

BMO U.S. High Yield Bond Fund (the "Fund")

For the 12-month period ended September 30, 2018 (the "Period")

Manager: BMO Investments Inc. (the "Manager" or "BMOI")

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

Sub-advisor: Taplin, Canada & Habacht, LLC, Miami, Florida

2018 Annual Management Report of Fund Performance

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund's objective is to provide a high level of total return through a combination of income and capital appreciation by investing primarily in fixed income securities issued by U.S. corporations.

The portfolio manager invests primarily in a diversified pool of fixed income securities, such as bonds and debentures issued by corporations or obtains exposure to those securities. The portfolio manager invests primarily in high yield securities rated below BBB as they seek the best potential investments for the portfolio by analyzing the credit ratings of various issuers and using fundamental analysis.

Risk

The risks associated with an investment in the Fund remain as disclosed in the Fund's most recent simplified prospectus or any amendments and fund facts document. During the Period there were no changes to the Fund that materially affected the overall risk level associated with an investment in the Fund. However, beginning in May 2018 the Fund's investment risk level was determined by calculating the Fund's ten-year standard deviation in accordance with the investment risk classification methodology under National Instrument 81-102 – Investment Funds, which came into force effective September 1, 2017. If the Fund does not have at least ten years of performance history, a reference index that is expected to reasonably approximate the Fund's standard deviation is used as a proxy for the remainder of the ten-year period. On May 4, 2018 the Manager reviewed

the Fund using the new standardized investment risk classification methodology and determined that the risk rating of the Fund had changed from "low to medium" to "medium". There was no change to the investment objective, strategies or management of the Fund associated with the new risk ratings. The Manager reviews the Fund's investment risk level and reference index, if any, at least annually.

Results of Operations

During the Period, the Fund's total net asset value changed from approximately \$1,080 million to approximately \$1,006 million. Series A units of the Fund returned -0.48%. Please see the *Past Performance* section for information on the performance returns of the Fund's other series.

During the Period, President Trump's rhetoric with regards to renegotiating the North American Free Trade Agreement and trade with China introduced bouts of volatility to asset markets. Economic barometers in the U.S. (e.g., housing prices, unemployment, GDP growth) were resilient. Tax reform was passed in December 2017, which provided a boost to markets.

U.S. equity markets continued their upward march through the Period and diverged from European markets, which declined on Brexit fears and stalled budget discussions in Italy. Emerging market equities trended downward since January due to a strengthening U.S. dollar and rising problems in Turkey, Brazil and South Africa.



Mutual Funds

BMO U.S. High Yield Bond Fund

Energy and industrial commodity markets were resilient which also gave markets confidence in the underlying economy. Rates had a significant impact on credit during the Period with higher-quality securities getting hit the hardest. Within high yield, CCC-rated securities outperformed B's while B's outperformed BB's. The solid economic backdrop and light maturity schedule helped to further lower default rates and underpin confidence in the broader high yield market among investors.

On a sector basis, Energy and Utilities were the best performing sectors and Banking and Automotive were underperformers. All sectors except for Banking and Automotive had positive total returns for the Period. The strength in the Energy industry supported the Fund's security selection in that sector.

For the Period, lower quality issuers in the index significantly outperformed with CCC's outpacing B's and BB's outperforming B's as spreads tightened for all ratings categories but rates adversely affected higher quality issuers more.

The major detractor from returns was sector effects as the Fund was overweight Autos and Homebuilders, which underperformed relative to the Index over the Period. The major contributor to returns during the Period was security selection. From a security selection perspective, Health Care and Energy contributed the most while Telecommunication Services* and Consumer Goods were the greatest detractors. The Fund's overweight to single B's versus the index was a positive contributor as they outperformed BB's.

Security selection was positive for the Period. The major contributors were in the Energy and Health Care sectors. The largest detractors were in the telecommunications and services sectors.

The Manager confirms that the Fund did not borrow money during the Period.

**The Telecommunication Services sector was renamed the Communication Services sector at the close of business on September 28, 2018.*

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

Recent Developments

The portfolio has a neutral position from a quality perspective relative to the benchmark, but is underweight sectors which are likely to be more prone to secular or cyclical pressure such as the retail sector. The Fund continues to look for

securities with an attractive risk/reward profile across sectors and quality buckets and is focused on security selection as a driver of outperformance. The Fund remains positioned for rates to continue to rise and is slightly short duration relative to the benchmark.

On December 3, 2017 the Fund's independent review committee (the "IRC") was reduced to four members when Mark Brown resigned as an IRC member. On June 6, 2018 the Fund's IRC was increased to five members when Jacqueline Allen was appointed as an IRC member. On September 6, 2018 the Fund's IRC was increased to six members when Marlene Davidge was appointed as an IRC member.

RELATED PARTY TRANSACTIONS

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

Portfolio Manager

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

Administration Fee and Operating Expenses

The Fund pays a fixed administration fee to the Manager in respect of each series other than Series I. The Manager in return pays the operating expenses of these series of the Fund, other than certain specified expenses that are paid directly by the Fund ("Fund Expenses"). Fund Expenses, include expenses incurred in respect of preparing and distributing fund facts, interest or other borrowing expenses, all reasonable costs and expenses incurred in relation to compliance with National Instrument 81-107 – Independent Review Committee for Investment Funds, including compensation and expenses payable to the Fund's Independent Review Committee ("IRC") members, taxes to which the Fund is or might be subject, and costs associated with compliance with any new governmental or regulatory requirement introduced after December 1, 2007. Fund Expenses are allocated proportionately among the relevant

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series. If the Fund Expenses are specific to a series, the Fund Expenses are allocated to that series. The fixed administration fee is calculated as a fixed annual percentage of the average net asset value of each relevant series of the Fund. Separate fees and expenses are negotiated and paid by each Series I investor. Further details about the fixed administration fee and/or Fund Expenses can be found in the Fund's most recent simplified prospectus at www.bmo.com/mutualfunds and www.bmo.com/gam/ca or www.sedar.com.

Buying and Selling Securities

During the Period, the Fund relied on standing instructions provided by the IRC with respect to one or more of the following related party transactions:

- (a) investments in securities of BMO, an affiliate of the Manager;
- (b) investments in a class of non-government debt securities and/or equity securities of an issuer during the period of distribution of those securities to the public and/or the 60-day period following the distribution period where BMO Nesbitt Burns Inc., an affiliate of the Manager, acted as an underwriter in the distribution;
- (c) trades in debt securities in the secondary market with BMO Nesbitt Burns Inc. who is trading with the Fund as principal; and
- (d) inter-fund trades (each, a "Related Party Transaction").

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

Distribution Services

The Manager markets and distributes the Fund through Bank of Montreal branches and/or (depending on the series) through registered dealers and brokers, including BMO InvestorLine Inc. and BMO Nesbitt Burns Inc., both affiliates of the Manager. The Manager pays to these affiliates a service fee called a "trailing commission" based on the average daily value of the units and/or shares that are held in investor accounts. This service fee is paid monthly or quarterly and varies by purchase option and by series.

Management Fees

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

	Annual Management Fee Rate* %	As a Percentage of Management Fees	
		Dealer Compensation %	General Administration, Investment Advice and Profit %
Series A Units	1.60	47	53
Advisor Series Units	1.60	42	58
Series F Units	0.45	0	100
Series D Units	0.75	27	73
Series I Units	—	—	—
Series O Units	0.175	0	100

* For Series I Units, separate Series I fees are negotiated and paid by each Series I investor. Since the Manager pays no distribution, service or trailing fees on Series I Units, the combined management and administrative fees for Series I Units will not exceed the management fee charged for Advisor Series or Series A Units.

BMO U.S. High Yield Bond Fund

FINANCIAL HIGHLIGHTS

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

The Fund's Net Assets per Unit ⁽¹⁾

Series A Units

	2018	Periods ended Sep. 30			2014
	2017	2016	2015	2014	
Net assets, beginning of period	\$ 9.38	9.43	9.31	10.13	10.10
Increase (decrease)					
from operations:					
Total revenue	\$ 0.53	0.56	0.55	0.60	0.61
Total expenses ⁽²⁾	\$ -0.19	-0.19	-0.20	-0.22	-0.23
Realized gains (losses)					
for the period	\$ -0.51	0.98	0.26	-1.40	-0.37
Unrealized gains (losses)					
for the period	\$ 0.11	-0.92	-0.07	0.73	0.53
Total increase (decrease)					
from operations ⁽³⁾	\$ -0.06	0.43	0.54	-0.29	0.54
Distributions:					
From income					
(excluding dividends)	\$ 0.48	0.48	0.48	0.48	0.47
From dividends	\$ —	—	—	—	—
From capital gains	\$ —	—	—	—	—
Return of capital	\$ —	—	—	—	0.01
Total Annual Distributions ⁽⁴⁾	\$ 0.48	0.48	0.48	0.48	0.48
Net assets, end of period	\$ 8.85	9.38	9.43	9.31	10.13

Advisor Series Units

	2018	Periods ended Sep. 30			2014
	2017	2016	2015	2014	
Net assets, beginning of period	\$ 10.38	10.38	10.23	11.09	11.01
Increase (decrease)					
from operations:					
Total revenue	\$ 0.58	0.62	0.61	0.65	0.67
Total expenses ⁽²⁾	\$ -0.21	-0.22	-0.23	-0.24	-0.25
Realized gains (losses)					
for the period	\$ -0.57	1.02	0.32	-1.47	-0.31
Unrealized gains (losses)					
for the period	\$ 0.13	-0.97	-0.10	0.69	0.42
Total increase (decrease)					
from operations ⁽³⁾	\$ -0.07	0.45	0.60	-0.37	0.53
Distributions:					
From income					
(excluding dividends)	\$ 0.48	0.48	0.53	0.49	0.48
From dividends	\$ —	—	—	—	—
From capital gains	\$ —	—	—	—	—
Return of capital	\$ —	0.00	0.00	0.00	0.00
Total Annual Distributions ⁽⁴⁾	\$ 0.48	0.48	0.53	0.49	0.48
Net assets, end of period	\$ 9.85	10.38	10.38	10.23	11.09

Series F Units

	2018	Periods ended Sep. 30			2014
	2017	2016	2015	2014	
Net assets, beginning of period	\$ 11.77	11.72	11.55	12.46	12.31
Increase (decrease)					
from operations:					
Total revenue	\$ 0.64	0.71	0.68	0.73	0.75
Total expenses ⁽²⁾	\$ -0.09	-0.10	-0.10	-0.11	-0.12
Realized gains (losses)					
for the period	\$ -0.63	1.10	0.25	-1.63	-0.37
Unrealized gains (losses)					
for the period	\$ 0.12	-1.04	-0.06	0.75	0.42
Total increase (decrease)					
from operations ⁽³⁾	\$ 0.04	0.67	0.77	-0.26	0.68
Distributions:					
From income					
(excluding dividends)	\$ 0.96	0.64	0.70	0.66	0.63
From dividends	\$ —	—	—	—	—
From capital gains	\$ —	—	—	—	—
Return of capital	\$ 0.01	0.00	0.00	0.00	0.00
Total Annual Distributions ⁽⁴⁾	\$ 0.97	0.64	0.70	0.66	0.63
Net assets, end of period	\$ 10.88	11.77	11.72	11.55	12.46

Series D Units

	2018	Periods ended Sep. 30			2014 ⁽⁵⁾
	2017	2016	2015	2014	
Net assets, beginning of period	\$ 9.25	9.22	9.06	9.78	10.00 ⁽⁶⁾
Increase (decrease)					
from operations:					
Total revenue	\$ 0.52	0.54	0.53	0.58	0.28
Total expenses ⁽²⁾	\$ -0.10	-0.11	-0.10	-0.11	-0.06
Realized gains (losses)					
for the period	\$ -0.52	1.10	0.66	-1.32	0.37
Unrealized gains (losses)					
for the period	\$ 0.14	-1.02	-0.13	0.63	-0.66
Total increase (decrease)					
from operations ⁽³⁾	\$ 0.04	0.51	0.96	-0.22	-0.07
Distributions:					
From income					
(excluding dividends)	\$ 0.48	0.47	0.55	0.49	0.20
From dividends	\$ —	—	—	—	—
From capital gains	\$ —	—	—	—	—
Return of capital	\$ 0.00	0.01	—	—	—
Total Annual Distributions ⁽⁴⁾	\$ 0.48	0.48	0.55	0.49	0.20
Net assets, end of period	\$ 8.81	9.25	9.22	9.06	9.78

BMO U.S. High Yield Bond Fund

Series I Units

	2018	Periods ended Sep. 30			
		2017	2016	2015	2014
Net assets, beginning of period	\$ 9.49	9.44	9.31	10.37	10.29
Increase (decrease)					
from operations:					
Total revenue	\$ 0.51	0.57	0.55	0.60	0.62
Total expenses ⁽²⁾	\$ 0.00	0.00	0.00	0.00	—
Realized gains (losses)					
for the period	\$ -0.50	0.87	0.34	-1.38	-0.28
Unrealized gains (losses)					
for the period	\$ 0.12	-0.83	-0.11	0.71	0.42
Total increase (decrease)					
from operations⁽³⁾	\$ 0.13	0.61	0.78	-0.07	0.76
Distributions:					
From income					
(excluding dividends)	\$ 0.99	0.57	0.70	0.93	0.66
From dividends	\$ —	—	—	—	—
From capital gains	\$ —	—	—	—	—
Return of capital	\$ 0.04	0.00	0.00	0.00	0.00
Total Annual Distributions⁽⁴⁾	\$ 1.03	0.57	0.70	0.93	0.66
Net assets, end of period	\$ 8.60	9.49	9.44	9.31	10.37

Series O Units

	2018	Periods ended Sep. 30			
		2017	2016	2015	2014
Net assets, beginning of period	\$ 9.82	9.75	9.61	10.45	10.33
Increase (decrease)					
from operations:					
Total revenue	\$ 0.54	0.58	0.56	0.62	0.63
Total expenses ⁽²⁾	\$ -0.05	-0.05	-0.05	-0.05	-0.06
Realized gains (losses)					
for the period	\$ -0.51	1.03	0.35	-1.40	-0.30
Unrealized gains (losses)					
for the period	\$ 0.12	-0.96	-0.06	0.65	0.42
Total increase (decrease)					
from operations⁽³⁾	\$ 0.10	0.60	0.80	-0.18	0.69
Distributions:					
From income					
(excluding dividends)	\$ 0.87	0.53	0.63	0.66	0.58
From dividends	\$ —	—	—	—	—
From capital gains	\$ —	—	—	—	—
Return of capital	\$ 0.05	0.00	0.00	0.00	0.00
Total Annual Distributions⁽⁴⁾	\$ 0.92	0.53	0.63	0.66	0.58
Net assets, end of period	\$ 9.00	9.82	9.75	9.61	10.45

^a Initial net assets.

⁽¹⁾ This information is derived from the Fund's audited financial statements.

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

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

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

⁽⁵⁾ The information shown in this column is for the period beginning April 7, 2014 (the series' inception date) and ending September 30, 2014.

Ratios and Supplemental Data

Series A Units

	2018	Periods ended Sep. 30			
		2017	2016	2015	2014
Total net asset value (000's) ⁽¹⁾	\$ 5,822	7,337	6,733	8,188	12,084
Number of units					
outstanding (000's) ⁽¹⁾	657	782	714	879	1,193
Management expense ratio ⁽²⁾	% 2.03	2.04	2.18	2.21	2.21
Management expense ratio					
before waivers or absorptions	% 2.03	2.04	2.20	2.23	2.23
Trading expense ratio ⁽³⁾	% —	—	—	—	—
Portfolio turnover rate ⁽⁴⁾	% 27.88	30.74	50.47	38.70	31.06
Net asset value per unit	\$ 8.85	9.38	9.43	9.31	10.13

Advisor Series Units

	2018	Periods ended Sep. 30			
		2017	2016	2015	2014
Total net asset value (000's) ⁽¹⁾	\$ 55,761	75,424	3,071	4,573	3,372
Number of units					
outstanding (000's) ⁽¹⁾	5,662	7,265	296	447	304
Management expense ratio ⁽²⁾	% 2.06	2.06	2.19	2.21	2.21
Management expense ratio					
before waivers or absorptions	% 2.06	2.06	2.26	2.29	2.29
Trading expense ratio ⁽³⁾	% —	—	—	—	—
Portfolio turnover rate ⁽⁴⁾	% 27.88	30.74	50.47	38.70	31.06
Net asset value per unit	\$ 9.85	10.38	10.38	10.23	11.09

Series F Units

	2018	Periods ended Sep. 30			
		2017	2016	2015	2014
Total net asset value (000's) ⁽¹⁾	\$ 12,821	19,948	20,754	35,878	24,797
Number of units					
outstanding (000's) ⁽¹⁾	1,178	1,695	1,770	3,107	1,990
Management expense ratio ⁽²⁾	% 0.77	0.78	0.88	0.90	0.90
Management expense ratio					
before waivers or absorptions	% 0.77	0.78	0.89	0.92	1.15
Trading expense ratio ⁽³⁾	% —	—	—	—	—
Portfolio turnover rate ⁽⁴⁾	% 27.88	30.74	50.47	38.70	31.06
Net asset value per unit	\$ 10.88	11.77	11.72	11.55	12.46

Series D Units

	2018	Periods ended Sep. 30			
		2017	2016	2015	2014 ⁽⁵⁾
Total net asset value (000's) ⁽¹⁾	\$ 685	706	368	120	194
Number of units					
outstanding (000's) ⁽¹⁾	78	76	40	13	20
Management expense ratio ⁽²⁾	% 1.10	1.13	1.14	1.15	1.15
Management expense ratio					
before waivers or absorptions	% 1.10	1.13	1.15	1.17	1.27
Trading expense ratio ⁽³⁾	% —	—	—	—	—
Portfolio turnover rate ⁽⁴⁾	% 27.88	30.74	50.47	38.70	31.06
Net asset value per unit	\$ 8.81	9.25	9.22	9.06	9.78

BMO U.S. High Yield Bond Fund

Series I Units

	2018	Periods ended Sep. 30			
		2017	2016	2015	2014
Total net asset value (000's) ⁽¹⁾	\$ 97,448	125,142	168,942	194,179	333,843
Number of units					
outstanding (000's) ⁽¹⁾	11,332	13,182	17,900	20,852	32,192
Management expense ratio ⁺	%	—	—	—	—
Management expense ratio					
before waivers or absorptions ⁺	%	—	—	—	—
Trading expense ratio ⁽³⁾	%	—	—	—	—
Portfolio turnover rate ⁽⁴⁾	%	27.88	30.74	50.47	38.70
Net asset value per unit	\$	8.60	9.49	9.44	9.31

Series O Units

	2018	Periods ended Sep. 30			
		2017	2016	2015	2014
Total net asset value (000's) ⁽¹⁾	\$ 833,288	851,242	763,448	678,110	675,351
Number of units					
outstanding (000's) ⁽¹⁾	92,566	86,682	78,340	70,574	64,651
Management expense ratio ⁽²⁾	%	0.47	0.47	0.49	0.50
Management expense ratio					
before waivers or absorptions	%	0.47	0.47	0.49	0.50
Trading expense ratio ⁽³⁾	%	—	—	—	—
Portfolio turnover rate ⁽⁴⁾	%	27.88	30.74	50.47	38.70
Net asset value per unit	\$	9.00	9.82	9.75	9.61

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

⁽¹⁾ This information is provided as at September 30 of the period shown.

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

⁽³⁾ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. For all the financial periods listed, no commissions or portfolio transaction costs were incurred by the Fund. As a result, the trading expense ratio for all the periods was zero.

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

⁽⁵⁾ The information shown in this column is for the period beginning April 7, 2014 (the series' inception date) and ending September 30, 2014.

PAST PERFORMANCE

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

The performance information does not take into account sales, redemption, distribution or other optional charges that, if applicable, would have reduced returns or performance. Please remember that how the Fund has performed in the past does not indicate how it will perform in the future.

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

On July 15, 2016, the management fees on Series A and Advisor Series units was lowered from 1.75% to 1.60%. In addition, the management fee on Series F units was lowered from 0.55% to 0.45%.

On July 15, 2016, the administration fee applicable to the Fund (except Series O units) was lowered from 0.28% to 0.25%. In addition, the administration fee on Series O units was lowered from 0.275% to 0.25%.

On October 14, 2016, after obtaining all necessary unitholder and regulatory approvals, BMO High Yield Bond Fund merged into the Fund.

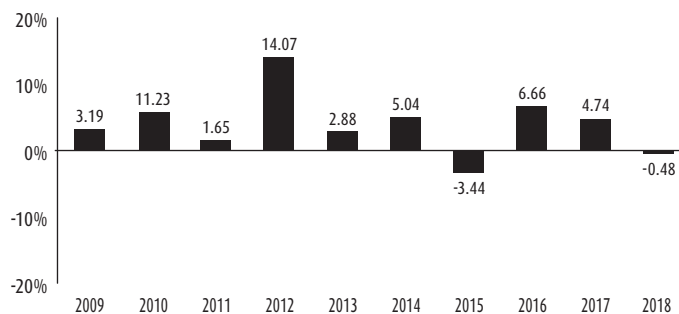
On March 6, 2017, BMO Asset Management Inc. replaced Money, Inc. as portfolio manager of the Fund and Taplin, Canida & Habacht, LLC became the sub-advisor of the Fund.

These changes could have affected the performance of the Fund had they been in effect throughout the performance measurement periods presented.

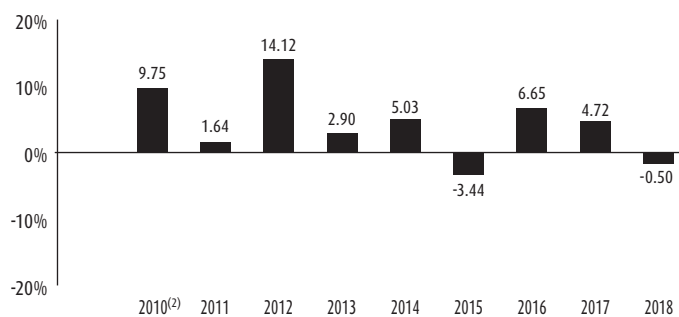
Year-by-Year Returns

The following bar charts show the performance of each series of the Fund for each of the financial years shown. The charts show in percentage terms how an investment made on the first day of each financial year would have increased or decreased by the last day of each financial year.

Series A Units

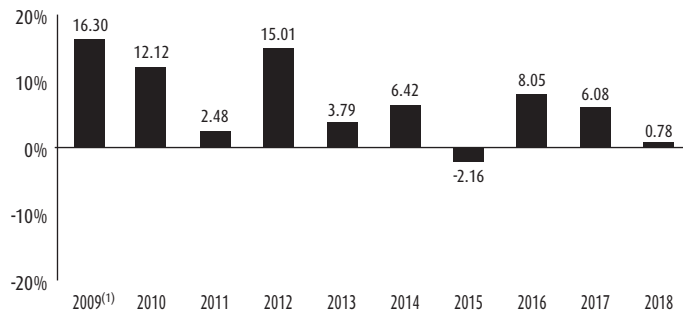


Advisor Series Units



BMO U.S. High Yield Bond Fund

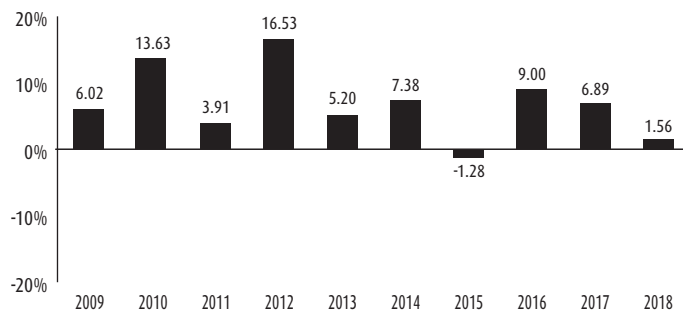
Series F Units



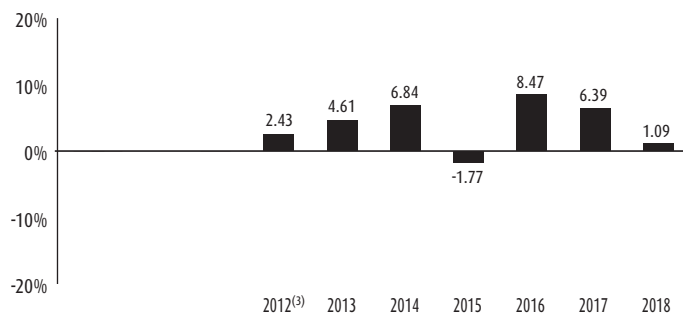
Series D Units



Series I Units



Series O Units



- (1) For the period beginning with the performance launch date of February 17, 2009 to September 30, 2009.
 (2) For the period beginning with the performance launch date of November 11, 2009 to September 30, 2010.
 (3) For the period beginning with the performance launch date of July 30, 2012 to September 30, 2012.
 (4) For the period beginning with the performance launch date of April 8, 2014 to September 30, 2014.

Annual Compound Returns

This table compares the historical annual compound returns of the Fund with its benchmark, the Bank of America Merrill Lynch ("BOAML") U.S. High Yield, BB/B Rated, Constrained Index (C\$ hedged).

The BOAML U.S. High Yield BB/B Rated, Constrained Index (C\$ hedged) contains all securities in the BOAML U.S. High Yield Index rated BB1 through B3, based on an average of Moody's, S&P and Fitch, but caps issuer exposure at 2%.

Series A Units

		1 year	3 years	5 years	10 years	Since Inception
BMO U.S. High Yield Bond Fund	%	-0.48	3.59	2.43	4.44	
BOAML U.S. High Yield, BB/B Rated, Constrained Index (C\$ hedged)	%	1.60	6.73	5.30	8.18	

Advisor Series Units

		1 year	3 years	5 years	10 years	Since Inception ⁽⁹⁾
BMO U.S. High Yield Bond Fund	%	-0.50	3.58	2.42		4.48
BOAML U.S. High Yield, BB/B Rated, Constrained Index (C\$ hedged)	%	1.60	6.73	5.30		7.56

Series F Units

		1 year	3 years	5 years	10 years	Since Inception ⁽⁹⁾
BMO U.S. High Yield Bond Fund	%	0.78	4.93	3.76		7.01
BOAML U.S. High Yield, BB/B Rated, Constrained Index (C\$ hedged)	%	1.60	6.73	5.30		9.93

Series D Units

		1 year	3 years	5 years	10 years	Since Inception ⁽⁹⁾
BMO U.S. High Yield Bond Fund	%	0.46	4.59			2.44
BOAML U.S. High Yield, BB/B Rated, Constrained Index (C\$ hedged)	%	1.60	6.73			4.30

Series I Units

		1 year	3 years	5 years	10 years	Since Inception
BMO U.S. High Yield Bond Fund	%	1.56	5.77	4.64	6.77	
BOAML U.S. High Yield, BB/B Rated, Constrained Index (C\$ hedged)	%	1.60	6.73	5.30	8.18	

Series O Units

		1 year	3 years	5 years	10 years	Since Inception ⁽⁹⁾
BMO U.S. High Yield Bond Fund	%	1.09	5.27	4.13		4.49
BOAML U.S. High Yield, BB/B Rated, Constrained Index (C\$ hedged)	%	1.60	6.73	5.30		5.89

- (1) Return from the performance launch date of February 17, 2009 to September 30, 2018.
 (2) Return from the performance launch date of November 11, 2009 to September 30, 2018.
 (3) Return from the performance launch date of July 30, 2012 to September 30, 2018.
 (4) Return from the performance launch date of April 8, 2014 to September 30, 2018.

A commentary on the market and/or information regarding the relative performance of the Fund as compared to its benchmark can be found under the Results of Operations section of this report.

BMO U.S. High Yield Bond Fund

SUMMARY OF INVESTMENT PORTFOLIO

As at September 30, 2018

Portfolio Allocation	% of Net Asset Value
Corporate Bonds	94.5
Cash/Receivables/Payables	5.5
Total Portfolio Allocation	100.0

Top 25 Holdings Issuer	% of Net Asset Value
Cash/Receivables/Payables	5.5
Netflix, Inc., Series 144A, Senior, Unsecured, Notes, 4.875% Apr 15, 2028	1.2
Sprint Corporation, Senior, Unsecured, Notes, 7.875% Sep 15, 2023	1.2
Cheniere Corpus Christi Holdings, LLC, Senior, Secured, Notes, 7.000% Jun 30, 2024	1.1
Cablevision Systems Corporation, Senior, Unsecured, Notes, 5.875% Sep 15, 2022	1.0
Bausch Health Companies, Inc., Series 144A, Senior, Unsecured, Notes, Callable, 5.500% Mar 1, 2023	1.0
ESH Hospitality, Inc., Series 144A, Senior, Unsecured, Notes, Callable, 5.250% May 1, 2025	1.0
Catalent Pharma Solutions, Inc., Series 144A, Senior, Unsecured, Notes, Callable, 4.875% Jan 15, 2026	0.9
Beazer Homes USA, Inc., Senior, Unsecured, Notes, Callable, 5.875% Oct 15, 2027	0.9
Coty Inc., Series 144A, Senior, Unsecured, Notes, Callable, 6.500% Apr 15, 2026	0.9
Meritor, Inc., Senior, Unsecured, Notes, Callable, 6.250% Feb 15, 2024	0.9
Drax Finco PLC, Series 144A, Senior, Secured, Notes, Callable, 6.625% Nov 1, 2025	0.8
Discovery Communications, LLC, Senior, Unsecured, Notes, Callable, 3.950% Mar 20, 2028	0.8
Allison Transmission, Inc., Series 144A, Senior, Unsecured, Notes, Callable, 4.750% Oct 1, 2027	0.8
Tribune Media Company, Senior, Unsecured, Notes, Callable, 5.875% Jul 15, 2022	0.8
Fly Leasing Limited, Senior, Unsecured, Notes, Callable, 6.375% Oct 15, 2021	0.8
Hologic, Inc., Series 144A, Senior, Unsecured, Notes, Callable, 4.625% Feb 1, 2028	0.8
Numericable-SFR S.A., Series 144A, Secured, Notes, Callable, 7.375% May 1, 2026	0.8
Party City Holdings Inc., Series 144A, Senior, Unsecured, Notes, Callable, 6.125% Aug 15, 2023	0.8
KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC, Series 144A, Senior, Unsecured, Notes, Callable, 5.000% Jun 1, 2024	0.8

Top 25 Holdings Issuer	% of Net Asset Value
QEP Resources, Inc., Senior, Unsecured, Notes, Callable, 5.250% May 1, 2023	0.8
Gulfport Energy Corporation, Senior, Unsecured, Notes, Callable, 6.000% Oct 15, 2024	0.7
Dell Inc., Senior, Unsecured, Notes, 6.500% Apr 15, 2038	0.7
Qwest Corporation, Senior, Unsecured, Debentures, Callable, 6.875% Sep 15, 2033	0.7
Beacon Escrow Corporation, Series 144A, Senior, Unsecured, Notes, Callable, 4.875% Nov 1, 2025	0.7
Top Holdings as a Percentage of Total Net Asset Value	26.4
Total Net Asset Value	\$1,005,813,248

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

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

- If you purchased BMO Mutual Funds through a BMO Bank of Montreal branch or BMO Online Banking, please call 1-800-665-7700.
- If you purchased BMO Mutual Funds through a full-service or discount broker, please call 1-800-668-7327 or email clientservices.mutualfunds@bmo.com.

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

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