

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

BMO Covered Call Dow Jones Industrial Average Hedged to CAD ETF (ZWA) (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 provide exposure to the performance of a portfolio of U.S. stocks to generate income and to provide long-term capital appreciation while mitigating downside risk through the use of covered call options. The ETF will invest in or use derivative instruments to seek to hedge U.S. currency exposure. The ETF will primarily invest in and hold securities of the issuers included in the Dow Jones Industrial Average in the proportions in which they are reflected in the Dow Jones Industrial Average. Depending on market volatility and other factors, the ETF will write covered call options on these securities. Under such call options, the ETF will sell to the buyer of the option, for a premium, either a right to buy the security from the ETF at an exercise price or, if the option is cash settled, the right to a payment from the ETF equal to the difference between the value of the security and the exercise price. Covered call options partially hedge against a decline in the price of the securities on which they are written to the extent of the premiums received by the ETF at the time the options are written by the ETF. The call options written by the ETF may be either exchange traded options or over-the-counter options.

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 investment risk classification methodology and determined that the risk rating of the ETF had not changed. The Manager reviews the ETF’s investment risk level and reference index(es), if any, at least annually.

Result of Operations

The ETF returned -6.09% versus the Dow Jones Industrial Average Index (CAD hedged) (the “Index”) return of -4.82%. The change in total net asset value during the Period from approximately \$298 million to approximately \$264 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 (-1.27%) resulted from the management expense ratio (-0.72%) and other factors such as differences in holdings versus the Index, and market volatility (-0.55%). Additionally, due to the call writing strategy, the ETF will tend to outperform in flat or down

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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markets, and underperform in sharp market advances. This performance difference occurs over the period that the calls are written, typically with one to two months to expiry, and then resets with new option positions.

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.

The ETF's exposure to the Health Care sector contributed the most to performance, while the Financials and Industrials sectors contributed the least to performance. Significant individual contributors to performance were United Health Group Inc., Merck & Co. Inc. and Visa Inc. Individual detractors to performance included Goldman Sachs Group Inc., 3M Co. and Caterpillar Inc. The ETF's currency hedge also detracted from performance, as the Canadian dollar depreciated relative to the U.S. dollar during the Period. The ETF's covered call option overlay detracted from performance, as volatile markets caused more losses than gains from the program. A covered call overlay reduces portfolio volatility and could either outperform or underperform a plain vanilla strategy in periods of choppy markets.

The ETF aims to maintain a distribution based on the earnings of the underlying portfolio, net of fees. This benefits existing unitholders by reducing uncertainty regarding expected distribution rates resulting from fund growth. A significant portion of the distributions consist of return of capital, due to certain factors which may include capital losses on hedging contracts reducing underlying portfolio earnings. The distributions made do not impact the ETF's ability to fulfill its investment objectives.

Recent Developments

The economic backdrop would seem to favour continued growth, although potentially at a slower pace due to historically low unemployment rates and volatile earnings. Inflation is still relatively contained and U.S. equities have had a strong start to 2019, bouncing back after a sell off towards the end of 2018. 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. The pace of interest rate increases from the U.S. Federal Reserve Board will also impact the market outlook. Volatility returned to the market in the second half of the year; reasonable volatility has the potential to add value through higher call option premiums while extreme swings in volatility would potentially negatively impact performance.

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.

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

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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 %
ZWA	0.65

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	\$ 102,272	147,101
Brokerage commissions paid to BMO Nesbitt Burns Inc.	\$ 4,683	825

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	2016	2015	2014
Net assets, beginning of period	\$ 23.33	20.01	18.81	19.85	19.28
Increase (decrease) from operations					
Total revenue	\$ 0.52	0.50	0.50	0.48	0.44
Total expenses ⁽²⁾	\$ (0.26)	(0.24)	(0.23)	(0.23)	(0.22)
Realized gains (losses) for the period	\$ 1.18	1.50	(0.08)	0.68	(0.65)
Unrealized gains (losses) for the period	\$ (2.85)	2.56	2.04	(0.95)	1.97
Total increase (decrease) from operations⁽³⁾	\$ (1.41)	4.32	2.23	(0.02)	1.54
Distributions					
From income (excluding dividends)	\$ —	—	—	—	—
From dividends	\$ 0.28	0.28	0.29	0.28	0.24
From capital gains	\$ —	1.17	—	—	—
Return of capital	\$ 0.71	0.04	0.68	0.63	0.63
Total Annual Distributions⁽⁴⁾	\$ 0.99	1.49	0.97	0.91	0.87
Net assets, end of period	\$ 20.99	23.33	20.01	18.81	19.85

⁽¹⁾ This 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.

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Ratios and Supplemental Data

Listed CAD Units	Financial years ended Dec. 31				
	2018	2017	2016	2015	2014
Total net asset value (000's) ⁽¹⁾	\$ 263,622	297,764	223,368	188,787	207,119
Number of units outstanding (000's) ⁽¹⁾	12,561	12,761	11,161	10,036	10,436
Management expense ratio ⁽²⁾	% 0.72	0.71	0.72	0.72	0.73
Management expense ratio before waivers or absorptions ⁽²⁾	% 0.72	0.71	0.72	0.72	0.73
Trading expense ratio ⁽³⁾	% 0.07	0.08	0.08	0.08	0.10
Portfolio turnover rate ⁽⁴⁾	% 33.76	30.30	27.29	68.11	32.12
Net asset value per unit	\$ 20.99	23.33	20.01	18.81	19.85
Closing market price	\$ 20.84	23.38	20.02	18.82	19.98

⁽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.

Past Performance

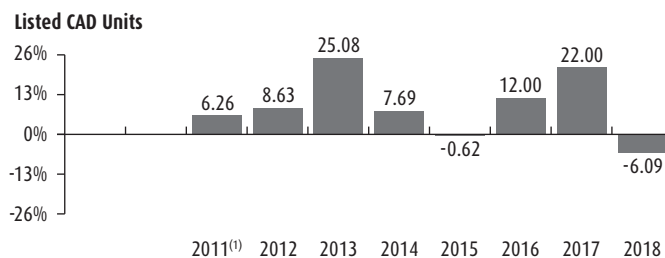
The ETF's performance information assumes that all distributions made by the ETF in the periods shown were used to purchase additional units of the ETF and is based on the net asset value of the ETF.

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 December 31, 2012, the Manager announced that the ETF intended to rely on exemptive relief granted and that the ETF would no longer be limited to the 10% concentration restriction in subsection 2.1(1) of NI 81-102. This change could have affected the performance of the ETF, had it 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. 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.



⁽¹⁾ For the period beginning with the performance launch date of October 20, 2011 to December 31, 2011.

Annual Compound Returns

This table compares the historical annual compound returns of the ETF with its benchmark index, the Dow Jones Industrial Average Index (CAD hedged), a broad-based index.

The Dow Jones Industrial Average Index (CAD hedged) is a price-weighted index that consists of 30 stocks that are all leaders in their respective industries. The U.S. dollar currency exposure is hedged back to the Canadian dollar.

As of December 31, 2018

Listed CAD Units	1Yr	3Yr	5Yr	10Yr	Since Inception ⁽¹⁾
BMO Covered Call Dow Jones Industrial Average Hedged to CAD ETF	% (6.09)	8.67	6.55		9.97
Dow Jones Industrial Average Index (CAD hedged)	% (4.82)	11.98	9.14		12.77

⁽¹⁾ Return from the performance launch date of October 20, 2011 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.

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Summary of Investment Portfolio

As at December 31, 2018

Portfolio Allocation	% of Net Asset Value
Industrials	21.61
Information Technology	17.23
Health Care	14.42
Financials	13.89
Consumer Discretionary	12.26
Consumer Staples	8.71
Energy	5.12
Communication Services	4.8
Materials	1.55
Cash/Receivables/Payables	0.49
Call Options	(0.08)
Total Portfolio Allocation	100.00

Top 25 Holdings

Long Positions

Long Positions	% of Net Asset Value
Boeing Company, The	9.33
UnitedHealth Group Incorporated	7.21
3M Company	5.51
McDonald's Corporation	5.14
Home Depot, Inc., The	4.97
Goldman Sachs Group, Inc., The	4.83
Apple Inc.	4.57
Visa Inc., Class A	3.82
Johnson & Johnson	3.74
Caterpillar Inc.	3.68
Travelers Companies, Inc., The	3.47
International Business Machines Corporation	3.29
Walt Disney Company, The	3.17
Chevron Corporation	3.15
United Technologies Corporation	3.08
Microsoft Corporation	2.94
JPMorgan Chase & Co.	2.83
American Express Company	2.76
Wal-Mart Stores, Inc.	2.70
Procter & Gamble Company, The	2.66
Merck & Co., Inc.	2.21
NIKE, Inc., Class B	2.15
Walgreens Boots Alliance, Inc.	1.98
Exxon Mobil Corporation	1.97
Verizon Communications Inc.	1.63

Long Positions as a Percentage of Total Net Asset Value 92.79

Top 25 Holdings

% of Net Asset Value

Short Positions

UnitedHealth Group, Inc., Call Option, Jan 11, 2019, \$262.50	(0.02)
Home Depot, Inc., Call Option, Jan 11, 2019, \$180.00	(0.01)
Boeing Co., Call Option, January 18, 2019, \$360.00	(0.01)
Merck & Co., Inc., Call Option, January 11, 2019, \$79.00	(0.01)
Caterpillar, Inc., Call Option, January 11, 2019, \$140.00	(0.0)
Walmart, Inc., Call Option, January 18, 2019, \$100.00	(0.0)
3M Co., Call Option, January 11, 2019, \$205.00	(0.0)
Pfizer, Inc., Call Option, January 11, 2019, \$45.50	(0.0)
NIKE, Inc., Call Option, January 18, 2019, \$82.50	(0.0)
Travelers Companies, Inc., Call Option, January 18, 2019, \$135.00	(0.0)
Walt Disney Co., Call Option, January 18, 2019, \$120.00	(0.0)
Chevron Corporation, Call Option, January 11, 2019, \$125.00	(0.0)
Procter & Gamble Company, The, Call Option, January 11, 2019, \$101.00	(0.0)
American Express Company, Call Option, January 18, 2019, \$105.00	(0.0)
DowDuPont, Inc., Call Option, January 18, 2019, \$60.00	(0.0)
Goldman Sachs Group, Inc. Call Option, January 18, 2019, \$200.00	(0.0)
McDonald's Corporation, Call Option, January 18, 2019, \$195.00	(0.0)
Verizon Communications, Inc., Call Option, January 18, 2019, \$60.00	(0.0)
Intel Corporation, Call Option, January 18, 2019, \$52.50	(0.0)
Visa, Inc., Call Option, January 18, 2019, \$150.00	(0.0)
Coca-Cola Company, Call Option, January 25, 2019, \$52.00	(0.0)
Apple, Inc., Call Option, January 11, 2019, \$185.00	(0.0)
Cisco Systems, Inc., Call Option, January 11, 2019, \$49.50	(0.0)
Exxon Mobil Corporation, Call Option, January 11, 2019, \$82.00	(0.0)
Johnson & Johnson, Call Option, January 11, 2019, \$152.50	(0.0)

Short Positions as a Percentage of Total Net Asset Value (0.08)

Top Holdings as a Percentage of Total Net Asset Value 92.74

Total Net Asset Value \$263,621,569

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.

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