

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

BMO US Dividend ETF (ZDY/ZDY.U) (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 seeks to provide exposure to a yield weighted portfolio of U.S. dividend paying stocks that have the potential for long-term capital appreciation. The ETF will primarily invest in and hold dividend paying equity securities of U.S. companies. Eligible 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 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 Canadian dollar units of the ETF had changed from “low to medium” to “medium”. The risk rating of the U.S. dollar units 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 Canadian dollar (“CAD”) units of the ETF returned 2.27% versus the S&P 500 Index (CAD) (the “Index (CAD)”) return of -12.16%. The difference in the performance of the CAD units of the ETF relative to the Index (CAD) during the Period (14.43%) resulted from the management expense ratio (-0.33%), and the impact of certain other factors (14.76%), which may have included timing and holding differences from the concentration of portfolio holdings in dividend stocks versus the Index (CAD), and market volatility.

The U.S. dollar (“USD”) units of the ETF returned -4.45% versus the S&P 500 Index (USD) (the “Index (USD)”) return of -18.11%. The difference in the performance of the USD units of the ETF relative to the Index (USD) during the Period (13.66%) resulted from the management expense ratio (-0.33%), and the impact of certain other factors (13.99%), which may have included timing and holding differences from the concentration of portfolio holdings in dividend stocks versus the Index (USD), and market volatility.

The change in total net asset value during the Period from approximately \$529 million to approximately \$647 million had no impact on the performance of the ETF.

Market Conditions

U.S. equities declined during 2022 as the Russia-Ukraine conflict and rise of inflation led to increased market uncertainty and weighed on equity evaluations. The U.S. Consumer Price Index (CPI) rose 7.1% year-over-year as of the last published rate for the Period. The U.S. equity

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

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market, as measured by the S&P 500 Index, returned -12.2% (in Canadian dollars) over the Period. The U.S. Federal Reserve Board (“Fed”) moved aggressively on the overnight lending rate to try to curb inflation, moving the target rate to 4.5% from 0.25% at the beginning of the Period. The significant positive contributors to performance from a sector perspective were Energy and Health Care, while the significant negative contributors were Information Technology, Consumer Discretionary, and Communications Services.

The ETF’s exposure to the Health Care and Energy sectors contributed the most to performance, while the Information Technology and Financials detracted the most from performance. Significant individual contributors to performance were Exxon Mobil Corporation and Merck & Co., Inc., while Intel Corp. and Apple Inc. were among the largest detractors from performance.

Recent Developments

The next year in the U.S. economy will be defined by whether the actions of the Fed over the past year have been effective in taming inflation. If inflation begins to show signs of slowing, there is potential that the Fed will pause their historic rate hike cycle. However, even hints at rate cuts could risk prolonging the issue amidst a robust labour market. In turn, the Fed is facing a trade-off between managing inflationary pressures at the cost of inducing a recession. Whether the economy enters a recession, and its severity, will significantly impact valuations and earnings across the board. In turn, growth in the U.S. stock market may largely depend on the Fed’s ability to manage the aforementioned trade off.

Given their defensive nature, dividend paying companies are typically well suited to provide stability in recessionary environments. Additionally, the income paid provides a potential cushion against the inflation that markets are currently facing. As such, dividend paying stocks stand to benefit from the coming environment of uncertainty and heightened volatility.

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 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

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(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 was as follows:

	2022	2021
Total brokerage commissions	\$ 25,476	19,518
Brokerage Commissions paid to BMO Nesbitt Burns Inc.	\$ —	16,779

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	\$ 37.04	30.93	33.96	30.01	29.71
Increase (decrease) from operations					
Total revenue	\$ 1.01	0.94	1.24	1.27	1.16
Total expenses ⁽²⁾	\$ (0.26)	(0.25)	(0.27)	(0.27)	(0.26)
Realized gains (losses) for the period	\$ 1.87	1.96	(2.83)	2.27	1.41
Unrealized gains (losses) for the period	\$ (1.80)	4.34	(5.16)	1.91	(1.10)
Total increase (decrease) from operations⁽³⁾	\$ 0.82	6.99	(7.02)	5.18	1.21
Distributions					
From net investment income (excluding dividends)	\$ —	—	—	—	—
From dividends	\$ 0.74	0.69	1.08	1.09	0.88
From capital gains	\$ —	—	—	0.95	1.60
Return of capital	\$ 0.22	0.22	0.11	0.06	0.01
Total Annual Distributions⁽⁴⁾	\$ 0.96	0.91	1.19	2.10	2.49
Net assets, end of period	\$ 36.87	37.04	30.93	33.96	30.01

Listed USD Units [†]	Financial years ended Dec. 31				
	2022	2021	2020	2019	2018
Net assets, beginning of period	\$ 30.06	24.97	26.84	22.52	24.22
Increase (decrease) from operations					
Total revenue	\$ 0.80	0.77	0.93	0.97	0.91
Total expenses ⁽²⁾	\$ (0.21)	(0.20)	(0.20)	(0.21)	(0.21)
Realized gains (losses) for the period	\$ 1.51	1.60	(2.48)	1.95	1.10
Unrealized gains (losses) for the period	\$ (1.44)	3.58	(0.20)	1.04	(0.91)
Total increase (decrease) from operations⁽³⁾	\$ 0.66	5.75	(1.95)	3.75	0.89
Distributions					
From net investment income (excluding dividends)	\$ —	—	—	—	—
From dividends	\$ 0.59	0.56	0.80	0.76	0.68
From capital gains	\$ —	—	—	—	1.31
Return of capital	\$ 0.19	0.22	0.07	0.03	0.14
Total Annual Distributions⁽⁴⁾	\$ 0.78	0.78	0.87	0.79	2.13
Net assets, end of period	\$ 27.93	30.06	24.97	26.84	22.52

[†] Amounts stated in U.S. dollars.

⁽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.

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Ratios and Supplemental Data

Listed CAD Units	Financial years ended Dec. 31				
	2022	2021	2020	2019	2018
Total net asset value (000's) ⁽¹⁾	\$ 596,739	480,085	416,334	976,848	1,406,549
Number of units outstanding (000's) ⁽¹⁾	16,187	12,962	13,462	28,762	46,862
Management expense ratio ⁽²⁾	% 0.33	0.33	0.33	0.33	0.32
Management expense ratio before waivers or absorptions ⁽²⁾	% 0.33	0.33	0.33	0.33	0.32
Trading expense ratio ⁽³⁾	% 0.01	0.00	0.02	0.01	0.01
Portfolio turnover rate ⁽⁴⁾	% 40.73	29.50	65.46	22.81	37.42
Net asset value per unit	\$ 36.87	37.04	30.93	33.96	30.01
Closing market price	\$ 36.83	37.05	30.93	33.89	29.90

Listed USD Units	Financial years ended Dec. 31				
	2022	2021	2020	2019	2018
Total net asset value (000's) ⁽¹⁾	\$ 50,101	48,478	42,117	53,146	49,965
Number of units outstanding (000's) ⁽¹⁾	1,325	1,275	1,325	1,525	1,625
Management expense ratio ⁽²⁾	% 0.33	0.33	0.33	0.33	0.33
Management expense ratio before waivers or absorptions ⁽²⁾	% 0.33	0.33	0.33	0.33	0.33
Trading expense ratio ⁽³⁾	% 0.01	0.00	0.02	0.01	0.01
Portfolio turnover rate ⁽⁴⁾	% 40.73	29.50	65.46	22.81	37.42
Net asset value per unit†	\$ 27.93	30.06	24.97	26.84	22.52
Closing market price†	\$ 27.91	30.08	24.72	26.76	22.39

† Amounts stated in U.S. dollars.

⁽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 %
ZDY	0.30
ZDY.U	0.30

Past Performance

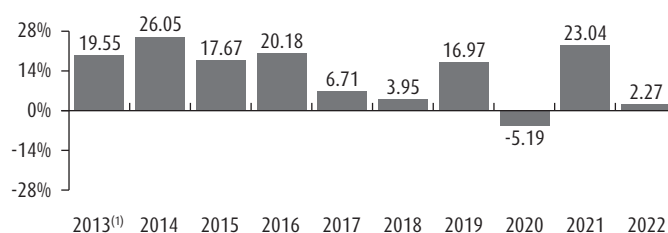
The ETF's performance information assumes that all distributions made by the ETF in the periods shown were used to purchase additional units of the ETF and is based on the net asset value of the ETF.

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.

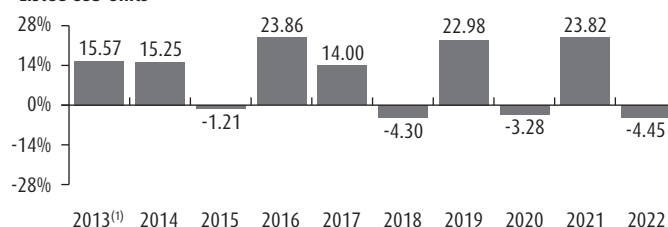
Year-by-Year Returns

The following bar charts show the performance of the ETF for each of the financial years shown, and illustrate how the ETF's performance has changed year to year. The charts show, 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



Listed USD Units



⁽¹⁾ For the period beginning with the performance launch date of March 19, 2013 to December 31, 2013.

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Annual Compound Returns

This table compares the historical annual compound returns of the ETF with its benchmark index, the S&P 500 Index.

The S&P 500 Index is a market capitalization-weighted index of securities of 500 of the largest U.S. listed issuers provided by S&P. The S&P 500 Index is commonly used as a measure of broad U.S. stock market performance. The S&P 500 Index is reported in both Canadian and U.S. dollars.

As at December 31, 2022

Listed CAD Units					Since Inception ⁽¹⁾
		1Yr	3Yr	5Yr	10Yr
BMO US Dividend ETF	%	2.27	6.06	7.72	12.96
S&P 500 Index (CAD)	%	(12.16)	9.25	11.15	15.06
Listed USD Units					Since Inception ⁽¹⁾
		1Yr	3Yr	5Yr	10Yr
BMO US Dividend ETF	%	(4.45)	4.60	6.14	9.82
S&P 500 Index (USD)	%	(18.11)	7.66	9.42	11.85

⁽¹⁾ Return from the performance launch date of March 19, 2013 to December 31, 2022.

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, 2022

Portfolio Allocation	% of Net Asset Value
Health Care	20.5
Information Technology	17.3
Financials	14.7
Consumer Staples	12.2
Industrials	8.2
Utilities	7.4
Consumer Discretionary	6.8
Energy	6.0
Communication Services	4.3
Materials	1.5
Real Estate	0.9
Cash/Receivables/Payables	0.2
Total Portfolio Allocation	100.0

Top 25 Holdings	% of Net Asset Value
Procter & Gamble Company, The	2.7
Pfizer Inc.	2.7
AbbVie Inc.	2.6
Verizon Communications Inc.	2.6
Johnson & Johnson	2.6
JPMorgan Chase & Co.	2.5
Coca-Cola Company, The	2.5
Home Depot, Inc., The	2.5
Microsoft Corporation	2.5
Merck & Co., Inc.	2.5
Exxon Mobil Corporation	2.4
Chevron Corporation	2.4
Apple Inc.	2.2
Cisco Systems, Inc.	2.1
UnitedHealth Group Incorporated	2.1
PepsiCo, Inc.	2.1
Bank of America Corporation	2.0
Walmart Inc.	1.9
International Business Machines Corporation	1.8
Intel Corporation	1.6
United Parcel Service, Inc., Class B	1.6
Morgan Stanley	1.6
Comcast Corporation, Class A	1.5
McDonald's Corporation	1.4
Bristol-Myers Squibb Company	1.4
Top Holdings as a Percentage of Total Net Asset Value	53.8
Total Net Asset Value	\$646,839,514

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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