

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

BMO MSCI China ESG Leaders Index ETF (ZCH) (the “ETF”)

For the 12-month period ended December 31, 2022 (the “Period”)

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

Management Discussion of Fund Performance

Investment Objective and Strategies

The ETF’s investment objective seeks to replicate, to the extent possible, the performance of an environmental, social and governance (“ESG”) focused broad Chinese equity markets index, net of expenses. Currently, the ETF seeks to replicate the performance of the MSCI China ESG Leaders Index (the “Index”). The investment strategy of the ETF is to invest in and hold the constituent securities of the Index in the same proportion as they are reflected in the Index. The Manager may also use a sampling methodology in selecting investments for the ETF to obtain exposure to the performance of the Index. The ETF is not permitted to hold investments that are inconsistent with ESG values. 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 thereto and ETF facts. During the Period, there were no changes to the Fund that materially affected the overall risk level associated with an investment in the ETF. However, the Manager reviewed the ETF using the standardized investment risk classification methodology prescribed by National Instrument 81-102 *Investment Funds* and determined on January 17, 2022 that the risk rating

of the ETF had changed from “high” to “medium to high”. The Manager reviews the ETF’s investment risk level and reference index, if any, at least annually.

Subsequent Event

Risk Rating Change

On January 17, 2023, the Manager determined that the risk rating of the ETF had changed from “medium to high” to “high” after reviewing the ETF using the standardized investment risk classification methodology prescribed by National Instrument 81-102 *Investment Funds*.

Results of Operations

The ETF underperformed the broad-based MSCI Emerging Markets Index (CAD) by 7.71%. However, the more appropriate comparison is to the MSCI China ESG Leaders Index (CAD) (the “Index”), due to the concentration of the portfolio in Chinese companies. The ETF returned -21.99% versus the Index return of -21.22%. The change in total net asset value during the Period from approximately \$102 million to approximately \$111 million had no impact on the performance of the ETF. The difference in the performance of the ETF relative to the Index during the Period (-0.77%) resulted from the management expense ratio (-0.67%), and the impact of sampling and certain other factors (-0.10%), which may have included timing differences versus the Index, and market volatility.

Market Conditions

Emerging markets equities declined over the Period largely over concerns of rising inflation, the continued conflict between Russia and Ukraine, and rising interest rates which led to increased concerns of an economic

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 interim financial report, proxy voting policies and procedures, proxy voting disclosure record and/or quarterly portfolio disclosure.



Exchange Traded Funds

BMO MSCI China ESG Leaders Index ETF

slowdown. Emerging markets equities, as measured by the MSCI Emerging Markets Index, returned -14.3% (in Canadian dollars) over 2022. China, Taiwan, and South Korean equities detracted from performance as the market decline was widespread. Positive contribution to performance came from the Energy sector, while negative contribution to performance came from the Information Technology, Consumer Discretionary, and Communications Services sectors.

During the Period, the ETF's exposure to Energy and Consumer Staples detracted the least from performance, while among detractors, Consumer Discretionary and Communication Services detracted the most from performance. Significant individual contributors to performance were Yum China Holdings, Inc. and Vipshop Holdings Ltd., while Tencent Holdings Ltd. and Alibaba Group Holding Ltd. were among the largest detractors from performance.

Recent Developments

The Chinese equity market will continue to be influenced by the global macroeconomic environment, especially the magnitude of future rate hikes and whether the United States and the European Union experience soft or hard landings in terms of their respective economic slowdowns. A peak in the U.S. interest rate cycle may weaken the dollar, which would be beneficial for the liquidity of emerging market economies.

Tensions between the United States and China and geopolitics are likely to continue driving volatility in Chinese equity markets, most recently demonstrated by announcements such as the U.S. CHIPS and Science Act, which will result in significant investment in the R&D of semiconductors in the U.S. and may eventually impact the Chinese semiconductor industry.

With Chinese equity markets trading at more than one standard deviation below long-term valuation levels, the market's risk-reward profile appears reasonably attractive. In recent weeks, Chinese equities have rebounded sharply as the country has moved toward an economic re-opening and away from the zero-Covid policy that significantly impacted much of its economic activity over the last couple of years. The fact that the government has recently become more supportive of the sometimes-challenged real estate industry by implementing a series of steps to improve developer financing should also contribute to growth potential looking forward.

Environmental, social and governance ("ESG") oriented portfolios' performance will largely depend on investors' newly developed views of the space, on the backdrop of a controversial year. Regulators are likely to continue to address the risks and possibilities of greenwashing, while the market assesses the impact of the climate crisis on these stocks. As the year progresses, it is likely that further investments into environmentally friendly production processes and continued evolution of social and governance structures will have a large impact on the growth of these portfolios.

In February 2022, hostilities commenced in Ukraine. In response, a number of countries have imposed economic sanctions on Russia and certain Russian citizens and entities. The impact of the hostilities, economic sanctions and other measures may have wide-ranging global effects on price volatility for securities and commodities as well as the stability of global financial markets. It is uncertain how long the hostilities, economic sanctions and market instability will continue and whether they will escalate further.

Related Party Transactions

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.

Manager

The Manager, an indirect, wholly-owned subsidiary of Bank of Montreal ("BMO"), is the portfolio manager, trustee and promoter of the ETF. The Manager is paid a management fee by the ETF as compensation for its services, which is described in the "Management Fees" section later in this document.

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.

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.

BMO MSCI China ESG Leaders Index ETF

Buying and Selling Securities

During the Period, the ETF relied on standing instructions provided by the independent review committee (“IRC”) for any of the following related party transactions that may have occurred in the ETF (each, a “Related Party Transaction”):

- (a) investments in securities issued by BMO, an affiliate of the Manager, or any other issuer related to the Manager;
- (b) investments in a class of 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 over-the-counter debt securities in the secondary market with BMO Nesbitt Burns Inc., or any other affiliate of the Manager, acting as principal in the Canadian debt securities market; and
- (d) trades of a security of any issuer from or to, another investment fund managed by the Manager or an affiliate of the Manager or a managed account managed by the Manager or an affiliate of the Manager.

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

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:

| | 2022 | 2021 |
|--|------|--------|
| Total brokerage commissions | \$ — | 88,667 |
| Brokerage Commissions paid to BMO Nesbitt Burns Inc. | \$ — | 3,336 |

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 | | | | |
|--|-------------------------------|---------|--------|--------|--------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| Net assets, beginning of period | \$ 19.55 | 33.72 | 24.60 | 21.22 | 25.75 |
| Increase (decrease) from operations | | | | | |
| Total revenue | \$ 0.37 | 0.19 | 0.39 | 0.46 | 0.57 |
| Total expenses ⁽²⁾ | \$ (0.12) | (0.26) | (0.25) | (0.21) | (0.26) |
| Realized gains (losses) for the period | \$ (3.93) | (4.23) | 2.79 | (0.24) | 0.05 |
| Unrealized gains (losses) for the period | \$ (1.12) | (9.07) | 6.31 | 2.79 | (3.54) |
| Total increase (decrease) from operations⁽³⁾ | \$ (4.80) | (13.37) | 9.24 | 2.80 | (3.18) |
| Distributions | | | | | |
| From net investment income (excluding dividends) | \$ — | — | — | — | — |
| From dividends | \$ 0.17 | — | 0.16 | 0.28 | 0.26 |
| From capital gains | \$ — | — | 0.24 | — | 1.43 |
| Return of capital | \$ 0.01 | — | 0.02 | 0.01 | 0.03 |
| Total Annual Distributions⁽⁴⁾ | \$ 0.18 | — | 0.42 | 0.29 | 1.72 |
| Net assets, end of period | \$ 15.07 | 19.55 | 33.72 | 24.60 | 21.22 |

⁽¹⁾ This information is derived from the ETF’s audited annual 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.

BMO MSCI China ESG Leaders Index ETF

Ratios and Supplemental Data

| Listed CAD Units | Financial years ended Dec. 31 | | | | |
|---|-------------------------------|---------|---------|--------|--------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| Total net asset value (000's) ⁽¹⁾ | \$ 111,445 | 102,423 | 135,863 | 59,738 | 49,274 |
| Number of units outstanding (000's) ⁽¹⁾ | 7,395 | 5,239 | 4,030 | 2,429 | 2,322 |
| Management expense ratio ⁽²⁾ | % 0.67 | 0.72 | 0.72 | 0.71 | 0.71 |
| Management expense ratio before waivers or absorptions ⁽²⁾ | % 0.67 | 0.72 | 0.72 | 0.71 | 0.71 |
| Trading expense ratio ⁽³⁾ | % 0.04 | 0.18 | 0.01 | 0.03 | 0.07 |
| Portfolio turnover rate ⁽⁴⁾ | % 53.04 | 184.42 | 76.51 | 86.16 | 139.32 |
| Net asset value per unit | \$ 15.07 | 19.55 | 33.72 | 24.60 | 21.22 |
| Closing market price | \$ 14.91 | 19.82 | 33.61 | 24.55 | 21.18 |

⁽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.

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. The management fee is subject to applicable taxes. The Manager may, from time to time in its discretion, waive all or a portion of the management fee charged.

| Ticker | Annual Management Fee Rate % |
|--------|------------------------------|
| ZCH | 0.60 |

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.

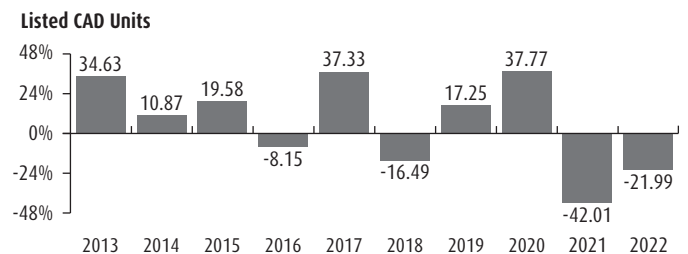
On September 28, 2012, the ETF changed its investment objective and underlying index from the BNY Mellon China Select ADR Index CAD Hedged to the BNY Mellon China Select ADR Index, which is an un-hedged broad Chinese equity markets index.

On December 3, 2021, the ETF changed its investment objective from replicating the performance of a broad Chinese equity index to replicate the performance of an ESG-focused broad Chinese equity index. The underlying index changed from the S&P/BNY Mellon China Select ADR Index to the MSCI China ESG Leaders Index. The annual management fee rate of the ETF was also reduced from 0.65% to 0.60%.

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

Year-by-Year Returns

The following bar chart shows the performance of the ETF for each of the financial years shown, and illustrates how the ETF's performance has changed year to year. 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.



Annual Compound Returns

On December 3, 2021, the ETF changed its benchmark from the S&P/BNY Mellon China Select ADR Index ("previous benchmark") to the MSCI China ESG Leaders Index to align with the ETF's current investment objective and strategies.

This table compares the historical annual compound returns of the ETF with its benchmark index, the MSCI China ESG Leaders Index, its previous benchmark, and a broad-based index, the MSCI Emerging Markets Index.

The MSCI China ESG Leaders Index is based on the parent index, the MSCI China Index, which includes large- and mid-capitalization stocks with exposure to China. The MSCI China ESG Leaders Index aims to capture the performance of securities that have been assigned higher ESG ratings by MSCI relative to their peers within the corresponding Global Industry Classification Standard ("GICS") sector. The MSCI China ESG Leaders Index uses MSCI ESG ratings to identify

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companies and targets 50% of the free float-adjusted market capitalization within each GICS sector by only selecting companies that have the highest ratings in each such sector. The MSCI China ESG Leaders Index excludes securities of companies that earn a significant portion of revenues from tobacco, alcohol, gambling, conventional weapons and civilian firearms, any controversial weapons, significant generation of nuclear power, unconventional oil and gas as well as companies involved in severe business controversies (in each case as determined by MSCI Inc.).

The S&P/BNY Mellon China Select ADR Index consists of a select group of American depositary receipts traded on the New York Stock Exchange ("NYSE"), NYSE Amex or NASDAQ which are domiciled in China.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

As at December 31, 2022

| Listed CAD Units | | 1Yr | 3Yr | 5Yr | 10Yr | Since Inception |
|--------------------------------------|---|---------|---------|--------|------|-----------------|
| BMO MSCI China ESG Leaders Index ETF | % | (21.99) | (14.58) | (9.41) | 3.23 | |
| MSCI China ESG Leaders Index (CAD) | % | (21.22) | (7.21) | (4.31) | 9.14 | |
| MSCI Emerging Markets Index (CAD) | % | (14.28) | (1.26) | 0.16 | 5.89 | |

A discussion on the relative performance of the ETF as compared to its previous benchmark index and broad-based index can be found under the Results of Operations section of this report.

Summary of Investment Portfolio

As at December 31, 2022

| Portfolio Allocation | % of Net Asset Value |
|-----------------------------------|----------------------|
| Consumer Discretionary | 32.5 |
| Communication Services | 31.5 |
| Financials | 9.2 |
| Health Care | 8.0 |
| Industrials | 6.8 |
| Real Estate | 3.9 |
| Consumer Staples | 2.8 |
| Utilities | 2.3 |
| Information Technology | 1.7 |
| Materials | 1.4 |
| Cash/Receivables/Payables | (0.1) |
| Total Portfolio Allocation | 100.0 |

| Top 25 Holdings | % of Net Asset Value |
|--|----------------------|
| Tencent Holdings Limited | 25.7 |
| Alibaba Group Holding Limited | 15.8 |
| Meituan Dianping, Class B | 9.3 |
| China Construction Bank Corporation, H Shares | 5.6 |
| Baidu, Inc., Class A | 3.0 |
| NetEase, Inc. | 2.7 |
| China Merchants Bank Co., Ltd. | 2.6 |
| Wuxi Biologics Cayman, Inc. | 2.5 |
| BYD Company Limited | 2.4 |
| Yum China Holdings, Inc. | 2.2 |
| China Resources Land Limited | 1.4 |
| China Mengniu Dairy Company Limited | 1.3 |
| Li Auto Inc., Class A | 1.1 |
| ZTO Express (Cayman), Inc., Class A, ADR | 1.1 |
| ENN Energy Holdings Limited | 1.0 |
| China Overseas Land & Investment Limited | 1.0 |
| CSPC Pharmaceutical Group Limited | 0.9 |
| Contemporary Amperex Technology Co., Ltd., Class A | 0.8 |
| Sino Biopharmaceutical Limited | 0.6 |
| CITIC Limited | 0.6 |
| Longfor Group Holdings Limited | 0.6 |
| Lenovo Group Limited | 0.6 |
| Vipshop Holdings Limited, ADR | 0.6 |
| Postal Savings Bank of China Co., Ltd. | 0.5 |
| WuXi AppTec Co., Ltd. | 0.5 |

| | |
|--|----------------------|
| Top Holdings as a Percentage of Total Net Asset Value | 84.4 |
| Total Net Asset Value | \$111,444,690 |

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

Caution regarding forward-looking statements

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.

The ETF referred to herein is not sponsored, endorsed, or promoted by MSCI and MSCI bears no liability with respect to the ETF or any index on which such ETF is based. The ETF's prospectus contains a more detailed description of the limited relationship MSCI has with the Manager and any related ETF.

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