BMO U.S. Dollar Balanced Fund (the "Fund")

For the period ended September 30, 2013 • Manager: BMO Investments Inc. (the "Manager")

Portfolio manager: BMO Asset Management Inc., Toronto, Ontario (the "portfolio manager")

Sub-advisors: BMO Asset Management Corp., Chicago, Illinois & Taplin, Canida & Habacht, LLC, Miami, Florida

2013 Annual Management Report of Fund Performance

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Fund. If the annual financial statements of the Fund 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 1-800-665-7700, by writing to us at BMO Investments Inc., First Canadian Place, 100 King Street West, 43rd Floor, Toronto, Ontario, M5X 1A1 or by visiting our website at **www.bmo.com/mutualfunds** or SEDAR at **www.sedar.com**. You may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record and/or quarterly portfolio disclosure. **All figures in U.S. currency.**

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund's objective is to provide long term capital growth and current income. It invests primarily in a combination of fixed income and equity securities of U.S. companies. The Fund's asset mix may be changed over time to reflect the portfolio manager's outlook for each asset class.

Risk

No changes affecting the overall level of risk associated with investing in the Fund were made during the period. The risks of this Fund remain as discussed in the Fund's most recent simplified prospectus or its amendments.

Results of Operations

Over the period from August 12, 2013 to September 30, 2013 (the "period"), Series A units of the Fund returned -0.34%. Please see *Past Performance* for information on the performance returns of the Fund's other series.

During the period, the actions of the U.S. Federal Reserve Board (the "Fed") have been one of the central themes in fixed income markets. Following the Chairman's comments in May, and those of several of the Federal Open Market Committee members, the consensus amongst economists, strategists and investors was that the U.S. central bank would likely decide to remove a modest amount of stimulus at its September meeting. In response, U.S. treasury yields moved higher, as markets appeared to "price-in" such action, while spread (i.e., difference in yields) product widened as investors reduced exposure to higher duration (i.e., the average time it takes for an investor to receive the face value and cumulative coupon payments of a bond investment measured in years) assets. However, the Fed surprised most investors on September 18th by stating its intention to continue purchasing US$85 billion of U.S. Treasuries and Mortgage-Backed Securities monthly.

Despite the decision not to taper (i.e., monetary stimulus reduction) at this time, economic data continued to move towards the Fed's previously communicated targets. Noteworthy, the U.S. unemployment rate declined to 7.3%, very close to the "about 7%" the Fed indicated as a critical level at which markets might anticipate the tapering of purchases. When considering both the market's misinterpretation along with an element of potential miscommunication over recent months, a critical factor for both the markets and the U.S. economy going forward, will be how the central bank manages and transitions policy.

During the period the U.S. equity market posted impressive gains. The combination of a gradual improvement in the economy along with continued monetary support from the Fed in the form of quantitative easing (i.e., monetary policy used by central banks to increase money supply) buoyed the market to all-time highs in September. However, following the Fed's unexpected decision to hold off on tapering, the market pulled back off historical highs.

The top contributing equity sectors within the S&P 500 Total Return Index were Consumer Discretionary, Materials, and Industrials. The largest detractors to performance were Telecommunication Services, Consumer Staples, and Financials. Given the backdrop of improving economic growth, the general theme was leadership by pro-cyclical

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sectors and lagging by defensive, higher-dividend paying sectors. The Fund had positive sector allocation and negative stock selection. The Fund's underweight in Consumer Staples and Telecommunication Services sectors proved beneficial to performance while its overweight in Financials was the biggest negative contributor at the sector level.

Stock selection within the Financials and Industrials sectors added value, with positions in Franklin Resources Inc. and Southwest Airlines Co. contributing strongly to performance. Stock selection within the Consumer Discretionary and Information Technology sectors detracted value, with overweight positions in Abercrombie & Fitch Co. and Symantec Corporation contributing to underperformance.

During the period, the Fund benefited from its initial overweight to treasury securities, and subsequent rotation into credit in early September, as credit securities were viewed to be attractive ahead of the Fed's September 18 statement. These sector decisions were partially offset by an underweight to intermediate securities, the best performing part of the curve, as well as mortgage-backed securities, the strongest performing sector as a result of attractive supply and demand dynamics and the Fed's decision to continue with its existing purchase program. Within Credit, an overweight to Financials and select exposure to high quality emerging market Corporates enhanced returns. In addition, the purchase of Verizon Communications Inc., which issued US$49 billion in new debt across the curve at attractive levels, added to returns as it compressed significantly in the secondary market.

For information on the Fund's performance and composition, please refer to the Past Performance section and Summary of Investment Portfolio section of this report.

Recent Developments

On the fiscal front, the fourth quarter of 2013 has begun with a partial shutdown of the U.S. government. At the center of the debate is an attempt by House Republicans to delay the opening of health care insurance exchanges. According to Standard and Poor's, the shutdown may result in a reduction of U.S. gross domestic product by 0.3% for each week it persists. While a partisan standoff over the budget to keep the U.S. government running is already cause for concern, the portfolio manager's greater worry is that such brinkmanship will further complicate the debate surrounding the U.S.'s borrowing limit, which the government expects it will exceed on October 17th. To date, fixed income markets have had a muted reaction to the news as this is the third time budget negotiations have gone to the wire under the Obama administration. However, one factor that will likely complicate this go-round is a statement released by the commissioner of the Bureau of Labour Statistics stating, "All survey and other program operations will cease, and the public website will not be updated." This would include the release of the non-farm payroll data, an ever more critical data point for investors trying to forecast when, or if, the Fed will begin tapering its purchases of U.S. Treasuries and Agency Mortgage-Backed securities.

Future Accounting Standards

Canadian investment entities will be required to prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, for fiscal years beginning on or after January 1, 2014. As a result, the Fund will report its financial results for the interim period ending March 31, 2015, prepared on an IFRS basis. It will also provide comparative data on an IFRS basis, including an opening balance sheet as at October 1, 2013 (transition date). A summary of the significant standards impacting the Fund under IFRS are outlined below.

The differences between the Fund's accounting policies under Canadian generally accepted accounting principles (GAAP) and IFRS requirements will result in measurement and recognition differences on transition to IFRS. The net impact of these differences will be recorded in the increase/decrease in net assets attributable to redeemable unitholders.

The framework for fair valuation is set out under IFRS 13 Fair Value Measurement, which includes the requirements for the measurement and disclosure of fair value. If an asset or liability measured at fair value has a bid price and an ask price, the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. The standard allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical means for fair value measurements within a bid-ask spread. Thus this standard will impact the net assets per unit for financial statement reporting purposes compared to current standards, and may also result in the elimination of the differences between the net asset per unit and net asset value per unit ("NAVPU") at the financial statement reporting date. While IFRS does not require interest income to be disclosed for debt instruments measured at fair value through profit or loss, when interest income is disclosed, IFRS requires that the effective interest rate method of calculating accrued interest be used rather than the straight-line amortization method. The Manager is assessing the impact of this change to the Fund's financial statements. The Manager has not identified any changes that will impact NAVPU as a result of the transition to IFRS.

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Where the Fund holds controlling interest in an investment, it is the Manager's expectation that the Fund will qualify as an investment entity in accordance with IFRS 10 Consolidated Financial Statements. As such, the Fund will not be required to consolidate its investments, but rather to hold the investments at fair value through profit or loss regardless of whether those investments are controlled. If the Fund fair values the investments it controls, it may be required to make additional financial statement disclosures on its controlled investments in accordance with IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12"). IFRS 12 also requires additional disclosures if the Fund is determined to qualify as an investment entity without having all of the typical characteristics of an investment entity.

The criteria contained within IAS 32 Financial Instruments: Presentation ("IAS 32") will result in the classification of the unitholders' equity as a liability within the Fund's Statement of Net Assets, unless all conditions required for equity classification are met. The Manager is currently assessing the Fund's unitholder structure to determine classification under IAS 32.

Under IFRS, cash flows statement is one of the primary financial statements required to be presented. The Fund will therefore be presenting cash flows statement in its set of financial statements in accordance with the presentation requirements in IAS 7 Statement of Cash Flows.

RELATED PARTY TRANSACTIONS

BMO Investments Inc. ("BMOII"), an indirect, wholly-owned subsidiary of Bank of Montreal, is the Manager of the Fund. From time to time, the Manager may, on behalf of the Fund, 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 transaction involving the Fund and a Related Party.

Portfolio Manager

The Fund's portfolio manager is BMO Asset Management Inc. ("BMOAM"), an affiliate of the Manager. BMO Asset Management Corp, and Taplin, Canida & Habacht, LLC, both affiliates of the Manager, are sub-advisors to BMOAM. BMOAM provides portfolio management services to the Fund. BMOAM receives from the Fund a management fee based on assets under management, calculated daily and payable monthly.

Administration Fees

The Fund pays a fixed administration fee to the Manager. The Manager in return pays the operating expenses of the Fund, other than certain specified expenses that are paid directly by the Fund ("Fund Expenses"). Fund Expenses include interest or other borrowing expenses, costs and expenses related to the operation of the Fund's Independent Review Committee ("IRC"), including fees and expenses of IRC members, taxes to which the Fund is or might be subject, and costs associated with compliance with any new governmental or regulatory requirement introduced after December 1, 2007 (e.g., cost associated with the production of Fund Facts, filed in compliance with the relevant amendments to NI 81-101). Fund Expenses are allocated proportionately among the series. If the Fund Expenses are specific to a series, the Fund Expenses are allocated to that series. The fixed administration fee is calculated as a fixed annual percentage of the average net asset value of each relevant series of the Fund. Further details about the fixed administration fee and/or Fund Expenses can be found in the Fund's most recent simplified prospectus at **www.bmo.com/mutualfunds** or **www.sedar.com**.

Distribution Services

The Manager markets and distributes the Fund directly through Bank of Montreal branches and through registered dealers and brokers, including BMO InvestorLine Inc. and BMO Nesbitt Burns Inc., both affiliates of the Manager. The Manager pays to these affiliates annual service or trailing commissions based on the average daily value of the units that are held in investor accounts.

Management Fees

The Manager is responsible for the day-to-day management of the business and operations of the Fund. The Manager monitors and evaluates the Fund's performance, pays for the investment advice provided by the Fund's portfolio manager and provides certain administrative services required by the Fund. As compensation for its services the Manager is entitled to receive a management fee payable monthly, calculated based on the daily net asset value of each series of the Fund at the maximum annual rate set out in the table below.

		As a Percentage of Management Fees	
	Maximum Annual Management Fee Rate* %	Dealer Compensation %	General Administration, Investment Advice and Profit %
Series A Units	1.55	0	100
Series I Units	—	—	—
Series F Units	0.65	0	100
Advisor Series Units	1.55	0	100

* For Series I Units, separate Series I fees are negotiated and paid by each Series I investor. Because the Manager pays no distribution, service or trailing fees on Series I Units, Series I Units will have lower Series I fees than the management fees for Series A Units.

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FINANCIAL HIGHLIGHTS

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

The Fund's Net Assets per Unit (1)

Series A

		Aug. 12, 2013 to Sep. 30, 2013
Net assets, beginning of period	$	10.00*
Increase (decrease) from operations:		
Total revenue	$	0.02
Total expenses (2)	$	-0.03
Realized gains (losses) for the period	$	0.00
Unrealized gains (losses) for the period	$	0.03
Total increase (decrease) from operations (3)	$	0.02
Distributions:		
From income (excluding dividends)	$	–
From dividends	$	–
From capital gains	$	–
Return of capital	$	–
Total Annual Distributions (4)	$	–
Net assets, end of period	$	9.96

Series I

		Aug. 12, 2013 to Sep. 30, 2013
Net assets, beginning of period	$	10.00*
Increase (decrease) from operations:		
Total revenue	$	0.02
Total expenses (2)	$	-0.01
Realized gains (losses) for the period	$	0.00
Unrealized gains (losses) for the period	$	-0.01
Total increase (decrease) from operations (3)	$	0.00
Distributions:		
From income (excluding dividends)	$	–
From dividends	$	–
From capital gains	$	–
Return of capital	$	–
Total Annual Distributions (4)	$	–
Net assets, end of period	$	9.99

Series F

		Aug. 12, 2013 to Sep. 30, 2013
Net assets, beginning of period	$	10.00*
Increase (decrease) from operations:		
Total revenue	$	0.02
Total expenses (2)	$	-0.02
Realized gains (losses) for the period	$	0.00
Unrealized gains (losses) for the period	$	-0.02
Total increase (decrease) from operations (3)	$	-0.02
Distributions:		
From income (excluding dividends)	$	–
From dividends	$	–
From capital gains	$	–
Return of capital	$	–
Total Annual Distributions (4)	$	–
Net assets, end of period	$	9.98

Advisor Series

		Aug. 12, 2013 to Sep. 30, 2013
Net assets, beginning of period	$	10.00*
Increase (decrease) from operations:		
Total revenue	$	0.02
Total expenses (2)	$	-0.03
Realized gains (losses) for the period	$	0.00
Unrealized gains (losses) for the period	$	-0.08
Total increase (decrease) from operations (3)	$	-0.09
Distributions:		
From income (excluding dividends)	$	–
From dividends	$	–
From capital gains	$	–
Return of capital	$	–
Total Annual Distributions (4)	$	–
Net assets, end of period	$	9.96

* Initial net assets.

(1) This information is derived from the Fund's audited financial statements. The net assets per unit presented in the financial statements differs from the net asset value calculated for fund pricing purposes. An explanation of these differences can be found in the notes to the Fund's financial statements.

(2) Includes commissions and other portfolio transaction costs.

(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 Fund, or both.

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Ratios and Supplemental Data

Series A

		Aug. 12, 2013 to Sep. 30, 2013
Total net asset value (000's) (1)	$	3,063
Number of units outstanding (000's) (1)		307
Management expense ratio (2)	%	1.97
Management expense ratio before waivers or absorptions	%	2.23
Trading expense ratio (3)	%	0.23
Portfolio turnover rate (4)	%	3.87
Net asset value per unit	$	9.96

Series I

		Aug. 12, 2013 to Sep. 30, 2013
Total net asset value (000's) (1)	$	11
Number of units outstanding (000's) (1)		1
Management expense ratio +	%	—
Management expense ratio before waivers or absorptions +	%	—
Trading expense ratio (3)	%	0.23
Portfolio turnover rate (4)	%	3.87
Net asset value per unit	$	9.99

Series F

		Aug. 12, 2013 to Sep. 30, 2013
Total net asset value (000's) (1)	$	10
Number of units outstanding (000's) (1)		1
Management expense ratio (2)	%	0.96
Management expense ratio before waivers or absorptions	%	14.44
Trading expense ratio (3)	%	0.23
Portfolio turnover rate (4)	%	3.87
Net asset value per unit	$	9.98

Advisor Series

		Aug. 12, 2013 to Sep. 30, 2013
Total net asset value (000's) (1)	$	22
Number of units outstanding (000's) (1)		2
Management expense ratio (2)	%	1.98
Management expense ratio before waivers or absorptions	%	14.55
Trading expense ratio (3)	%	0.23
Portfolio turnover rate (4)	%	3.87
Net asset value per unit	$	9.96

+ Operating expenses are paid by BMOII and management fees are paid directly to BMOII as negotiated with the investor.

(1) This information is provided as at September 30 of the period shown, as applicable.

(2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transactions 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 Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund 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 a fund.

PAST PERFORMANCE

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

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

The returns of each series may differ from one another for a number of reasons, including if the series was not issued and outstanding for the entire reporting period and because of the different levels of management fees and expenses allocated and payable by each series.

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Year-by-Year Returns

The following bar charts show the performance for each series of the Fund for each of the financial years shown. The charts show in percentage terms how an investment made on the first day of each financial year would have increased or decreased by the last day of each financial year.

Series A

Series I

Series F

Advisor Series

(1) For the period beginning August 12, 2013 to September 30, 2013.

Annual Compound Returns

This table compares the historical annual compound returns of the Fund with its blended benchmark (composed of 50% Standard & Poor's 500 Total Return Index ("S&P 500") (US$) and 50% Barclays U.S. Aggregate Bond Index (US$)), in addition to the S&P 500 (US$), a broad-based index.

The S&P 500 (US$) reflects changes in the performance of 500 widely held U.S. common stocks.

The Barclays U.S. Aggregate Bond Index (US$) provides a broad-based measure of the U.S. investment-grade fixed-rate debt markets that contains four major sub-index components: the U.S. Government Index; the U.S. Credit Index; the U.S. Mortgage-Backed Securities Index; and the U.S. Asset-Backed Securities Index.

Series A

		1 year	3 years	5 years	10 years	Since Inception(1)
BMO U.S. Dollar Balanced Fund	%					-0.34
Blended Benchmark	%					0.68
S&P 500 (US$)	%					-0.29

Series I

		1 year	3 years	5 years	10 years	Since Inception(1)
BMO U.S. Dollar Balanced Fund	%					-0.08
Blended Benchmark	%					0.68
S&P 500 (US$)	%					-0.29

Series F

		1 year	3 years	5 years	10 years	Since Inception(1)
BMO U.S. Dollar Balanced Fund	%					-0.21
Blended Benchmark	%					0.68
S&P 500 (US$)	%					-0.29

Advisor Series

		1 year	3 years	5 years	10 years	Since Inception(1)
BMO U.S. Dollar Balanced Fund	%					-0.36
Blended Benchmark	%					0.68
S&P 500 (US$)	%					-0.29

(1) Return from August 12, 2013 to September 30, 2013.

As noted above, the table shows a comparison of the historical annual compound returns of the Fund with the S&P 500 (US$), a broad-based index. The Fund, however, uses a blended benchmark to compare its overall relative performance. The reason for this is that the blended benchmark is a better reflection of the asset mix of the underlying investments within the Fund's portfolio. Accordingly, the blended benchmark is a more accurate and useful comparison.

A commentary on the market and/or information regarding the relative performance of the Fund as compared to its benchmark can be found under the Results of Operations section of this report.

BMO U.S. Dollar Balanced Fund

SUMMARY OF INVESTMENT PORTFOLIO

As at September 30, 2013

Portfolio Allocation	% of Net Asset Value
Corporate Bonds	20.0
Financials	11.4
Money Market Investments	9.8
Information Technology	9.1
Other	9.0
Consumer Discretionary	8.0
Health Care	7.4
Cash/Receivables/Payables	6.5
Industrials	5.9
Energy	4.5
Consumer Staples	3.7
Materials	3.2
Utilities	1.5
Total Portfolio Allocation	**100.0**

Top 25 Holdings	% of Net Asset Value
Issuer	
Cash/Receivables/Payables	6.5
Apple Inc.	2.3
Microsoft Corporation	1.9
Chevron Corporation	1.9
Pfizer Inc.	1.8
Wells Fargo & Company	1.8
Nissan Motor Acceptance Corporation, Series 144A, Unsecured, Notes, Floating Rate, Sep 26, 2016	1.6
General Motors Co., Series 144A, Senior, Unsecured, Notes, 6.250% Oct 2, 2043	1.6
Ball Corporation, Senior, Notes, 5.000% Mar 15, 2022	1.6
Goldman Sachs Capital I, Junior, Notes, Subordinated, 6.345% Feb 15, 2034	1.6
Cisco Systems, Inc.	1.5
Comcast Corporation, Class A	1.5
Exxon Mobil Corporation	1.5
CenturyLink Inc., Series P, Senior, Unsecured, Notes, 7.600% Sep 15, 2039	1.5
Verizon Communications Inc., Senior, Unsecured, Notes, 6.400% Sep 15, 2033	1.4
Hyundai Auto Receivables Trust, Series 2010-A, Class A4, 2.450% Dec 15, 2016	1.4
Endo Pharmaceuticals Holdings Inc., Senior, Unsecured, Notes, Callable, 7.000% Jul 15, 2019	1.3
JPMorgan Chase & Co., Medium Term Notes, Senior, Unsecured, Floating Rate, Jan 24, 2014	1.3
Freddie Mac, 30 Year Gold Giant PC, Pool #G06500, 4.000% Apr 1, 2041	1.3
Southwest Airlines Co.	1.2
ADT Corporation, The, Senior, Unsecured, Notes, 4.875% Jul 15, 2042	1.2
NetApp, Inc.	1.2
Mylan Inc.	1.1
Kroger Co., The,	1.1
Berkshire Hathaway Inc., Senior, Unsecured, Notes, Floating Rate, Aug 15, 2014	1.1
Top Holdings as a Percentage of Total Net Asset Value	**42.2**
Total Net Asset Value	**$3,106,091**

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

www.bmo.com/mutualfunds

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For more information please call 1-800-665-7700

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 Fund may invest in and the risks detailed from time to time in BMO Mutual Funds' simplified 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 Fund, 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 Investments 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 Mutual Funds are offered by BMO Investments Inc., a financial services firm and separate legal entity from Bank of Montreal.