infrastructure Index ETF	62,470	2,054	2,151
<b>International Equity Fund — 8.6%</b>			
BMO MSCI EAFE Index ETF	332,600	5,345	5,089
<b>U.S. Equity Funds — 13.8%</b>			
BMO Low Volatility US Equity ETF	132,200	3,609	4,034
BMO S&P 500 Index ETF	139,500	4,086	4,171
		<b>7,695</b>	<b>8,205</b>
<b>Total Investment Portfolio — 99.0%</b>		<b>58,227</b>	<b>58,877</b>
Total Unrealized Gain on Forward Currency Contracts — 0.1%			85
Total Unrealized Loss on Forward Currency Contract — (0.0)%			(28)
Other Assets Less Liabilities — 0.9%			523
<b>NET ASSETS HELD FOR THE BENEFIT OF POLICYOWNERS — 100.0%</b>			<b>59,457</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.

## SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

(in thousands of Canadian dollars, unless otherwise noted)

Settlement Date	Currency Buy	Position (000s)	Currency Sell	Position (000s)	Contract Rate	Counterparty	Credit Rating*	Unrealized Gain
<b>UNREALIZED GAIN ON FORWARD CURRENCY CONTRACTS</b>								
6-Jul-16	CAD	5,493	USD	(4,200)	1.3080	Bank of New York Mellon Trust Co. N.A.(The)	A-1+	67
3-Aug-16	CAD	317	EUR	(220)	1.4422	Bank of New York Mellon Trust Co. N.A.(The)	A-1+	2
3-Aug-16	CAD	962	GBP	(550)	1.7497	Bank of New York Mellon Trust Co. N.A.(The)	A-1+	16
<b>Total Unrealized Gain on Forward Currency Contracts</b>								<b>85</b>

Settlement Date	Currency Buy	Position (000s)	Currency Sell	Position (000s)	Contract Rate	Counterparty	Credit Rating*	Unrealized Loss
<b>UNREALIZED LOSS ON FORWARD CURRENCY CONTRACT</b>								
6-Jul-16	USD	4,200	CAD	(5,454)	0.7701	Bank of New York Mellon Trust Co. N.A.(The)	A-1+	(28)
<b>Total Unrealized Loss on Forward Currency Contract</b>								<b>(28)</b>

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



## Notes to the Financial Statements (unaudited)

Fund Specific Information (in thousands of Canadian dollars, except per unit data)

### Fund and Class information

The Fund is authorized to issue an unlimited number of units in each of 100/100 Class A Units and 100/100 Prestige Class Units, which are redeemable at the policyowners' option.

Class	Launch Date
100/100 Class A Units	December 2, 2013
100/100 Prestige Class Units	October 1, 2014

### Change in units

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

For the periods ended (in thousands of units)	June 30, 2016	June 30, 2015
<b>100/100 Class A Units</b>		
Units issued and outstanding, beginning of period	3,911	1,337
Issued for cash	789	1,870
Redeemed during the period	(271)	(85)
Units issued and outstanding, end of period	4,429	3,122
<b>100/100 Prestige Class Units</b>		
Units issued and outstanding, beginning of period	1,186	460
Issued for cash	148	433
Redeemed during the period	(33)	(22)
Units issued and outstanding, end of period	1,301	871

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

The Manager held the following units of the Fund:

As at June 30, 2016		
Class	Number of Units	Value of Units (\$)
100/100 Class A Units	10,000	105
100/100 Prestige Class Units	5,000	50

  

As at December 31, 2015		
Class	Number of Units	Value of Units (\$)
100/100 Class A Units	10,000	103
100/100 Prestige Class Units	5,000	49

### Financial instrument risk

The Fund's objective is to achieve long term capital growth and monthly income. The Fund invests primarily in exchange traded funds that invest in Canadian and U.S. income-generating securities: dividend-paying common stocks, preferred shares, income trusts, as well as high quality Canadian fixed income securities or cash equivalents.

### Financial instrument risk of the underlying funds

The Fund is indirectly exposed to currency risk, interest rate risk, other market risk and credit risk through its investment in the underlying funds to the extent the underlying funds were exposed to these risks.

As at June 30, 2016, the Fund was also exposed to insignificant credit risk from its investment in forward currency contracts.

### Fair value hierarchy

As at June 30, 2016				
Financial assets	Level 1	Level 2	Level 3	Total
Investment funds	58,877	—	—	58,877
Derivatives	—	85	—	85
<b>Total</b>	<b>58,877</b>	<b>85</b>	<b>—</b>	<b>58,962</b>

  

As at December 31, 2015				
Financial Liabilities	Level 1	Level 2	Level 3	Total
Derivatives	—	(28)	—	(28)

  

As at December 31, 2015				
Financial assets	Level 1	Level 2	Level 3	Total
Investment funds	51,520	—	—	51,520

### Transfers between levels

There were no transfers between the levels during the 2016 period (2015 — \$ nil).

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

Fund Specific Information (in thousands of Canadian dollars, except per unit data)

### Unconsolidated structured entities

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

Carrying amount	June 30, 2016	December 31, 2015
BMO Canadian Dividend ETF	3,073	3,061
BMO Dow Jones Industrial Average Hedged to CAD Index ETF	—	2,446
BMO Equal Weight REITs Index ETF	1,058	3,626
BMO Equal Weight Utilities Index ETF	—	1,844
BMO Global Infrastructure Index ETF	2,151	3,683
BMO Laddered Preferred Share Index ETF (formerly BMO S&P/TSX Laddered Preferred Share Index ETF)	1,305	2,608
BMO Low Volatility Canadian Equity ETF	2,588	3,624
BMO Low Volatility US Equity ETF	4,034	3,643
BMO Mid Corporate Bond Index ETF	10,639	8,110
BMO Mid Federal Bond Index ETF	19,712	18,875
BMO Mid-Term US IG Corporate Bond Index ETF	2,486	—
BMO MSCI EAFE Index ETF	5,089	—
BMO S&P 500 Index ETF	4,171	—
BMO S&P/TSX Capped Composite Index ETF	2,571	—
<b>Total</b>	<b>58,877</b>	<b>51,520</b>

### Carrying amount as a percentage of the underlying fund's Net Assets

	June 30, 2016	December 31, 2015
BMO Canadian Dividend ETF	0.49%	0.60%
BMO Dow Jones Industrial Average Hedged to CAD Index ETF	—%	2.20%
BMO Equal Weight REITs Index ETF	0.26%	1.00%
BMO Equal Weight Utilities Index ETF	—%	1.20%
BMO Global Infrastructure Index ETF	5.67%	1.70%
BMO Laddered Preferred Share Index ETF (formerly BMO S&P/TSX Laddered Preferred Share Index ETF)	0.11%	0.20%
BMO Low Volatility Canadian Equity ETF	0.25%	0.60%
BMO Low Volatility US Equity ETF	0.42%	0.60%
BMO Mid Corporate Bond Index ETF	1.03%	1.00%
BMO Mid Federal Bond Index ETF	2.82%	3.20%
BMO Mid-Term US IG Corporate Bond Index ETF	0.22%	—%
BMO MSCI EAFE Index ETF	0.48%	—%
BMO S&P 500 Index ETF	0.16%	—%
BMO S&P/TSX Capped Composite Index ETF	0.20%	—%

### Increase or decrease in net assets held for the benefit of policyowners

The increase (decrease) in net assets held for the benefit of policyowners for the periods end June 30, 2016 and June 30, 2015 is calculated as follows:

For the periods ended	June 30, 2016	June 30, 2015
<b>100/100 Class A Units</b>		
Increase (decrease) in net assets held for the benefit of policyowners	861	(910)
Weighted average units outstanding during the period	4,162	2,330
Increase (decrease) in net assets held for the benefit of policyowners per unit	0.21	(0.39)

For the periods ended	June 30, 2016	June 30, 2015
<b>100/100 Prestige Class Units</b>		
Increase (decrease) in net assets held for the benefit of policyowners	269	(184)
Weighted average units outstanding during the period	1,252	665
Increase (decrease) in net assets held for the benefit of policyowners per unit	0.21	(0.28)

### Brokerage commissions

For the periods ended	June 30, 2016	June 30, 2015
Total brokerage amounts paid	24	14
Total brokerage amounts paid to related parties	24	14

The Company may select brokers who charge a commission in "soft dollars" if they determine in good faith that the commission is reasonable in relation to the order execution and research services utilized. There were no ascertainable soft dollars paid or payable to dealers by the Fund during the periods.

### Concentration risk

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

As at	June 30, 2016	December 31, 2015
<b>Investment Funds</b>		
Canadian Equity Funds	17.8%	28.5%
Fixed Income Funds	55.2%	52.0%
Global Equity Fund	3.6%	7.1%
International Equity Fund	8.6%	—%
US Equity Funds	13.8%	11.7%
<b>Other Assets less Liabilities</b>	<b>1.0%</b>	<b>0.7%</b>
	<b>100.0%</b>	<b>100.0%</b>

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

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

Fund Specific Information (in thousands of Canadian dollars, except per unit data)

### Financial assets and financial liabilities

#### Categories of financial assets and financial liabilities

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

As at	June 30, 2016	December 31, 2015
Financial assets designated at FVTPL	58,877	51,520
Financial assets held for trading	85	—
Loans and receivables	230	190
Financial liabilities held for trading	28	—
Financial liabilities measured at amortized cost	372	321

#### Net gains and losses on financial assets and financial liabilities at fair value

For the periods ended	June 30, 2016	June 30, 2015
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#### Net realized (losses) gains on financial assets

Designated at FVTPL	(1,165)	508
Held for trading	64	—

<b>Total net realized (losses) gains on financial assets and financial liabilities</b>	<b>(1,101)</b>	<b>508</b>
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#### Change in unrealized gains (losses) on financial assets

Designated at FVTPL	2,899	(1,200)
Held for trading	57	—

<b>Total change in unrealized gains (losses) on financial assets and financial liabilities</b>	<b>2,956</b>	<b>(1,200)</b>
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### Offsetting financial assets and financial liabilities

There were no amounts offset as at June 30, 2016 and December 31, 2015.

### Financial Statements — Financial Highlights (unaudited)

The following table shows selected key financial information about the Fund which is intended to help you understand the Fund's financial performance for the periods indicated.

100/100 Class A Units	Six months ended	Years ended December 31,		
	June 30, 2016	2015	2014	2013 <sup>(1)</sup>
Net assets (\$000s)	46,463	40,293	14,314	179
Net asset value per unit (\$)	10.49	10.30	10.71	9.99
Units issued and outstanding (000's)	4,429	3,911	1,337	18
Management fees (%)	1.70	1.70	1.70	1.70
Management expense ratio (%)	2.96	2.95	2.94	3.03
Management expense ratio before waivers (%)	2.96	2.95	2.94	3.03
Portfolio turnover ratio (%)*	36.74	34.95	15.57	—

100/100 Prestige Class Units	Six months ended	Years ended December 31,		
	June 30, 2016	2015	2014 <sup>(2)</sup>	2013
Net assets (\$000s)	12,994	11,609	4,665	—
Net asset value per unit (\$)	9.99	9.79	10.13	—
Units issued and outstanding (000's)	1,301	1,186	460	—
Management fees (%)	1.35	1.35	1.35	—
Management expense ratio (%)	2.52	2.51	2.63	—
Management expense ratio before waivers (%)	2.52	2.51	2.63	—
Portfolio turnover ratio (%)	36.74	34.95	15.57	—

\* For the financial period-ended December 31, 2013, no purchases or sales of portfolio securities were made in the Fund. As a result, the portfolio turnover rate for this period was zero.

<sup>(1)</sup> The information in this column is for the period beginning December 2, 2013 (the class' inception date) and ending December 31, 2013.

<sup>(2)</sup> The information in this column is for the period beginning October 1, 2014 (the class' inception date) and ending December 31, 2014.

# Notes to the Financial Statements

(in thousands of Canadian dollars) (unaudited)

June 30, 2016

## 1. The Funds

The BMO Guaranteed Investment Funds (the "Funds") are offered through a variable annuity contract issued by BMO Life Assurance Company (the "Company") under authority of the Insurance Companies Act (Canada). The Company is the registered owner of the assets of the Funds for the benefit of the policyowners. The address of the Company's registered office is 60 Yonge Street, Toronto, Ontario. The Funds are not separate legal entities. The Funds were established as follows:

Fund	Date Established
BMO Money Market GIF	December 2, 2013
BMO Canadian Balanced Growth GIF	December 2, 2013
BMO Canadian Income Strategy GIF	December 2, 2013
BMO US Balanced Growth GIF	December 2, 2013
BMO North American Income Strategy GIF	December 2, 2013

The Company is the sole issuer of the individual variable insurance contract providing for investment in each Fund.

Each Fund is established under the authority of the Insurance Companies Act. Each of the Funds invest in direct investments or in underlying exchange traded funds or mutual fund units.

The individual variable insurance contract provides guarantees, which are payable either on maturity or on death.

The information provided in these unaudited interim financial statements is for the periods ended June 30, 2016 and June 30, 2015 except for the comparative information in the Statement of Financial Position and related notes which are as at December 31, 2015.

The financial statements were authorized for issue by the Company on September 7, 2016.

These financial statements should be read in conjunction with the annual financial statements for the period ended December 31, 2015 which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

## 2. Basis of preparation and presentation

These unaudited interim financial statements have been prepared in accordance with IFRS and in accordance with International Accounting Standard ("IAS") 34-Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB").

## 3. Summary of significant accounting policies

### Financial instruments

The Funds record financial instruments at fair value. Investment transactions are accounted for on the trade date. The Funds' 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 Funds' 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 Funds manage together and that have a recent actual pattern of short-term profit taking. The Funds classify all derivatives as held for trading. The Funds do not designate any derivatives as hedges in a hedging relationship.

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

The Funds' withdrawable units contain multiple contractual obligations and consequently, do not meet the conditions to be classified as equity. As a result, the Funds' obligations for net assets held for the benefit of policyowners are classified as financial liabilities and presented at the withdrawal amounts.

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

The Funds have determined that they meet the definition of "investment entity" and as a result, measure subsidiaries, if any, 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 Company determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

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 fair valued, and in certain circumstances are held at amortized cost which approximates fair value.

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

June 30, 2016

## Derivatives

Derivative instruments are financial contracts that derive their value from changes in the underlying 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 Funds may use these instruments for trading purposes, as well as to manage the Funds' risk exposures.

Derivatives are measured at fair value. 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 Funds 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 Funds 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 Funds is recorded as the difference between the value of the contract on the Valuation Date and the value on the date the contract originated.

## Income recognition

Distributions from underlying funds are recognized on the ex-distribution date.

Interest income from interest bearing investments is recognized in the Statement of Comprehensive Income as it is earned 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.

## Foreign currency translation

The fair value of investments and other assets and liabilities in foreign currencies are translated into the Funds' 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 "Net realized gain (loss) and unrealized foreign exchange gains (losses) are included in "Change in unrealized appreciation (depreciation)" in the Statement of Comprehensive Income. Foreign exchange gains (losses) relating to cash, receivables and payables are included in "Foreign exchange gain (loss)" in the Statement of Comprehensive Income.

## Cash

Cash is comprised of cash and deposits with banks, which include bankers' acceptances and overnight demand deposits. Cash is recorded at fair value.

## Other assets and liabilities

Distribution receivable from investment trusts, subscriptions receivable and receivable for investments purchased, are initially recorded at fair value and subsequently measured at amortized cost. Similarly, payable for investments purchased, redemptions payable and accrued expenses are measured at amortized cost. Other assets and liabilities are short-term in nature, and are carried at cost or amortized cost.

## Increase or decrease in net assets held for the benefit of policyowners from operations per unit

"Increase (decrease) in net assets from operations per unit" of a class in the Statement of Comprehensive Income represents the increase (decrease) in net assets from operations attributable to the class, divided by the weighted average number of units of the class outstanding during the period.

## Portfolio turnover rate

The Funds' portfolio turnover rate indicates how actively the Funds' portfolio manager manages its portfolio investments.

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

## Income taxes

The Funds are segregated funds under the provisions of the *Income Tax Act (Canada)*. The Funds' net income, including net realized capital gains and losses for the calendar year, is allocated to beneficiaries so that the Funds will not be liable for income taxes. As a result, the Funds have determined that they are in substance not taxable and therefore do not record income taxes in the Statement of Comprehensive Income and/or recognize any deferred tax assets or liabilities in the Statement of Comprehensive Income.

## Investments in subsidiaries, joint ventures and associates

Subsidiaries are entities over which the Funds have control through their exposure or rights to variable returns from their investment, and have the ability to affect those returns through their power over the entity. The Funds have determined that they are an investment entity and as such, they account for subsidiaries, if any, at fair value. Joint ventures are those where the Funds exercise joint control through an agreement with other shareholders, and associates are investments in which the Funds exert significant influence over operating, investing, and financing decisions (such as entities in which the Funds own 20% – 50% of voting shares), all of which, if any, have been designated at FVTPL.

## Unconsolidated structured entities

During the periods, the Funds had no sponsored unconsolidated structured entities. The Funds have determined that the underlying funds in which the Funds invest are unconsolidated



June 30, 2016

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 Funds. Similarly, investments in securitizations, asset-backed securities and mortgage-backed securities are determined to be interests in unconsolidated structured entities.

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

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

The Funds do not provide and have 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.

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

Financial instruments are presented at net or gross amounts in the Statement of Financial Position depending on the existence of intention and legal right to offset opposite positions of such instruments held with the same counterparties. Amounts offset in the Statement of Financial Position are transactions for which the Funds have legally enforceable rights to offset and intend 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 Funds have no intention of settling on a net basis.

#### **4. Units and unit transactions**

The withdrawable units of the Funds are classified as financial liabilities.

The units have no par value and are entitled to allocations, if any. Upon withdrawal, a unit is entitled to a proportionate share of the Fund's NAV. The Funds allocate their net income, including net realized capital gains and capital losses, to ensure the Funds will not be liable for income taxes on capital gains, dividends and interest. The Funds have no restrictions or specific capital requirements on the subscriptions and withdrawal of units. The relevant movements in withdrawable units are shown on the Statement of Changes in Net Assets Held for the Benefit of Policyowners. In accordance with their investment objectives and strategies, and the risk management practices outlined in Note 9, the Funds endeavour to invest the subscriptions received in appropriate investments, while maintaining sufficient liquidity to meet withdrawals, with such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

The NAV per unit of a class is computed by dividing the NAV of the Fund attributable to the class (that is, the total fair value of the assets attributable to the class less the liabilities attributable to the class) by the total number of units of the class of the Fund outstanding at such time.

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

Prestige Class is only available to policyowners who meet and maintain a minimum investment of \$250, either individually or collectively with other policyowners who are their family members and reside at the same address. Effective June 21, 2016, the Prestige Class changed their name to 100/100 Prestige Class.

Holding Money Market Units was designated for holding purposes. Once a month the deposits were switched to the selected funds. At the close of business on June 20, 2016, the Holding Money Market Units were terminated.

On June 21, 2016, Class A changed their name to 100/100 Class A.

#### **5. Accounting standards issued but not yet adopted**

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

June 30, 2016

In July 2014, the IASB issued the final 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, FVTPL 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 FVTPL.

For these liabilities, fair value changes attributable to changes in the entity's own credit risk 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 Funds for their fiscal year beginning January 1, 2018. The Funds are evaluating the impact of this standard on their financial statements.

## 6. Critical accounting judgements and estimates

The preparation of financial statements requires the use of judgement in applying the Funds' accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgements and estimates that the Funds have made in preparing their financial statements:

### Accounting judgements:

#### Functional and presentation currency

The Funds unitholders are mainly Canadian residents, with the subscriptions and redemptions of the redeemable units denominated in Canadian dollars. The Funds invest in Canadian dollar denominated securities. The performance of the Funds are measured and reported to the investors in Canadian dollars.

The Company 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 Funds' functional and presentation currency.

#### Classification and measurement of financial instruments and application of fair value option

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

### Accounting estimates:

The Funds have 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 Funds' assets and liabilities are believed to be appropriate as at the reporting date.

## 7. Management fees and expenses

Each Fund is responsible for the payment of fees and expenses related to its operations. Such fees and expenses include management fees and other recoverable fund operating expenses paid by the Funds. Collectively, all the fees and expenses paid or payable by the Funds, including management fees and other recoverable fund operating expenses divided by the Funds' average NAV, is known as the Management Expense Ratio ("MER").

## 8. Related party transactions

### Management fees

Each Fund pays a management fee for investment management and administration services of the Fund. The management fee varies from Fund to Fund and is calculated and accrued on a daily basis as an annual percentage of the NAV of each Fund.

The management fee of a Fund includes the management fee and expenses charged by the underlying funds. There is no duplication of management fees when the Fund invests in an underlying fund.

### Administration fees

Each Fund incurs certain operating expenses that include audit and legal fees and expenses; custodian and transfer agency fees; costs attributable to the administration of the segregated funds, including the cost of the record keeping system; fund accounting and valuation costs; costs of financial reports; including information folders, required to comply with applicable regulatory requirements; filing fees, and statements and communications to policyowners. The Company pays for these expenses and in return, each Fund pays the Company an administration fee of 0.25%. The administration fee is calculated and accrued daily as an annual percentage of the average NAV of each Fund.

### Insurance fees

Each Fund pays an insurance fee for the provision of insurance benefits to the Company. The insurance fee differs from Fund to Fund and is calculated and accrued daily as an annual percentage of NAV of each Fund and is included in the management expense ratio.

### Brokerage commissions

The Funds may execute trades with and or through BMO Nesbitt Burns Inc., an affiliate of the Company based on established standard brokerage agreements at market prices. These fees, if any, are included in "Commissions and other portfolio transaction costs" in the Statement of Comprehensive Income.

June 30, 2016

## Other related parties

The Company may, on behalf of the Funds, enter into transactions or arrangements with or involving other subsidiaries or affiliates of the Bank of Montreal, or certain other persons or companies that are related or connected to the Company. These transactions or arrangements may include transactions or arrangements with or involving subsidiaries or affiliates of the Bank of Montreal, BMO Nesbitt Burns Inc., BMO Investments Inc., BMO Private Investment Counsel Inc., BMO InvestorLine Inc., Money Inc., BMO Trust Company, Pyrford International Inc., or other investment funds offered by Bank of Montreal, and may involve the purchase or sale of portfolio securities through or from a subsidiary or affiliates of the Bank of Montreal, the purchase or sale of securities issued or guaranteed by a subsidiary or affiliates of the Bank of Montreal, entering into forward contracts with a subsidiary or affiliates of the Bank of Montreal acting as the counterparty, the purchase or redemption of units of other Bank of Montreal investment funds or the provision of services to the Company.

## 9. Financial instrument risk

The Funds may be exposed to a variety of financial risks that are concentrated in their investment holdings. The concentration risk table groups securities by asset type, geographic region and/or market segment. The Funds' risk management practices outline the monitoring of compliance to investment guidelines. The Company manages the potential effects of these financial risks on the Funds' performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor the Funds' positions, market events and diversify investment portfolios within the constraints of the investment guidelines.

Where a Fund invests in another investment fund or investment funds, they 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 funds.

### a) Currency risk

Currency risk is the risk that the value of financial instruments denominated in currencies, other than the functional currency of the Funds, 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 Funds' functional currency in determining fair value.

### b) Interest rate risk

Interest rate risk is the risk that the fair value of the Funds' interest bearing investments will fluctuate due to changes in market interest rates. The Funds' exposure to interest rate risk is concentrated in its investment in debt securities (such as bonds, money market investments, short-term investments

and debentures) and interest rate derivative instruments, if any. Other assets and liabilities are short-term in nature and/or non-interest bearing.

### 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.

### 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 creditworthiness of the debt issuer. Credit risk exposure for over-the-counter derivative instruments is based on the Funds' 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.

### e) Liquidity risk

The Funds' exposure to liquidity risk is concentrated in the daily cash redemptions of units. The Funds primarily invest in securities that are traded in active markets and can be readily disposed. In addition, the Funds retain sufficient cash and cash equivalent positions to maintain liquidity. The Funds 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. The proportion of illiquid securities to NAV of the Fund is monitored by the Company to ensure it does not exceed the regulatory limit and does not significantly affect the liquidity required to meet the Fund's financial obligations.

## 10. Fair value hierarchy

Each 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 the 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 unobservable inputs to models.

Level 3 securities are valued based on significant unobservable inputs that reflect the Company's determination of assumptions that market participants might reasonably use in valuing the securities.



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