

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

BMO Global Insurance Hedged to CAD Index ETF (INSR) (the “ETF”)

For the 12-month period ended December 31, 2018 (the “Period”)

Manager: BMO Asset Management Inc. (the “Manager” and “portfolio manager”)

Management Discussion of Fund Performance

Investment Objective and Strategies

The ETF seeks to replicate, to the extent possible, the performance of a global insurance index, net of expenses. Currently, the ETF seeks to replicate the performance of the Russell Developed Large Cap Insurance Capped 100% Hedged to CAD Index (the “Index”). The investment strategy of the ETF is to invest in and hold the Constituent Securities (as defined in the prospectus) of the Index in the same proportion as they are reflected in the Index or securities intended to replicate the performance of the Index. The Manager may also use a sampling methodology in selecting investments for the ETF. As an alternative to or in conjunction with investing in and holding the Constituent Securities, the ETF may invest in or use certain Other Securities (as defined in the prospectus) to obtain exposure to the performance of the Index.

Risk

The risks associated with an investment in the ETF remain as disclosed in the ETF’s most recent prospectus or any amendments and ETF facts. During the Period there were no changes to the ETF that materially affected the overall risk level associated with an investment in the ETF. However, beginning in February 2018 the ETF’s investment risk level is determined by calculating the ETF’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 ETF does not have

at least ten years of performance history, a reference index that is expected to reasonably approximate the ETF’s standard deviation is used as a proxy for the remainder of the ten year period. In February 2018, the Manager reviewed the ETF using the new standardized risk classification methodology and announced on February 9, 2018 that the risk rating of the ETF should be changed from “medium” to “medium to high”. The change to the ETF’s risk rating was a result of utilizing the new risk classification methodology and not because of changes to the investing strategies and processes employed by the portfolio manager or other changes to the ETF. The Manager reviews the ETF’s investment risk level and reference index(es), if any, at least annually.

Result of Operations

The ETF underperformed the broad-based MSCI World Total Return Index in local currency by 0.62%. However, the more appropriate comparison is to the Russell Developed Large Cap Insurance Capped 100% Hedged to CAD Index (the “Index”), due to the concentration of the portfolio in insurance stocks. The ETF returned -8.00% versus the Index return of -7.29%. The change in total net asset value during the Period from approximately \$54 million to approximately \$20 million had no impact to the performance of the ETF.

The difference in the performance of the ETF relative to the Index during the Period (-0.71%) resulted from the management expense ratio (-0.37%) and certain other

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the ETF. If the annual financial statements of the ETF 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 1-800-361-1392, by writing to us at BMO Asset Management Inc., 250 Yonge Street, 7th Floor, Toronto, Ontario, M5B 2M8 or by visiting our website at www.bmo.com/etflegal or SEDAR at www.sedar.com. You may also contact us using one of these methods to request a copy of the ETF’s annual financial report, proxy voting policies and procedures, proxy voting disclosure record and/or quarterly portfolio disclosure.



Exchange Traded Funds

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factors (-0.34%), which may have included timing differences versus the Index, concentration of the portfolio in insurance stocks, and market volatility.

Market Conditions

The S&P 500 Index, representing performance of U.S. equities, posted a 4.4% loss in U.S. dollars; however, it returned 4.2% in Canadian dollar terms as the U.S. dollar's appreciation against Canadian dollars cushioned the fall. Energy stocks were the biggest laggard as global economic growth concerns and rising oil supply weighed on oil prices. A number of other cyclical sectors such as Industrials, Financials and Materials witnessed weak performance driven by fragile investor sentiment. Meanwhile, some defensive sectors such as Health Care and Utilities held up well.

While the end of 2017 looked promising for the Canadian market, 2018 was challenging for Canadian equities, particularly in the second half of the year due to weaker economic data, tightening monetary policy and a flattening yield curve. Overall, the S&P/TSX Index, representing performance of Canadian equities, fell 8.9%. Global trade and growth concerns were among primary factors for investors but a settled NAFTA deal in the fall provided Canadian investors with more certainty on Canada-U.S. trade. Despite this, the Canadian dollar depreciated 7.8% relative to the U.S. dollar year over year. Oil declined significantly; the West Texas Intermediate ('WTI') fell to as low as US\$42 in the fourth quarter, its lowest level in over a year. The spread between Western Canada Select (WCS) and WTI became historically wide; however this began to reverse by year end. Technology stocks, although a small weight in the Index, were a bright spot delivering a 13% return.

Global equities saw a significant increase in volatility in the second half of 2018. US-China trade war, Brexit, Italian debt levels and tightening monetary policy globally put downward pressure on equity markets. While the European Central Bank has communicated an end to the quantitative easing program, and the U.S. Federal Reserve Board raised rates four times over the Period, further interest rate increases may be delayed. Overall, U.S. equities gained 4.2% in Canadian dollar terms, and international equities posted a 6.0% loss in Canadian dollars during the Period.

The ETF's exposure to the Insurance Brokers and Reinsurance Industries were top contributors to performance over the Period, while the ETF's exposure to Life & Health Insurance and Multi-line Insurance Industries were detractors. The top individual contributors to performance were Berkshire Hathaway Inc. – Class B, AIA

Group Ltd, and AON PLC, while the detractors to performance were American International Group, Prudential Financial Inc. and Manulife Financial Corp.

Recent Developments

The current economic backdrop continues to favour growth, although at a slower pace due to historically low unemployment rates and volatile earnings in both Canada and the U.S. Inflation is still relatively contained and Canadian and U.S. equities have had a strong start to 2019, bouncing back after a sell off towards the end of 2018. European equities remain exposed to Brexit therefore a finalized deal would be expected to provide increased stability in 2019. Headwinds to growth include geopolitical concerns and global trade tensions. To the extent these uncertainties are cleared up, the economy and stock market should benefit. Over the mid to long term the outlook is positive, given the backdrop of gradually rising, albeit slowly, interest rates, as higher rates generally allow insurance companies to earn more on investment income from premiums. Global premium growth is expected to grow more quickly than the global economy in 2019, which should be beneficial to the ETF. Risk factors include an increase in natural catastrophe claims due partly to climate change, and interest rates remaining persistently low.

On June 6, 2018 the ETF's independent review committee (the "IRC") was increased to five members when Jacqueline Allen was appointed as an IRC member. On September 6, 2018 the ETF's IRC was increased to six members when Marlene Davidge was appointed as an IRC member.

Related Party Transactions

The Manager, an indirect, wholly-owned subsidiary of Bank of Montreal ("BMO"), is the portfolio manager, trustee and promoter of the ETF. From time to time, the Manager may, on behalf of the ETF, 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 transactions involving the ETF and a Related Party.

Designated Broker

The Manager has entered into an agreement with BMO Nesbitt Burns Inc., an affiliate of the Manager, to act as designated broker and dealer for distribution of BMO exchange traded funds, on terms and conditions that are comparable to arm's length agreements in the exchange traded funds industry. The material terms and conditions of the agreement have been disclosed in the ETF's prospectus.

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The Manager has also entered into agreements with certain other registered dealers in Canada to act as dealers for the creation and redemption of units of BMO exchange traded funds.

Buying and Selling Securities

During the Period, the ETF relied on standing instructions provided by the IRC for any of the following related party transactions that may have occurred in the ETF:

- (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, or any other 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., or any other affiliate of the Manager, who is trading with the ETF 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 ETF to make a Related Party Transaction, the Manager, as manager and portfolio manager of the ETF, is 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 ETF, and (iii) achieves a fair and reasonable result for the ETF.

Management Fees

The Manager is responsible for the day-to-day management of the business and operations of the ETF. The Manager monitors and evaluates the ETF’s performance, manages the portfolio and provides certain administrative services

required by the ETF. As compensation for its services, the Manager is entitled to receive a management fee payable quarterly and calculated based on the daily net asset value of the ETF at the annual rate set out in the table below.

Ticker	Annual Management Fee Rate %
INSR	0.35

Brokerage Commissions

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

	2018	2017
Total brokerage commissions	\$ 12,368	16,203
Brokerage commissions paid to BMO Nesbitt Burns Inc.	\$ —	12

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Financial Highlights

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

The ETF's Net Assets per Unit⁽¹⁾

Listed CAD Units	Financial years ended Dec. 31	
	2018	2017 ⁽⁵⁾
Net assets, beginning of period	\$ 22.30	20.00 ^{(*}
Increase (decrease) from operations		
Total revenue	\$ 0.90	0.50
Total expenses ⁽²⁾	\$ (0.22)	(0.18)
Realized gains (losses) for the period	\$ 0.79	0.63
Unrealized gains (losses) for the period	\$ (3.30)	2.68
Total increase (decrease) from operations⁽³⁾	\$ (1.83)	3.63
Distributions		
From income (excluding dividends)	\$ —	—
From dividends	\$ 0.78	0.30
From capital gains	\$ —	0.21
Return of capital	\$ 0.01	0.00
Total Annual Distributions⁽⁴⁾	\$ 0.79	0.51
Net assets, end of period	\$ 19.75	22.30

^{*} Initial net assets.

⁽¹⁾ The information is derived from the ETF'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 ETF, or both.

⁽⁵⁾ The information in this column is for the period beginning January 30, 2017 (the ETF's establishment date) and ending December 31, 2017.

Ratios and Supplemental Data

Listed CAD Units	Financial years ended Dec. 31	
	2018	2017 ⁽⁵⁾
Total net asset value (000's) ⁽¹⁾	\$ 19,981	54,033
Number of units outstanding (000's) ⁽¹⁾	1,012	2,423
Management expense ratio ⁽²⁾	% 0.37	0.37
Management expense ratio before waivers or absorptions ⁽²⁾	% 0.37	0.37
Trading expense ratio ⁽³⁾	% 0.08	0.16
Portfolio turnover rate ⁽⁴⁾	% 71.03	22.13
Net asset value per unit	\$ 19.75	22.30
Closing market price	\$ 19.69	22.35

⁽¹⁾ This information is provided as at December 31 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.

⁽⁴⁾ The ETF's portfolio turnover rate indicates how actively the ETF's portfolio manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. The higher an ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF 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 an ETF.

⁽⁵⁾ The information in this column is for the period beginning January 30, 2017 (the ETF's establishment date) and ending December 31, 2017.

Past Performance

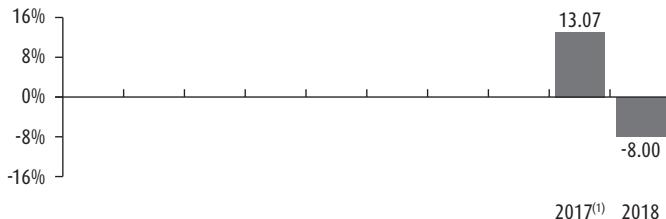
The ETF's performance information assumes that all distributions made by the ETF in the periods shown were used to purchase additional units of the ETF and is based on the net asset value of the ETF.

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 ETF has performed in the past does not indicate how it will perform in the future.

Year-by-Year Returns

The following bar chart shows the performance of the ETF for each of the financial years shown. The chart shows, in percentage terms, how much an investment made on the first day of each financial year would have increased or decreased by the last day of each financial year.

Listed CAD Units



⁽¹⁾ For the period beginning with the performance launch date of April 3, 2017 to December 31, 2017.

Annual Compound Returns

This table compares the historical annual compound returns of the ETF with its benchmark index, the Russell Developed Large Cap Insurance Capped 100% Hedged to CAD Index and a broad-based index, the MSCI World Total Return Index.

The Russell Developed Large Cap Insurance Capped 100% Hedged to CAD Index consists of companies classified as Insurance in accordance with the Russell Global Sectors classification system from the developed markets included in the Russell Global Index Series for large and mid-capitalization securities while imposing a company cap of 10% on all constituents included within the Index quarterly. All foreign currency exposure is also hedged back to the Canadian dollar.

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The MSCI World Total Return Index is a broad-based index that reflects the equity performance in developed markets and is a free float-adjusted market capitalization weighted index.

As of December 31, 2018

Listed CAD Units	% of Net Asset Value				
	1Yr	3Yr	5Yr	10Yr	Since Inception ⁽¹⁾
BMO Global Insurance Hedged to CAD Index ETF	%	(8.00)			2.28
Russell Developed Large Cap Insurance Capped 100% Hedged to CAD Index	%	(7.29)			3.18
MSCI World Total Return Index	%	(7.38)			2.43

⁽¹⁾ Return from the performance launch date of April 3, 2017 to December 31, 2018.

A discussion on the relative performance of the ETF as compared to its benchmark index can be found under the Results of Operations section of this report. In light of the ETF's investment objectives and strategies, the ETF compares its relative performance to its benchmark index, as opposed to the broad-based index reference above, because its benchmark index provides a more accurate and useful comparison of fund performance.

Summary of Investment Portfolio

As at December 31, 2018

Portfolio Allocation	% of Net Asset Value
United States	47.8
United Kingdom	8.4
Germany	8.2
Japan	6.5
Hong Kong	6.4
Switzerland	6.2
Canada	5.7
France	3.3
Australia	2.4
Italy	1.9
Netherlands	1.7
Finland	1.4
Cash/Receivables/Payables	(2.1)
Other	2.2
Total Portfolio Allocation	100.0

Sector Allocation	% of Net Asset Value
Life & Health Insurance	30.7
Property & Casualty Insurance	23.2
Multi-line Insurance	23.0
Multi-Sector Holdings	10.2
Insurance Brokers	7.2
Reinsurance	6.8
Cash/Receivables/Payables	(2.1)
Other	1.0
Total Sector Allocation	100.0

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Top 25 Holdings	% of Net Asset Value
Berkshire Hathaway Inc., Class B	10.2
AIA Group Limited	6.4
Allianz SE.	5.5
Chubb Limited	3.6
Prudential plc	3.0
Zurich Insurance Group AG	2.9
AXA SA	2.7
Marsh & McLennan Companies, Inc.	2.5
American International Group, Inc.	2.2
Progressive Corporation, The.	2.2
Aon plc	2.1
Aflac Incorporated	2.1
MetLife, Inc.	2.1
Muenchener Rueckversicherungs-Gesellschaft Aktiengesellschaft in Muenchen	2.1
Prudential Financial, Inc.	2.1
Tokio Marine Holdings, Inc.	2.1
Travelers Companies, Inc., The,.....	1.9
Swiss Re AG.	1.8
Allstate Corporation, The,	1.8
Manulife Financial Corporation	1.7
Assicurazioni Generali S.p.A.	1.4
Sampo plc, A Shares	1.4
Sun Life Financial Inc.	1.2
Willis Towers Watson Public Limited Company.....	1.2
Aviva plc	1.2
Top Holdings as a Percentage of Total Net Asset Value	67.4
Total Net Asset Value	\$19,980,895

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

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 ETF may invest in and the risks detailed from time to time in the ETFs' 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 ETF, 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 Asset Management 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.

BMO exchange traded funds are managed and administered by BMO Asset Management Inc., an investment fund manager and portfolio manager and separate legal entity from Bank of Montreal.

[®] "BMO (M-bar roundel symbol)" is a registered trade-mark of Bank of Montreal.

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