

## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

# BMO International Dividend ETF (ZDI) (the “ETF”)

For the 12-month period ended December 31, 2021 (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 provide exposure to the performance of a yield weighted portfolio of high dividend paying equities of international companies. The selected companies will have the potential for long-term capital appreciation. The ETF will primarily invest in and hold dividend paying equity securities of international companies. Securities will be selected using a rules based methodology that considers dividend growth, yield and payout ratio. Securities will also be subject to a screening process to ensure sufficient liquidity.

### 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 ETF that materially affected the overall risk level associated with an investment in the ETF. The Manager reviewed the ETF using the standardized investment risk classification methodology prescribed by National Instrument 81-102 *Investment Funds* and determined on January 14, 2021 that the risk rating of the ETF had not changed. The Manager reviews the ETF’s investment risk level and reference index, if any, at least annually.

### Results of Operations

The ETF returned 12.16% versus the MSCI EAFE Index (the “Index”) return of 10.32%. The change in total net asset value during the Period from approximately \$365 million

to approximately \$451 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 (1.84%) resulted from the management expense ratio (-0.44%), and the impact of certain other factors (2.28%), which may have included timing and holding differences with the concentration of portfolio holdings in dividend stocks versus the Index, and market volatility.

### Market Conditions

In Europe, the spread of the coronavirus variants depressed government bond yields. During the Period, the European Central Bank set its inflation target to 2% in the medium term. The Bank of Japan left its key short-term interest rate unchanged at -0.1% and maintained the target for the 10-year Japanese government bond yield around 0% during the Period. The Bank of Japan committed to purchasing unlimited amounts of government bonds and buying more corporate debt, but in December 2021, the Bank of Japan decided to taper its corporate debt purchases to pre-pandemic levels and scale back some of its emergency funding. The lifting of some pandemic-related restrictions, as well as the monetary and fiscal support measures helped international stocks to recover during the Period. The MSCI EAFE Index, which represents the performance of equities in developed economies outside of North America, returned 10.3% in Canadian dollars over the Period.

The ETF’s exposure to the Industrials and Financials sectors contributed the most to performance, while its exposure to the Utilities and Real Estate sectors detracted the most from performance. Among the individual securities, Novo Nordisk A/S, Class B and TotalEnergies SE added

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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](http://www.bmo.com/etflegal) or SEDAR at [www.sedar.com](http://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 International Dividend ETF

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to the most to performance, while Enel S.p.A. and Takeda Pharmaceutical Co. Ltd. detracted the most to performance. From a regional perspective, the ETF's exposure to France and Japan contributed the most to performance, while its exposure to Italy and Spain were among the major detractors from performance.

## Recent Developments

The global economy is transitioning from an accelerated growth phase (supported by a worldwide low rates environment) to a deceleration phase whereby the economy is still expanding, albeit at a slower growth rate. Some factors that have slowed the rate of expansion include continued global supply chain issues, further COVID-19 related disruptions, and the expectation of higher global rates. Markets are expected to continue performing and generating positive returns, but the expectation is that those returns will be moderate. Given this economic background, volatility is expected to be elevated through the first half of 2022. As such, the portfolio manager believes that strategies that provide exposure to more defensive sectors, quality names and dividend growth companies could fare well in this environment.

The portfolio manager continues to have a positive outlook on equities for 2022 despite there being a few headwinds due to geo-political tension (i.e., Russia-U.S.), rising interest rates and inflation. Blue-chip companies with consistent and growing dividends may be able to navigate volatile market periods better than the broad market.

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.

## 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 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., an affiliate of the Manager, that is trading with the ETF as principal; and
- (d) trades of a security from or to, another investment fund 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

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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.

## 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<sup>(1)</sup>

Listed CAD Units	Financial years ended Dec. 31				
	2021	2020	2019	2018	2017
Net assets, beginning of period	\$ 19.19	21.45	19.99	22.40	20.33
<b>Increase (decrease) from operations</b>					
Total revenue	\$ 0.90	0.76	1.19	1.16	1.10
Total expenses <sup>(2)</sup>	\$ (0.19)	(0.18)	(0.21)	(0.25)	(0.25)
Realized gains (losses) for the period	\$ 0.57	(2.52)	0.13	(0.35)	1.11
Unrealized gains (losses) for the period	\$ 0.96	0.21	1.40	(1.98)	0.71
<b>Total increase (decrease) from operations<sup>(3)</sup></b>	\$ 2.24	(1.73)	2.51	(1.42)	2.67
<b>Distributions</b>					
From net investment income (excluding dividends)	\$ —	—	—	—	—
From dividends	\$ 0.69	0.65	0.96	0.93	0.83
From capital gains	\$ —	—	—	—	0.39
Return of capital	\$ 0.10	0.32	0.12	0.14	0.14
<b>Total Annual Distributions<sup>(4)</sup></b>	\$ 0.79	0.97	1.08	1.07	1.36
<b>Net assets, end of period</b>	\$ 20.69	19.19	21.45	19.99	22.40

<sup>(1)</sup> This information is derived from the ETF's audited annual financial statements.

<sup>(2)</sup> Includes commissions and other portfolio transaction costs and withholding taxes.

<sup>(3)</sup> 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.

<sup>(4)</sup> Distributions were either paid in cash or reinvested in additional units of the ETF, or both.

## Ratios and Supplemental Data

Listed CAD Units	Financial years ended Dec. 31				
	2021	2020	2019	2018	2017
Total net asset value (000's) <sup>(1)</sup>	\$ 451,405	364,803	457,224	372,118	342,907
Number of units outstanding (000's) <sup>(1)</sup>	21,814	19,014	21,314	18,614	15,306
Management expense ratio <sup>(2)</sup>	% 0.44	0.44	0.44	0.43	0.44
Management expense ratio before waivers or absorptions <sup>(2)</sup>	% 0.44	0.44	0.44	0.43	0.44
Trading expense ratio <sup>(3)</sup>	% 0.06	0.19	0.09	0.14	0.19
Portfolio turnover rate <sup>(4)</sup>	% 28.47	94.50	41.15	52.60	67.54
Net asset value per unit	\$ 20.69	19.19	21.45	19.99	22.40
Closing market price	\$ 20.70	19.05	21.41	19.93	22.45

<sup>(1)</sup> This information is provided as at December 31 of the period shown.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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 %
ZDI	0.40

## Past Performance

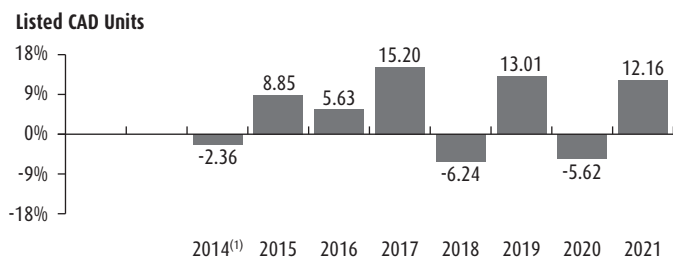
The ETF's performance information assumes that all distributions made by the ETF in the periods shown were used to purchase additional units of the ETF and is based on the net asset value of the ETF.

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.

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## 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.



<sup>(1)</sup> For the period beginning with the performance launch date of November 5, 2014 to December 31, 2014.

## Annual Compound Returns

This table compares the historical annual compound returns of the ETF with its benchmark index, the MSCI EAFE Index.

The MSCI EAFE Index is an equity index that captures large and mid capitalization representation across developed market countries around the world, excluding the U.S. and Canada. The MSCI EAFE Index covers approximately 85% of the free float-adjusted market capitalization in each country.

As at December 31, 2021

Listed CAD Units		Listed CAD Units				Since
		1Yr	3Yr	5Yr	10Yr	Inception <sup>(1)</sup>
BMO International Dividend ETF	%	12.16	6.16	5.26		5.33
MSCI EAFE Index	%	10.32	10.62	8.25		7.96

<sup>(1)</sup> Return from the performance launch date of November 5, 2014 to December 31, 2021.

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.

## Summary of Investment Portfolio

As at December 31, 2021

Portfolio Allocation	% of Net Asset Value
Japan	17.8
United Kingdom	16.3
France	14.9
Germany	14.4
Switzerland	13.3
Hong Kong	3.8
Australia	3.4
Italy	2.7
Sweden	2.2
Denmark	2.1
Finland	2.0
Spain	2.0
Netherlands	1.8
Norway	1.5
Cash/Receivables/Payables	0.2
Other	1.6
<b>Total Portfolio Allocation</b>	<b>100.0</b>

Sector Allocation	% of Net Asset Value
Financials	17.3
Health Care	16.0
Consumer Staples	12.1
Industrials	11.3
Materials	11.0
Consumer Discretionary	8.9
Communication Services	8.0
Utilities	7.4
Information Technology	3.0
Energy	2.8
Real Estate	2.0
Cash/Receivables/Payables	0.2
<b>Total Sector Allocation</b>	<b>100.0</b>

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<b>Top 25 Holdings</b>	<b>% of Net Asset Value</b>
Novartis AG .....	2.5
BHP Group Limited .....	2.5
Nestle S.A. ....	2.5
Rio Tinto plc. ....	2.5
Roche Holding AG .....	2.5
GlaxoSmithKline plc .....	2.5
TotalEnergies SE .....	2.5
Unilever PLC .....	2.5
Toyota Motor Corporation .....	2.5
Sanofi. ....	2.3
Allianz SE. ....	2.3
Enel S.p.A. ....	2.2
AstraZeneca PLC .....	2.1
LVMH Moet Hennessy-Louis Vuitton SE .....	2.1
AXA SA. ....	2.0
Nippon Telegraph and Telephone Corporation. ....	1.8
Volkswagen AG, Preference .....	1.8
BASF SE .....	1.7
Siemens AG .....	1.7
Deutsche Telekom AG. ....	1.7
Zurich Insurance Group AG .....	1.7
Novo Nordisk A/S, Class B .....	1.6
Mitsubishi UFJ Financial Group, Inc. ....	1.5
Anglo American plc. ....	1.4
SAP SE .....	1.3
<b>Top Holdings as a Percentage of Total Net Asset Value</b>	<b>51.7</b>
<b>Total Net Asset Value</b>	<b>\$451,404,916</b>

*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.

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.

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