

ANNUAL FINANCIAL STATEMENTS

BMO Ultra Short-Term Bond ETF (ZST/ZST.L)

December 31, 2022

Independent Auditor's Report

To the Unitholders and Trustee of
BMO Mid Federal Bond Index ETF
BMO S&P/TSX Capped Composite Index ETF
BMO S&P 500 Hedged to CAD Index ETF
BMO Dow Jones Industrial Average Hedged
to CAD Index ETF
BMO Short Federal Bond Index ETF
BMO Short Provincial Bond Index ETF
BMO Short Corporate Bond Index ETF
BMO High Yield US Corporate Bond Hedged
to CAD Index ETF
BMO Equal Weight Banks Index ETF
BMO Equal Weight Oil & Gas Index ETF
BMO MSCI EAFE Hedged to CAD Index ETF
BMO MSCI Emerging Markets Index ETF
BMO Equal Weight Global Base Metals
Hedged to CAD Index ETF
BMO Mid Corporate Bond Index ETF
BMO Long Corporate Bond Index ETF
BMO Aggregate Bond Index ETF
BMO Global Infrastructure Index ETF
BMO MSCI China ESG Leaders Index ETF
(formerly BMO China Equity Index ETF)
BMO MSCI India ESG Leaders Index ETF
(formerly BMO India Equity Index ETF)
BMO Equal Weight Utilities Index ETF
BMO Nasdaq 100 Equity Hedged to CAD
Index ETF
BMO Junior Gold Index ETF
BMO Equal Weight REITs Index ETF
BMO Equal Weight US Health Care Hedged
to CAD Index ETF
BMO Equal Weight US Banks Hedged to
CAD Index ETF
BMO Long Federal Bond Index ETF
BMO Real Return Bond Index ETF
BMO Emerging Markets Bond Hedged to
CAD Index ETF
BMO Covered Call Canadian Banks ETF
BMO Monthly Income ETF
BMO Ultra Short-Term Bond ETF
BMO Covered Call Utilities ETF
BMO Covered Call Dow Jones Industrial
Average Hedged to CAD ETF
BMO Canadian Dividend ETF
BMO Low Volatility Canadian Equity ETF
BMO Equal Weight Global Gold Index ETF
BMO Equal Weight Industrials Index ETF
BMO Laddered Preferred Share Index ETF
BMO S&P 500 Index ETF
BMO Mid Provincial Bond Index ETF
BMO Long Provincial Bond Index ETF
BMO US Dividend Hedged to CAD ETF
BMO US Dividend ETF
BMO Low Volatility US Equity ETF
BMO Mid-Term US IG Corporate Bond Index
ETF
BMO Mid-Term US IG Corporate Bond
Hedged to CAD Index ETF
BMO MSCI Europe High Quality Hedged to
CAD Index ETF
BMO US High Dividend Covered Call ETF
BMO Floating Rate High Yield ETF
BMO Short-Term US IG Corporate Bond
Hedged to CAD Index ETF
BMO Discount Bond Index ETF
BMO Equal Weight US Banks Index ETF
BMO MSCI EAFE Index ETF
BMO International Dividend ETF
BMO MSCI USA High Quality Index ETF
BMO MSCI All Country World High Quality
Index ETF
BMO Low Volatility International Equity ETF
BMO Europe High Dividend Covered Call
Hedged to CAD ETF
BMO US Put Write ETF
BMO International Dividend Hedged to CAD
ETF
BMO Low Volatility Emerging Markets
Equity ETF
BMO Low Volatility International Equity
Hedged to CAD ETF
BMO Low Volatility US Equity Hedged to
CAD ETF
BMO Canadian High Dividend Covered Call
ETF
BMO US Put Write Hedged to CAD ETF
BMO Global Consumer Discretionary
Hedged to CAD Index ETF
BMO Global Consumer Staples Hedged to
CAD Index ETF
BMO US Preferred Share Hedged to CAD
Index ETF
BMO Long-Term US Treasury Bond Index ETF
BMO Mid-Term US Treasury Bond Index ETF
BMO Short-Term US Treasury Bond Index
ETF
BMO US Preferred Share Index ETF
BMO MSCI Canada Value Index ETF
BMO MSCI USA Value Index ETF
BMO Corporate Bond Index ETF
BMO Government Bond Index ETF
BMO Short-Term Bond Index ETF
BMO High Yield US Corporate Bond Index
ETF
BMO Europe High Dividend Covered Call ETF
BMO US High Dividend Covered Call Hedged
to CAD ETF
BMO Global Communications Index ETF
BMO Balanced ETF
BMO Conservative ETF
BMO Growth ETF
BMO Equal Weight US Health Care Index ETF
BMO Nasdaq 100 Equity Index ETF
BMO Covered Call US Banks ETF
BMO Ultra Short-Term US Bond ETF
BMO BBB Corporate Bond Index ETF
BMO ESG Corporate Bond Index ETF
BMO ESG US Corporate Bond Hedged to
CAD Index ETF
BMO High Quality Corporate Bond Index ETF
BMO MSCI Canada ESG Leaders Index ETF
BMO MSCI EAFE ESG Leaders Index ETF
BMO MSCI Global ESG Leaders Index ETF
BMO MSCI USA ESG Leaders Index ETF
BMO S&P US Mid Cap Index ETF
BMO S&P US Small Cap Index ETF
BMO Balanced ESG ETF
BMO Global High Dividend Covered Call ETF
BMO Premium Yield ETF
BMO Canadian MBS Index ETF
BMO Covered Call Technology ETF
BMO MSCI Innovation Index ETF
BMO MSCI Tech & Industrial Innovation
Index ETF
BMO MSCI Fintech Innovation Index ETF
BMO MSCI Genomic Innovation Index ETF
BMO MSCI Next Gen Internet Innovation
Index ETF
BMO Clean Energy Index ETF
BMO Short-Term US TIPS Index ETF
BMO ESG High Yield US Corporate Bond
Index ETF
BMO Canadian Bank Income Index ETF
BMO Japan Index ETF
BMO MSCI ACWI Paris Aligned Climate
Equity Index ETF
BMO All-Equity ETF
BMO Corporate Discount Bond ETF
BMO Short-Term Discount Bond ETF

(individually, an ETF)

Independent Auditor's Report

Our opinion

In our opinion, the accompanying December 31, 2022 financial statements of each ETF present fairly, in all material respects, the financial position of each ETF, its financial performance and its cash flows as at and for the periods indicated in note 1 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The financial statements of each ETF comprise:

- the statements of financial position as at the period-end dates indicated in note 1;
- the statements of comprehensive income for the periods indicated in note 1;
- the statements of changes in net assets attributable to holders of redeemable units for the periods indicated in note 1;
- the statements of cash flows for the periods indicated in note 1; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of each ETF in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information of each ETF. The other information comprises the Annual Management Report of Fund Performance of each ETF.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of each ETF, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of each ETF or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of each ETF in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of each ETF to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate any ETF or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of each ETF.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole for each ETF are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements of each ETF.

Independent Auditor's Report

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of each ETF, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of each ETF.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of each ETF to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of each ETF or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause any ETF to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of each ETF, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Joseph Pinizzotto.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario
March 21, 2023

BMO Ultra Short-Term Bond ETF

Statement of Financial Position

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

As at	December 31 2022	December 31 2021
Assets		
Current Assets		
Cash	2,101	966
Investments		
Non-derivative financial assets	1,073,047	1,050,446
Receivable for investments sold	1,024	249
Subscriptions receivable	25,011	—
Interest receivable	5,340	3,218
Distributions receivable from investment trusts	—	47
Total assets	1,106,523	1,054,926
Liabilities		
Current Liabilities		
Payable for investments purchased	22,059	—
Redemptions payable	2,914	—
Distributions payable	3,026	1,065
Accrued expenses	554	369
Total liabilities	28,553	1,434
Net assets attributable to holders of redeemable units	1,077,970	1,053,492
Net assets attributable to holders of redeemable units		
Listed CAD Units	839,769	706,173
Listed Accumulating Units	238,201	347,319
Net assets attributable to holders of redeemable units per unit		
Listed CAD Units	\$ 48.56	\$ 49.34
Listed Accumulating Units	\$ 54.55	\$ 53.92

Statement of Comprehensive Income

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

For the periods ended	December 31 2022	December 31 2021
Income		
Interest income	21,613	6,785
Distributions from investment trusts	71	374
Other changes in fair value of investments and derivatives		
Net realized loss	(2,821)	(3,947)
Change in unrealized (depreciation) appreciation	(2,071)	746
Net gain in fair value of investments and derivatives	16,792	3,958
Securities lending (note 8)	108	22
Total other income	108	22
Total income	16,900	3,980
Expenses		
Management fees (note 6)	1,870	1,605
Independent review committee fees (note 6)	2	2
ETF summary document fees	0	0
Unitholder reporting costs	1	3
Total expenses	1,873	1,610
Increase in net assets attributable to holders of redeemable units	15,027	2,370
Increase in net assets attributable to holders of redeemable units		
Listed CAD Units	12,069	1,413
Listed Accumulating Units	2,958	957
Increase in net assets attributable to holders of redeemable units per unit (note 8)		
Listed CAD Units	0.67	0.11
Listed Accumulating Units	0.59	0.13

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

BMO Ultra Short-Term Bond ETF

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units

(All amounts in thousands of Canadian dollars)

For the periods ended	December 31 2022	December 31 2021	For the periods ended	December 31 2022	December 31 2021
Listed CAD Units			Total Fund		
Net assets attributable to holders of redeemable units at beginning of period	706,173	603,975	Net assets attributable to holders of redeemable units at beginning of period	1,053,492	1,088,711
Increase in net assets attributable to holders of redeemable units	12,069	1,413	Increase in net assets attributable to holders of redeemable units	15,027	2,370
Distributions to holders of redeemable units from:			Distributions to holders of redeemable units from:		
Net investment income	(12,485)	(11,423)	Net investment income	(16,128)	(19,120)
Return of capital	(14,616)	(3,120)	Return of capital	(16,975)	(3,574)
Total distributions to holders of redeemable units	(27,101)	(14,543)	Total distributions to holders of redeemable units	(33,103)	(22,694)
Redeemable unit transactions			Redeemable unit transactions		
Proceeds from redeemable units issued	1,716,053	509,801	Proceeds from redeemable units issued	1,844,378	602,330
Redemption of redeemable units	(1,567,425)	(394,473)	Reinvestments of distributions to holders of redeemable units	6,002	8,151
Net increase from redeemable unit transactions	148,628	115,328	Redemption of redeemable units	(1,807,826)	(625,376)
Net increase in net assets attributable to holders of redeemable units	133,596	102,198	Net increase (decrease) from redeemable unit transactions	42,554	(14,895)
Net assets attributable to holders of redeemable units at end of period	839,769	706,173	Net increase (decrease) in net assets attributable to holders of redeemable units	24,478	(35,219)
Listed Accumulating Units			Net assets attributable to holders of redeemable units at end of period		
Net assets attributable to holders of redeemable units at beginning of period	347,319	484,736		1,077,970	1,053,492
Increase in net assets attributable to holders of redeemable units	2,958	957			
Distributions to holders of redeemable units from:					
Net investment income	(3,643)	(7,697)			
Return of capital	(2,359)	(454)			
Total distributions to holders of redeemable units	(6,002)	(8,151)			
Redeemable unit transactions					
Proceeds from redeemable units issued	128,325	92,529			
Reinvestments of distributions to holders of redeemable units	6,002	8,151			
Redemption of redeemable units	(240,401)	(230,903)			
Net decrease from redeemable unit transactions	(106,074)	(130,223)			
Net decrease in net assets attributable to holders of redeemable units	(109,118)	(137,417)			
Net assets attributable to holders of redeemable units at end of period	238,201	347,319			

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

BMO Ultra Short-Term Bond ETF

Statement of Cash Flows

(All amounts in thousands of Canadian dollars)

For the periods ended	December 31 2022	December 31 2021
Cash flows from operating activities		
Increase in net assets attributable to holders of redeemable units	15,027	2,370
Adjustments for:		
Net realized loss on sale of investments and derivatives	2,821	3,947
Change in unrealized depreciation (appreciation) of investments and derivatives	2,071	(746)
(Increase) decrease in interest receivable [^]	(2,103)	6,704
Decrease (increase) in distributions receivable from investment trusts	47	(47)
Increase (decrease) in accrued expenses	185	(104)
Amortization of premium and discounts	(6,335)	13,210
Return of capital distributions (paid) received	(6)	17
Purchases of investments ⁺	(2,458,824)	(2,115,567)
Proceeds from sale and maturity of investments ⁺	2,463,321	2,131,123
Net cash from operating activities	16,204	40,907
Cash flows from financing activities		
Distributions paid to holders of redeemable units, net of reinvested distributions	(25,140)	(14,783)
Proceeds from issuances of redeemable units ⁺	1,814,983	601,742
Amounts paid on redemption of redeemable units ⁺	(1,804,912)	(629,411)
Net cash used in financing activities	(15,069)	(42,452)
Net increase (decrease) in cash	1,135	(1,545)
Cash at beginning of period	966	2,511
Cash at end of period	2,101	966
Supplementary Information		
Interest received, net of withholding taxes [*]	13,175	26,699
Distributions received from investment trusts, net of withholding taxes [*]	112	344

[^] Excludes accrued interest for in-kind related transactions, if any.

⁺ Excludes in-kind transactions, if any.

^{*} These items are from operating activities.

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

BMO Ultra Short-Term Bond ETF

Schedule of Investment Portfolio

As at December 31, 2022 (All amounts in thousands of Canadian dollars, unless otherwise noted)

	Par Value (in thousands)	Cost (\$)	Fair Value (\$)		Par Value (in thousands)	Cost (\$)	Fair Value (\$)
MONEY MARKET INVESTMENTS							
Federal — 15.6%							
Government of Canada, Treasury Bills, 4.142%				Canadian Western Bank, Deposit Notes, Senior,			
Jul 20, 2023	11,900	11,635	11,610	Unsecured, 1.570% Sep 14, 2023	62,605	61,036	60,961
Government of Canada, Treasury Bills, 4.175%				Central 1 Credit Union, Senior, Unsecured,			
Jul 20, 2023	6,750	6,601	6,586	Notes, 2.584% Dec 6, 2023	15,331	14,945	14,937
Government of Canada, Treasury Bills, 4.177%				Choice Properties Real Estate Investment Trust,			
Jul 20, 2023	4,300	4,203	4,195	Series G, Senior, Unsecured, Notes, Callable,			
Government of Canada, Treasury Bills, 4.251%				3.196% Mar 7, 2023	10,000	9,987	9,966
Jul 20, 2023	3,800	3,712	3,707	Daimler Canada Finance Inc., Senior,			
Government of Canada, Treasury Bills, 4.272%				Unsecured, Notes, 2.540% Aug 21, 2023	24,841	24,483	24,443
Jul 20, 2023	450	440	439	Emera Incorporated, Series 2016-1, Senior,			
Government of Canada, Treasury Bills, 4.291%				Unsecured, Notes, 2.900% Jun 16, 2023	23,991	23,838	23,727
Jul 20, 2023	1,300	1,270	1,268	Enbridge Inc., Medium Term Notes, Senior,			
Government of Canada, Treasury Bills, 4.298%				Unsecured, Callable, 3.940% Jun 30, 2023	5,662	5,660	5,623
Jul 20, 2023	10,000	9,771	9,756	EPCOR Utilities Inc., Medium Term Notes,			
Government of Canada, Treasury Bills, 4.311%				Senior, Unsecured, 1.299% May 19, 2023	16,946	16,749	16,706
Jul 20, 2023	7,000	6,838	6,829	Equitable Bank, Deposit Notes, Senior,			
Government of Canada, Treasury Bills, 4.331%				Unsecured, 1.774% Sep 21, 2023	6,042	5,889	5,873
Jul 20, 2023	30,000	29,301	29,269	Equitable Bank, Deposit Notes, Senior,			
Government of Canada, Treasury Bills, 4.340%				Unsecured, 2.753% Dec 4, 2023	5,005	4,878	4,868
Jul 20, 2023	72,300	70,616	70,538	Federation des caisses Desjardins du Quebec,			
Government of Canada, Treasury Bills, 4.378%				Medium Term Notes, Senior, Unsecured,			
Jul 20, 2023	2,000	1,954	1,951	3.056% Sep 11, 2023	19,077	18,910	18,824
Government of Canada, Treasury Bills, 4.458%				Honda Canada Finance, Inc., Senior, Unsecured,			
Jul 20, 2023	22,600	22,070	22,041	Notes, 2.537% Mar 1, 2023	13,714	13,681	13,662
Total Money Market Investments — 15.6%	168,411	168,189	168,189	HSBC Bank Canada, Deposit Notes, Senior,			
				Unsecured, 2.542% Jan 31, 2023	19,790	19,781	19,758
				Hydro One Inc., Medium Term Notes, Senior,			
				Unsecured, 0.710% Jan 16, 2023	71,819	71,796	71,721
				Inter Pipeline Ltd., Series 8, Medium Term			
				Notes, Senior, Unsecured, Callable, 2.608%			
				Sep 13, 2023	10,550	10,377	10,343
				Ivanhoe Cambridge II Inc., Series 1, Senior,			
				Unsecured, Debentures, Callable, 2.909%			
				Jun 27, 2023	25,631	25,415	25,350
				John Deere Canada Funding Inc., Series 18-01,			
				Medium Term Notes, Senior, Unsecured,			
				2.700% Jan 17, 2023	1,000	999	999
				John Deere Canada Funding Inc., Medium Term			
				Notes, Senior, Unsecured, 3.020% Jul 13,			
				2023	5,100	5,065	5,043
				Laurentian Bank of Canada, Deposit Notes,			
				Senior, Unsecured, 3.450% Jun 27, 2023	1,659	1,652	1,644
				Manulife Financial Corporation, Fixed to			
				Floating, Unsecured, Debentures,			
				Subordinated, Callable, 3.317% May 9,			
				2028	10,000	9,923	9,921
				National Bank of Canada, Fixed to Floating,			
				Medium Term Notes, Unsecured,			
				Subordinated, Callable, 3.183% Feb 1, 2028	5,000	4,975	4,992
				North West Redwater Partnership/NWR			
				Financing Company Ltd., Series L, Senior,			
				Secured, Notes, 1.200% Dec 1, 2023	8,690	8,390	8,382
				OMERS Realty Corporation, Series 2, Senior,			
				Unsecured, Notes, 3.358% Jun 5, 2023	5,216	5,203	5,178

BMO Ultra Short-Term Bond ETF

Schedule of Investment Portfolio (cont'd)

As at December 31, 2022 (All amounts in thousands of Canadian dollars, unless otherwise noted)

	Par Value (in thousands)	Cost (\$)	Fair Value (\$)
OMERS Realty Corporation, Series 12, Senior, Unsecured, Debentures, 1.298% Sep 22, 2023	53,058	51,747	51,600
Pembina Pipeline Corporation, Medium Term Notes, Senior, Unsecured, 2.560% Jun 1, 2023	19,449	19,264	19,234
Prime Structured Mortgage Trust, Series 20-1, Senior, Secured, 1.968% Feb 15, 2023	21,294	21,264	21,210
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, 2.949% May 1, 2023	20,076	20,034	19,955
Royal Bank of Canada, Deposit Notes, Senior, Unsecured, 2.333% Dec 5, 2023	5,981	5,848	5,840
Saputo Inc., Medium Term Notes, Senior, Unsecured, Callable, 2.827% Nov 21, 2023 ..	2,958	2,898	2,897
Sun Life Financial Inc., Series 216-2, Fixed to Floating, Unsecured, Debentures, Subordinated, Callable, 3.050% Sep 19, 2028	16,557	16,207	16,257
TELUS Corporation, Series Cj, Unsecured, Notes, Callable, 3.350% Mar 15, 2023	39,491	39,445	39,374
Toronto Hydro Corporation, Series 8, Senior, Unsecured, Debentures, Callable, 2.910% Apr 10, 2023	6,144	6,134	6,112
Toronto-Dominion Bank, The, Deposit Notes, Senior, Unsecured, 3.005% May 30, 2023	16,551	16,506	16,420
Toronto-Dominion Bank, The, Deposit Notes, Senior, Unsecured, 1.909% Jul 18, 2023	41,863	41,375	41,176
Toyota Credit Canada Inc., Medium Term Notes, Senior, Unsecured, 2.700% Jan 25, 2023	4,500	4,499	4,494
Toyota Credit Canada Inc., Medium Term Notes, Senior, Unsecured, 3.040% Jul 12, 2023	8,734	8,679	8,639
Ventas Canada Finance Limited, Series D, Senior, Unsecured, Notes, Callable, 2.550% Mar 15, 2023	39,500	39,372	39,297
VW Credit Canada, Inc., Senior, Unsecured, Notes, 1.200% Sep 25, 2023	28,237	27,411	27,392
		881,076	878,777
Asset-Backed Securities — 2.4%			
Eagle Credit Card Trust, Credit Card Receivables-Backed, Series 2018-1, Class A, Senior, Secured, Notes, 3.042% Jul 17, 2023	5,379	5,347	5,310
Fortified Trust, Series A, Credit Card Asset-Backed Notes, Secured, 2.340% Jan 23, 2023	20,800	20,802	20,771
		26,149	26,081
Total Bonds & Debentures — 83.9%		907,225	904,858
Total Investment Portfolio — 99.5%		1,075,636	1,073,047
Other Assets Less Liabilities — 0.5%			4,923
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS — 100.0% ..			1,077,970

Investment in related party.

BMO Ultra Short-Term Bond ETF

Notes to the Financial Statements

(All amounts in thousands of Canadian dollars, except per unit data)
December 31, 2022

1. The Fund

BMO Ultra Short-Term Bond ETF (“the ETF”) is an exchange-traded fund established as an open-ended trust by a Declaration of Trust under the laws of the Province of Ontario. BMO Asset Management Inc. (“the Manager”) is the Manager and trustee of the ETF. The Manager is a wholly owned subsidiary of Bank of Montreal. The address of the ETF’s registered office is 100 King Street West, Toronto, Ontario, M5X 1A1.

The Statement of Financial Position and related notes for the ETF are as at December 31, 2022 and December 31, 2021, except for ETFs established in 2022, in which case the information is only as at December 31, 2022. The Statement of Comprehensive Income, Statement of Changes in Net Assets Attributable to Holders of Redeemable Units, Statement of Cash Flows and related notes are for the period(s) ended December 31, 2022 and December 31, 2021, except for ETFs established during either period, which is presented from the date of establishment (as noted in Note 8) to December 31, of the applicable period. Financial information provided for a class of units established during the period(s) is presented from the establishment date as noted in Note 8 to December 31 of the applicable period.

Except for ETFs established during either 2022 or 2021, the term “period” represents a full year.

The financial statements were authorized for issue by the Manager on March 1, 2023.

2. Basis of preparation and presentation

These audited financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The financial statements have been prepared on a historical cost basis, except for the revaluation of financial assets and financial liabilities (including derivative financial instruments) measured at fair value through profit or loss (“FVTPL”).

3. Summary of significant accounting policies *Financial Instruments*

Financial instruments include financial assets and financial liabilities such as equity and debt securities, investment funds and derivatives. These investments are part of a group of financial instruments that are managed and their performance is evaluated on a fair value basis and in accordance with the ETF’s investment strategy.

The ETF classifies and measures financial instruments in accordance with IFRS 9 Financial Instruments (“IFRS 9”). Upon initial recognition, financial instruments are recorded at fair value. A financial instrument is recognized when the ETF becomes a party to the contractual requirements of the instrument and is derecognized when the right to receive cash flows from the instrument has expired or the ETF has transferred substantially all risks and rewards of ownership. As such, investment purchase and sale transactions are recorded as of the trade date. Investments and derivatives are subsequently measured at FVTPL, with changes in fair value recognized in the Statement of Comprehensive Income as “Change in unrealized appreciation (depreciation)”.

All financial assets and financial liabilities are recognized in the Statement of Financial Position.

The ETF’s redeemable units, which are puttable instruments, are held by different types of unitholders that are entitled to different redemption rights. See Note 5 for details of unitholders’ transactions in the units of the ETF.

The different redemption features create equally subordinate but not identical units or classes of the units of the ETF. Redemption of units at 95% of the Net Asset Value (“NAV”) for some type of unitholders redemptions also results in a situation where the redemption value of this puttable instrument is not based substantially on the net assets of the ETF. As a result, the ETF’s obligations for net assets attributable to holders of redeemable units (“Net Assets”) are classified as financial liabilities and presented at the redemption amounts.

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Cost of investments

The cost of investments represents the amount paid for each security and is determined on an average cost basis, and excludes commissions and other portfolio transaction costs, which are reported separately in the Statement of Comprehensive Income. Realized gains and losses on disposition are determined based on the cost of the investments.

Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For exchange-traded securities, close prices are considered to be fair value if they fall within the bid-ask spread. In circumstances where the close price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

Procedures are in place to fair value equities traded in countries outside of North America daily, to avoid stale prices and to take into account, among other things, any significant events occurring after the close of a foreign market.

For bonds, debentures, asset-backed securities, short-term investments and other debt securities, fair value is determined as the last traded market price or close price, or other such prices, that falls within the bid-ask spread of the security.

The ETF may enter into forward currency contracts for hedging purposes either directly or indirectly, or for non-hedging purposes. The fair value of forward currency contracts entered into by the ETF is recorded as the difference between the fair value of the contract on the Valuation Date (the "Valuation Date" is each day on which the Toronto Stock Exchange ("TSX") is open for trading) and the fair value on the date the contract originated.

For the Listed Hedged Units (the "Hedged Units"), the ETF enters into forward currency contracts to hedge against foreign currency exposure and as a result the Hedged Units will be subject to less currency risk than the other classes of the ETF because their foreign currency exposure is hedged. However, the hedging strategy may not achieve a perfect hedge of the foreign currency exposure for the Hedged Units.

The ETF may engage in option contract transactions by purchasing (long positions) or writing (short positions) call or put option contracts. These contracts have different risk exposures for the ETF, whereas the risk for long positions will be limited to the premium paid to purchase the option contracts, the risk exposure for the short positions is potentially unlimited until closed or expired.

The premium paid for purchasing an option is included in "Derivative assets" in the Statement of Financial Position. The option contract is valued on each Valuation Date at an amount equal to the fair value of the option that would have the effect of closing the position. The change in the difference between the premium and the fair value is shown as "Change in unrealized appreciation (depreciation)" in the Statement of Comprehensive Income.

When a purchased option expires, the ETF will realize a loss equal to the premium paid. When a purchased option is closed, the gain or loss the ETF will realize will be the difference between the proceeds and the premium paid. When a purchased call option is exercised, the premium paid is added to the cost of acquiring the underlying security. When a purchased put option is exercised, the premium paid is subtracted from the proceeds from the sale of the underlying security that had to be sold.

The premium received from writing an option is included in "Derivative liabilities" in the Statement of Financial Position.

When a written option expires, the ETF will realize a gain equal to the premium received. When a written option is closed, the ETF will realize a gain or loss

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equal to the difference between the cost at which the contract was closed and the premium received. When a written call option is exercised, the premium received is added to the proceeds from the sale of the underlying investments to determine the realized gain or loss. When a written put option is exercised, the premium received is subtracted from the cost of the underlying investments the ETF had purchased.

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

A credit default swap contract is an agreement to transfer credit risk from one party, a buyer of protection, to another party, a seller of protection. The ETF, as a seller of protection, would be required to pay a notional or other agreed upon value to the buyer of protection in the event of a default by a third-party. In return, the ETF would receive from the counterparty a periodic stream of payments over the term of the contract provided that no event of default occurs. If no default occurs, the ETF would keep the stream of payments and would have no payment obligations.

In connection with the agreement, securities or cash may be identified as collateral or margin in accordance with the terms of the agreement to provide assets of value in the event of default or bankruptcy/insolvency.

The ETF, as a buyer of protection, would receive a notional or other agreed upon value from the seller of protection in the event of a default by a third-party. In return, the ETF would be required to pay to the counterparty a periodic stream of payments over the term of the contract provided that no event of default occurs.

Credit default swap contracts are fair valued daily based upon quotations from independent security pricing sources. Premiums paid or received, if any, are included in “Net realized gain (loss)” in the Statement of Comprehensive Income. Net periodic payments are accrued daily and recorded as “Derivative income (loss)” in the Statement of Comprehensive Income.

When credit default swap contracts expire or are closed out, gains or losses are recorded as “Net realized gain (loss)” in the Statement of Comprehensive Income.

For securities where market quotes are not available, unreliable or not considered to reflect the current value, the Manager may determine another value which it considers to be fair and reasonable, or use a valuation technique that, to the extent possible, makes maximum use of inputs and assumptions based on observable market data, including volatility, comparable companies, NAV (for exchange-traded funds) and other applicable rates or prices. These estimation techniques include discounted cash flows, internal models that utilize observable data or comparisons with other securities that are substantially similar. In limited circumstances, the Manager may use internal models where the inputs are not based on observable market data.

Cash

Cash is comprised of cash and deposits with banks, which include bankers' acceptances and overnight demand deposits. The carrying amount of cash approximates its fair value because it is short-term in nature.

Other assets and other liabilities

Other assets and other liabilities generally include receivable for investments sold, subscriptions receivable, dividends receivable, redemptions payable, distributions payable and accrued expenses. These financial assets and financial liabilities are short-term in nature and are measured at amortized cost, which approximates their fair value.

Investments in subsidiaries, joint ventures and associates

Subsidiaries are entities over which the ETF has control through its exposure or rights to variable returns from its investment and has the ability to affect those returns through its power over the entity. The Manager has determined that the ETF is an investment entity and as such, it accounts for subsidiaries, if any, at fair value. Joint ventures are investments where the ETF exercises joint control through an agreement with other shareholders, and associates are investments in

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which the ETF exerts significant influence over operating, investing, and financing decisions (such as entities in which the ETF owns 20% - 50% of voting shares), all of which, if any, have been classified at FVTPL.

Unconsolidated structured entities

The Manager has determined that the underlying funds in which the ETF may invest are unconsolidated structured entities. This determination is based on the fact that decision making about the underlying funds is not governed by the voting right or other similar right held by the ETF. Similarly, investments in securitizations, asset-backed securities and mortgage-backed securities are determined to be interests in unconsolidated structured entities.

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

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

The ETF does not provide and has not committed to providing any additional significant financial or other support to the unconsolidated structured entities other than its investment in the unconsolidated structured entities.

Additional information on the ETF's interest in unconsolidated structured entities, where applicable, is provided in Note 8.

Offsetting of financial assets and financial liabilities

Financial instruments are presented at net or gross amounts on the Statement of Financial Position depending on the existence of intention and legal right to offset opposite positions of such instruments held with the same counterparties. Amounts offset in the Statement of Financial Position are related to transactions for which the ETF has legally enforceable rights to offset and intends to settle the positions on a net basis. Amounts not offset in the Statement of Financial Position relate to positions where there is no legally enforceable right to offset, or the legal right to offset is only in the event of default, insolvency or bankruptcy, or where the ETF has no intention to settle on a net basis. Refer to Note 8 for details.

Income recognition

Dividend income and distributions received from investment trusts are recognized on the ex-dividend and ex-distribution date, respectively.

Interest income from interest bearing investments is recognized in the Statement of Comprehensive Income using the effective interest rate. Interest receivable shown in the Statement of Financial Position is accrued based on the interest bearing investments' stated rates of interest.

Interest on inflation-indexed bonds is paid based on a principal value, which is adjusted for inflation. The inflation adjustment of the principal value is recognized as part of "Interest income" in the Statement of Comprehensive Income. If held to maturity, the ETF will receive, in addition to a coupon interest payment, a final payment equal to the sum of the par value and the inflation compensation accrued from the original issue date. Interest is accrued on each Valuation Date based on the inflation adjusted par value at that time and is included in "Interest income" in the Statement of Comprehensive Income.

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Foreign currency translation

The fair value of investments and other assets and liabilities in foreign currencies are translated into the ETF's functional currency at the rates of exchange prevailing at the period-end date. Purchases and sales of investments, and income and expenses are translated at the rates of exchange prevailing on the respective dates of such transactions. Realized and unrealized foreign exchange gains (losses) on investment transactions are included in "Net realized gain (loss)" and in "Change in unrealized appreciation (depreciation)" respectively, in the Statement of Comprehensive Income. Realized and unrealized foreign exchange gains (losses) relating to cash, receivables and payables, as applicable, are included in "Foreign exchange gain (loss)" in the Statement of Comprehensive Income.

Securities lending

An ETF may engage in securities lending pursuant to the terms of an agreement with State Street (the "securities lending agent"). The aggregate market value of all securities on loan by an ETF cannot exceed 50% of the NAV of the ETF. An ETF will receive collateral of at least 102% of the value of the securities on loan. Collateral will generally be comprised of obligations of or guarantee by the Government of Canada or a province thereof, or by the United States government or its agencies, but it may include obligations of other governments with appropriate credit ratings. Further, the program entered into provides for 100% indemnification by the securities lending agent and parties related to the ETF's custodian, to the ETF for any defaults by borrowers.

For those ETFs participating in the program, aggregate values of securities on loan and the collateral held as at December 31, 2022 and December 31, 2021 and information about the security lending income earned by the ETF are disclosed in Note 8, where applicable.

Income from securities lending, where applicable, is included in the Statement of Comprehensive Income and is recognized when earned. The breakdown of the securities lending income is disclosed in Note 8, where applicable.

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

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

Taxation

The ETF qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada). Distributions of all net taxable income and sufficient amounts of net realized capital gains for each taxation year will be paid to unitholders so that the ETF will not be subject to income tax. As a result, the Manager has determined that the ETF is in substance not taxable and therefore does not record income taxes in the Statement of Comprehensive Income nor does it recognize any deferred tax assets or liabilities in the Statement of Financial Position.

The ETF may incur withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis with the related withholding taxes shown as a separate expense in the Statement of Comprehensive Income.

4. Critical accounting judgements and estimates

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

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Accounting judgements:

Functional and presentation currency

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

Classification and measurement of investment portfolio

In classifying and measuring financial instruments held by the ETF, the Manager is required to make an assessment of the ETF's business model for managing financial instruments and the Manager is also required to make significant judgements in determining the most appropriate classification in accordance with IFRS 9. The Manager has assessed the ETF's business model with respect to the manner in which financial assets and financial liabilities are managed as a group and performance is evaluated on a fair value basis, and has concluded that FVTPL in accordance with IFRS 9 provides the most appropriate measurement and presentation of the ETF's investment portfolio. The collection of principal and interest is incidental to the fair value business model.

Accounting estimates:

Fair value measurement of securities not quoted in an active market

The Manager has established policies and control procedures that are intended to ensure these estimates are well controlled, independently reviewed, and consistently applied from period to period. The estimates of the value of the ETF's assets and liabilities are believed to be appropriate as at the reporting date.

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

5. Units and unit transactions

The redeemable units of the ETF are classified as financial liabilities. The units have no par value and are entitled to distributions, if any. Upon redemption, a unit is entitled to a proportionate share of the ETF's NAV. The ETF is required to pay distributions in an amount not less than the amount necessary to ensure the ETF will not be liable for income taxes on realized capital gains, dividends and interest. The ETF has no restrictions or specific capital requirements on the subscriptions and redemptions of units except as disclosed in Note 8. The relevant movements in redeemable units are shown in the Statement of Changes in Net Assets Attributable to Holders of Redeemable Units.

In accordance with its investment objectives and strategies, and the risk management practices outlined in Note 7, the ETF endeavours to invest the subscriptions received in appropriate investments, while maintaining sufficient liquidity to meet redemptions, with such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

The ETF is authorized to issue an unlimited number of units of each class. On any trading day, a designated broker or underwriter may place a subscription or redemption order for an integral multiple of the prescribed number of units of a particular class of the ETF. A trading day is each day on which the TSX is opened for business.

If the subscription or redemption order is accepted, the ETF will issue or redeem units to/from the designated broker or underwriter by no later than the third trading day after the date on which the subscription or

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redemption order is accepted. For each prescribed number of units issued or redeemed, a designated broker or underwriter must deliver or receive payment consisting of:

- A basket of applicable securities and cash in an amount sufficient so that the value of the securities, and the cash received is equal to the NAV of the units subscribed/redeemed; or
- Cash in the amount equal to the NAV of the units subscribed/redeemed.

On any trading day, unitholders may redeem units for cash or exchange units for baskets of securities and cash. Units redeemed for cash will be redeemed at a redemption price per unit equal to 95% of the closing price for the units on the exchange on the effective day of the redemption. Units exchanged for baskets of securities will be exchanged at a price equal to the NAV of the units on the effective date of the exchange request, payable by delivery of baskets of securities and cash.

Unitholders that redeem units prior to the distribution record date will not be entitled to receive the distribution.

The NAV per unit of a class for the purposes of subscription or redemption is computed by dividing the NAV of the ETF (that is, the total fair value of the assets attributable to the class of the ETF less the liabilities attributable to the class) by the total number of units of the class of the ETF outstanding at such time on each Valuation Day, in accordance with Part 14 National Instrument (“NI”) 81-106 Investment Fund Continuous Disclosure for the purpose of processing unitholder transactions. Net Assets are determined in accordance with IFRS and may differ from the ETF’s NAV. Where an ETF’s NAV is not equal to its Net Assets, a reconciliation is shown in Note 8.

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.

6. Related party transactions

(a) Management fees

The Manager is responsible for all other costs and expenses of the ETF, including the fees payable to the Custodian, Registrar and Transfer Agent and Plan Agent fees payable to other service providers, including the index providers retained by the Manager.

The ETF will pay the Manager a management fee as disclosed in Note 8 based on the NAV of the class of the ETF. The management fee, plus applicable taxes, will be accrued daily and paid quarterly in arrears. The Manager may, from time to time in its discretion, waive a portion of the management fee charged at any given time.

The Manager may agree to charge a reduced management fee it otherwise would be entitled to receive from the ETF with respect to investments in the ETF by certain unitholders. An amount equal to the difference between the fee otherwise chargeable and the reduced fee of the ETF will be distributed in cash to those unitholders as Management Fee Distributions.

(b) Other related party transactions

All expenses are recognized in the Statement of Comprehensive Income on the accrual basis.

The ETF is responsible for the costs and expenses incurred in complying with NI 81-107 (including any expenses related to the implementation and on-going operation of an Independent Review Committee), brokerage expenses and commissions, income and withholding taxes as well as other applicable taxes, the costs of complying with any new governmental or regulatory requirement introduced after the date the ETF was established and extraordinary expenses.

From time to time, the Manager may on behalf of the ETF, enter into transactions or arrangements with or involving subsidiaries and affiliates of Bank of Montreal, or certain other persons or companies that are related or connected to the Manager of the ETF. These transactions or arrangements may include transactions or arrangements with or involving subsidiaries and affiliates of Bank of Montreal, BMO

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Asset Management Inc., BMO Nesbitt Burns Inc., BMO Private Investment Counsel Inc., BMO InvestorLine Inc., BMO Investments Inc., or other investment funds offered by Bank of Montreal and may involve the purchase or sale of portfolio securities through or from subsidiaries or affiliates of Bank of Montreal, the purchase or sale of securities issued or guaranteed by subsidiaries or affiliates of Bank of Montreal, entering into forward contracts with subsidiaries or affiliates of Bank of Montreal acting as counterparty, the purchase or redemption of units of other Bank of Montreal affiliated investment funds or the provision of services to the Manager.

BMO Nesbitt Burns Inc. is one of the designated brokers that have entered into an underwriting agreement with the Manager. As a Designated Broker, under the underwriting agreement, BMO Nesbitt Burns Inc. may subscribe for and or be issued units of the ETF by the Manager from time to time.

7. Financial instruments risks

The ETF's activities expose it to a variety of risks associated with the financial instruments, as follows: market risk (including currency risk, interest rate risk and other market risk), credit risk and liquidity risk. The concentration table groups securities by asset type, geographic location and/or market segment. The ETF's risk management practice focuses on processes and strategies to minimize the tracking error between the ETF's performance and the performance of its relevant index.

(a) Currency risk

Currency risk is the risk that the fair value of financial instruments denominated in currencies, other than the functional currency of the ETF, 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 ETF's functional currency in determining fair value. The ETF may enter into forward currency contracts for hedging purposes to reduce foreign currency exposure. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and

liabilities to be a component of market price risk not foreign currency risk. However, the Manager monitors the exposure on all foreign currency denominated assets and liabilities. The ETF's exposure to currency risk, if any, is further disclosed in Note 8.

(b) Interest rate risk

Interest rate risk is the risk that the fair value of the ETF's interest bearing investments will fluctuate due to changes in market interest rates. The ETF's exposure to interest rate risk is concentrated in its investment in debt securities (such as bonds, money market investments, short-term investments and debentures) and interest rate derivative instruments, if any. Other assets and liabilities are short-term in nature and/or non-interest bearing. The ETF's exposure to interest rate risk, if any, is further discussed in Note 8.

(c) Other market risk

Other market risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market or market segment. The Manager moderates this risk through the use of investment strategies that seek to minimize the ETF's tracking error versus a market index, within the parameters of the investment strategy. The maximum risk resulting from financial instruments is equivalent to its fair value.

The Manager monitors the ETF's overall market positions on a daily basis and positions are maintained within established ranges. Other assets and liabilities are monetary items that are short-term in nature, and as such they are not subject to other market risk. The ETF's exposure to other market risk, if any, is further discussed in Note 8.

(d) Credit risk

Credit risk is the risk that a loss could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The fair value of debt securities includes

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consideration of the credit worthiness of the debt issuer. Credit risk exposure for over-the-counter derivative instruments is based on the ETF's unrealized gain of the contractual obligations with the counterparty as at the reporting date. The credit exposure of other assets is represented by its carrying amount. The ETF's exposure to credit risk, if any, is further discussed in Note 8.

The ETF may enter into securities lending transactions with approved counterparties. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient approved credit rating and the market value of collateral held by the ETF must be at least 102% of the fair value of securities loaned, as disclosed in Note 8, where applicable.

(e) Liquidity risk

The ETF's exposure to liquidity risk is concentrated in the daily redemptions of units, and other liabilities. Since the settlement of redemptions is primarily by delivery of securities, the ETF is not exposed to any significant liquidity risk. The ETF primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the ETF retains sufficient cash positions to maintain liquidity. The ETF may, from time to time, enter into over-the-counter derivative contracts or invest in unlisted securities, which are not traded in an organized market and may be illiquid. Securities for which market quotation could not be obtained and may be illiquid are identified in the Schedule of Investment Portfolio. The proportion of illiquid securities to the NAV of the ETF is monitored by the Manager to ensure it does not exceed the regulatory limit and does not significantly affect the liquidity required to meet the ETF's financial obligations.

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8. ETF specific information

(a) ETF information and change in units

The ETF was established on January 24, 2011. The Listed CAD Units and Listed Accumulating Units are listed on the TSX under the symbol ZST and ZST.L, respectively.

Listed Accumulating Units are a class of Units whereby distributions, if any, are paid by issuing additional units that will automatically be reinvested and consolidated.

Class	Establishment Date
Listed CAD Units	January 24, 2011
Listed Accumulating Units	January 24, 2011

The last close price as at December 31, 2022 and December 31, 2021 are shown in the following table.

As at	Dec. 31, 2022	Dec. 31, 2021
Listed CAD Units	48.57	49.33
Listed Accumulating Units	54.54	53.91

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)	Dec. 31, 2022	Dec. 31, 2021
Listed CAD Units		
Units issued and outstanding, beginning of period	14,311	11,991
Units issued	35,162	10,215
Redeemed during the period	(32,180)	(7,895)
Units issued and outstanding, end of period	17,293	14,311
Listed Accumulating Units		
Units issued and outstanding, beginning of period	6,442	9,011
Units issued	2,383	1,718
Issued on reinvestment of distributions	111	151
Units consolidated	(111)	(151)
Redeemed during the period	(4,458)	(4,287)
Units issued and outstanding, end of period	4,367	6,442

Unit consolidation

The units of the ETF are consolidated immediately after a distribution is reinvested so that the number of units of the ETF held by investors after the consolidation is the same as before the distribution. This does not result in a disposition of the investors'

units. On consolidation, the aggregate Adjusted Cost Base ("the ACB") of units held by the investors will not change, but the ACB per unit will increase.

(b) Reconciliation of NAV to Net Assets

As at December 31, 2022 and December 31, 2021, there were no differences between the ETF's NAV per unit and its Net Assets per unit calculated in accordance with IFRS.

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

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the periods ended December 31, 2022 and December 31, 2021 is calculated as follows:

For the periods ended	Dec. 31, 2022	Dec. 31, 2021
Listed CAD Units		
Increase in net assets attributable to holders of redeemable units	12,069	1,413
Weighted average units outstanding during the period (in thousands of units)	17,927	12,729
Increase in net assets attributable to holders of redeemable units per unit	0.67	0.11
Listed Accumulating Units		
Increase in net assets attributable to holders of redeemable units	2,958	957
Weighted average units outstanding during the period (in thousands of units)	5,041	7,460
Increase in net assets attributable to holders of redeemable units per unit	0.59	0.13

(d) Income taxes

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

Total Capital Losses (\$)	Total Non-Capital Losses (\$)	Non-Capital Losses That Expire in		
		2028 (\$)	2029 (\$)	2030 and thereafter (\$)
39,947	—	—	—	—

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(e) Related party transactions

Management fees

The Manager is entitled to receive a management fee, plus applicable taxes, accrued daily and paid quarterly in arrears at the following annual rates:

Class	Management Fee (%)
Listed CAD Units	0.150
Listed Accumulating Units	0.150

The outstanding accrued management fees due to the Manager are included in "Accrued expenses" in the Statement of Financial Position and as at December 31, 2022 amounted to \$552 (December 31, 2021 — \$366).

Brokerage commissions

There were no brokerage commissions charged to the ETF during the periods ended December 31, 2022 and December 31, 2021.

(f) Financial instruments risks

The ETF's objective is to provide exposure to a variety of fixed income securities with a remaining effective term to maturity of one year or less. The ETF will primarily invest in money market instruments and directly in fixed income securities, including corporate, Government of Canada, provincial and municipal bonds. The ETF may invest in floating rate instruments, and floating rate preferred shares and other fixed income securities, subject to the rate reset date being no greater than one year and the term being no greater than five years. In addition, or in the alternative, to obtaining exposure by investing directly in money market instruments, fixed income securities and floating rate securities, exposure may be obtained by investing in the other ETFs, mutual funds and derivative instruments.

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

Currency risk

As at December 31, 2022 and December 31, 2021, the ETF did not have significant exposure to currency risk as it invested fully in Canadian denominated securities.

Interest rate risk

The ETF's exposure to interest rate risk, by remaining term to maturity, is summarized in the following table:

Number of years	Interest Rate Exposure as at Dec. 31, 2022	Interest Rate Exposure as at Dec. 31, 2021
Less than one year	1,031,854	957,637
One to three years	—	—
Three to five years	—	—
Five to ten years	41,193	—
Greater than ten years	—	—
Total	1,073,047	957,637

As at December 31, 2022 and December 31, 2021, if the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, the Net Assets of the ETF could possibly have decreased or increased, respectively, by approximately \$4,548 (December 31, 2021 — \$4,663). The ETF's interest rate sensitivity was determined based on portfolio weighted duration. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Other market risk

As at December 31, 2022 and December 31, 2021, the ETF did not have significant exposure to other market risk as it invested fully in fixed income securities.

Credit risk

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

Credit Rating	As a % of Net Assets as at	
	Dec. 31, 2022	Dec. 31, 2021
R-1 High	15.6	27.8
AAA	4.4	2.0
AA	18.8	35.8
A	38.5	17.3
BBB	22.2	8.0
Total	99.5	90.9

Securities lending

The ETF had assets involved in securities lending transactions outstanding as at December 31, 2022 and December 31, 2021 as follows:

BMO Ultra Short-Term Bond ETF

Notes to the Financial Statements (cont'd)

(All amounts in thousands of Canadian dollars, except per unit data)
December 31, 2022

	Aggregate Value of Securities on Loan (\$)	Aggregate Value of Collateral Received for the Loan (\$)
Dec. 31, 2022	63,111	67,793
Dec. 31, 2021	93,471	100,531

The table below is a reconciliation of the gross amount generated from securities lending transactions to the security lending revenue for the periods ended December 31, 2022 and December 31, 2021:

For the periods ended	Dec. 31, 2022		Dec. 31, 2021	
	Amount	% of Gross Securities Lending Revenue	Amount	% of Gross Securities Lending Revenue
Gross securities lending revenue	144	100.0	29	100.0
Withholding taxes	—	—	—	—
	144	100.0	29	100.0
Payment to securities lending agents	36	25.0	7	25.0
Net securities lending revenue	108	75.0	22	75.0

Concentration risk

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

As at	Dec. 31, 2022	Dec. 31, 2021
Money Market Investments		
Federal	15.6%	27.8%
Bonds & Debentures		
Communication Services	3.6%	—%
Consumer Discretionary	9.7%	6.6%
Consumer Staples	0.3%	2.0%
Energy	4.6%	2.4%
Financials	44.2%	45.4%
Industrials	2.0%	2.5%
Real Estate	8.5%	3.5%
Utilities	11.0%	0.7%
Holdings in Investment Funds		
Money Market Funds	—%	8.8%
Other Assets Less Liabilities	0.5%	0.3%
	100.0%	100.0%

(g) Fair value hierarchy

The ETF classifies its financial instruments into three levels based on the inputs used to value the financial instruments. Level 1 securities are valued based on quoted prices in active markets for identical securities. Level 2 securities are valued based on significant observable market inputs, such as quoted prices from

similar securities and quoted prices in inactive markets or based on observable inputs to models. Level 3 securities are valued based on significant unobservable inputs that reflect the Manager's determination of assumptions that market participants might reasonably use in valuing the securities. The tables below show the relevant disclosure.

As at Dec. 31, 2022

Financial assets	Level 1	Level 2	Level 3	Total
Debt Securities	1,073,047	—	—	1,073,047

As at Dec. 31, 2021

Financial assets	Level 1	Level 2	Level 3	Total
Debt Securities	957,637	—	—	957,637
Investment Funds	92,809	—	—	92,809
Total	1,050,446	—	—	1,050,446

Transfers between levels

There were no transfers between the levels during the periods.

(h) Unconsolidated structured entities

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

As at Dec. 31, 2022	Carrying amount (\$)	Carrying amount as a % of the underlying fund's Net Assets
Eagle Credit Card Trust, Credit Card Receivables-Backed, Series 2018-1, Class A, Senior, Secured, Notes, 3.042% Jul 17, 2023	5,310	—
Fortified Trust, Series A, Credit Card Asset-Backed Notes, Secured, 2.340% Jan 23, 2023	20,771	—
Prime Structured Mortgage Trust, Series 20-1, Senior, Secured, 1.968% Feb 15, 2023	21,210	—
Total	47,291	

BMO Ultra Short-Term Bond ETF

Notes to the Financial Statements (cont'd)

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

December 31, 2022

As at Dec. 31, 2021	Carrying amount (\$)	Carrying amount as a % of the underlying fund's Net Assets
Securities		
Purpose High Interest Savings ETF	92,809	5.1
Glacier Credit Card Trust, Series 2017-1, Credit Card Asset-Backed Notes, Senior, Secured, 2.048% Sep 20, 2022	21,083	—
Total	113,892	

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

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

Management's Responsibility for Financial Reporting

The accompanying financial statements have been prepared by management of BMO Investments Inc. Management is responsible for the information and representations contained in these financial statements.

BMO Asset Management Inc. has maintained appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and include certain amounts that are based on estimates and judgements. The significant accounting policies which management believes are appropriate for the ETFs are described in note 3 to the financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities.

PricewaterhouseCoopers LLP is the external auditor of the ETFs. The auditor has been appointed by the Board and cannot be changed without the prior approval of the Independent Review Committee and 60 days notice to the unitholders. They have audited the financial statements in accordance with generally accepted auditing standards in Canada to enable them to express to the unitholders their opinion on the financial statements. Their report is included as an integral part of the financial statements.

William Bamber,
Head, BMO Asset Management Inc
BMO Asset Management Inc.
March 1, 2023

Robert J. Schauer,
Chief Financial Officer
BMO Exchange Traded Funds
March 1, 2023

BMO Asset Management Inc.

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For more information please call 1-800-361-1392



Exchange Traded Funds