BMO Asset Allocation Fund (the "Fund")

For the period ended September 30, 2012 • Manager: BMO Investments Inc.
Portfolio manager: BMO Asset Management Inc., Toronto, Ontario

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., 77 King Street West, 42nd Floor, Toronto, Ontario, M5K 1J5 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.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The Fund's objective is to provide a balance between income and growth in the value of your investment over the long term, by investing primarily in Canadian equities and fixed-income securities.

The asset mix of the Fund changes according to the portfolio manager's outlook for the asset classes. The individual securities in each asset class are selected according to each portfolio manager's investment style.

For fixed-income investments, a disciplined investment approach is used based on the portfolio manager's interest rate outlook. Overall maturity structure and sector positioning of the Fund's portfolio are based on anticipated changes in the direction of interest rates, while the selection of individual securities is determined by fundamental analysis and relative valuations.

For the Canadian equity portion of the portfolio, the portfolio manager applies a bottom-up fundamental investment process to identify attractively priced securities. This process includes the analysis of company financial statements, management and valuations.

Foreign equity exposure may be achieved by allocating a portion of the Fund's portfolio to international portfolio managers or by investing in the securities directly.

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 12-month period ended September 30, 2012 (the "period"), Series A units of the Fund returned 7.71%. Please see *Past Performance* for information on the performance returns of the Fund's other series.

During the period, Canadian equity returns were robust with the S&P/TSX Composite Total Return Index ("S&P/TSX") generating a total return of 9.2%. The U.S. market generated even stronger results with the S&P 500 Total Return Index (C$) returning 23.3%. While volatile, interest rates on average were lower resulting in a total return of 5.5% for the DEX Universe Bond Index ("DEX").

During the early part of the period, the market exhibited heightened volatility as investors' concerns regarding slowing global growth and ongoing European instability were offset by expectations of policy intervention. With the arrival of the European Central Bank's ("ECB") liquidity-inducing long-term refinancing operations towards the end of 2011 and some temporary improvement in U.S. economic indicators, risk-taking returned and the market rallied through the first quarter of 2012. By May, the market began to sell-off once again as fears of an economic slowdown returned and investors became concerned over a potential Greek exit from the Eurozone and a growing funding crisis in the Spanish banking sector. China was also exhibiting signs of slowing, which put pressure on commodity prices. In the third quarter, the market rallied again as policymakers signaled their intention to provide additional stimulus as needed. This came in early September 2012 as both the ECB and the U.S. Federal Reserve Board (the "Fed") announced significant new policy support.

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During the period, the Fund benefited from its equity exposure which outperformed the S&P/TSX. In particular, its exposure to U.S. equities which outperformed Canadian equities contributed to overall performance. The Fund's underweight exposure to fixed income, which underperformed equities, also contributed to total returns.

Canadian equity returns were broad-based, with seven of the 10 S&P/TSX sectors ending the period with double digit returns. The strongest performing sectors were Health Care, Industrials, and Telecommunication Services, while Information Technology and Materials posted negative returns. The Fund was defensively positioned, benefiting from its large underweight exposure to the Materials sector and to gold stocks, in particular. The Fund's U.S. equity returns were strong, and focussed in those sectors which are not well represented in Canada. In addition, the Fund's large weight in Apple Inc. had a positive impact on performance.

In conjunction with an overweight allocation to equities, the fixed income portion of the Fund held a defensive stance, which was a drag on its performance relative to the DEX. The portfolio manager believed that if equity markets were to rise that investors would pull money from fixed income investments to fund those purchases, resulting in marginally higher interest rates. Additionally, the portfolio manager's decision to underweight provincial bonds last spring and then overweight them through the balance of the period positively contributed to returns as did its corporate bond exposure.

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

The Canadian market continues to be significantly tied to global macroeconomic developments, and particularly policy events related to Europe, China, and the U.S. On the economic front, there have been few sources of positive momentum outside of U.S. housing, which appears to have formed a bottom. Most importantly, the labour market in the U.S. continues to be sluggish, prompting the Fed to introduce a third round of quantitative easing (i.e., monetary policy used by central banks to increase money supply), which includes an open-ended commitment to purchase mortgage-backed securities until the labour market significantly improves. On the earnings front, estimates have been falling as economic data has been under pressure and numerous companies provided third quarter warnings ahead of the reporting season. The ongoing European challenges, slowing Chinese economy, looming U.S. "fiscal cliff" (i.e., large spending cuts and tax increases), and Middle Eastern tensions add additional layers of uncertainty and potential headwinds that may extend into next year.

The portfolio manager believes that bonds will continue to be the recipient of investor funds until clarity of economic fundamentals returns and the outlook brightens. Corporate and provincial sectors proved popular last year for their higher yields and this is expected to remain the case well into next year or until the interest rates on government bonds rise to a level sufficient to meet investors' yield threshold.

The portfolio manager continues to expect economic challenges to be elevated through the end of the year and into 2013 and that despite an extremely accommodative monetary policy backdrop, it will be challenging for the equity markets to maintain their upward trajectory in the absence of a clear improvement in economic fundamentals.

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 ("IASB"), for fiscal years beginning on or after January 1, 2014. For reporting periods commencing October 1, 2014, the Fund will adopt IFRS as the basis for preparing its financial statements. 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.

Based on the Fund's analysis to date, the more significant accounting changes that will result from its adoption of IFRS will be in the areas of fair valuation, cash flow presentation, consolidation of investments and classification of net assets representing unitholders' equity. The differences described in the sections that follow are based on Canadian generally accepted accounting principles (GAAP) and IFRS that are in effect as of this date. This should not be considered a comprehensive list of the main accounting changes when the Fund adopts IFRS.

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. The Manager has not identified any changes that will impact NAVPU as a result of the transition to IFRS.

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 fair value its investments regardless of whether those investments are controlled. However, where in certain circumstances the Fund does not have all the typical characteristics of an investment entity, even though it qualifies as an investment entity, it may be required to make additional financial statements disclosures on its investments in accordance with IFRS 12 Disclosure of Interests in Other Entities.

In addition to the financial statements currently presented for the Fund, Statement of Cash Flows will now be included in the financial statements in accordance with the requirement of IFRS 1 First-time adoption of International Financial Reporting Standards, and prepared in line with IAS 7 Statement of Cash Flows.

The criteria contained within IAS 32 Financial Instruments: Presentation may require unitholders' equity to be classified as a liability within the Fund's Statement of Net Assets, unless certain conditions are met. The Manager is currently assessing the Fund's unitholder structure to confirm classification.

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. BMOAM provides portfolio management services to the Fund. BMOAM receives 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 and, for the most part, replaces the previous cost recovery method under which operating expenses were charged or allocated to 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**.

Buying and Selling Securities

Investments in BMO Common Shares, Related-Party Underwritings and Trades in Debt Securities with a Related Entity, Trading as Principal

During the period, the Manager relied on an approval and standing instruction provided by the Fund's IRC with respect to the following related party transactions:

(a) investments in common shares of Bank of Montreal ("BMO"), an affiliate of the Manager;

(b) investments in a class of equity and/or non-government debt 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, acted as an underwriter in the distribution; and

(c) trades in debt securities in the secondary market with BMO Nesbitt Burns Inc. who is trading with the Fund as principal (each, a "Related Party Transaction").

In accordance with the IRC's approval and standing instruction, in making a decision to cause the Fund to make a Related Party Transaction, the Manager and portfolio manager of the Fund 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 and/or portfolio manager relied on the approval and standing instruction and their compliance or non-compliance with the governing policies and procedures. The governing policies and procedures are designed to ensure the 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 portfolio manager, uninfluenced by considerations other than the best interests of the Fund, and (iii) achieves a fair and reasonable result for the Fund.

Brokerage Commissions

The Fund 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 Fund during the period were as follows:

		Period ended Sep. 30, 2012 $000	Period ended Sep. 30, 2011 $000
Total brokerage commissions	$	1,489	970
Brokerage commissions paid to BMO Nesbitt Burns Inc.	$	14	14

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 on an ongoing basis 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 NAV 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	1.75	4	96
Series I Units	—	—	—
Series F Units[1]	1.00	0	100
Advisor Series Units[2]	1.75	62	38
Series T5 Units[3]	1.75	74	26
Classic Series Units[4]	1.50	29	71

* 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.

[1] Series F Units refers to BMO Guardian Asset Allocation Fund Series F Units ("Series F" or "Series F Units").

[2] Advisor Series Units refers to BMO Guardian Asset Allocation Fund Advisor Series Units ("Advisor Series" or "Advisor Series Units").

[3] Series T5 Units refers to BMO Guardian Asset Allocation Fund Series T5 Units ("Series T5" or "Series T5 Units").

[4] Classic Series Units refers to BMO Guardian Asset Allocation Fund Classic Series Units ("Classic Series" or "Classic Series Units").

BMO Asset Allocation Fund

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

		Periods ended Sep. 30				
		2012	2011	2010	2009	2008
Net assets, beginning of period	$	16.14	16.79	16.49	16.66	19.09
Increase (decrease) from operations:						
Total revenue	$	0.48	0.44	0.50	0.51	0.59
Total expenses [2]	$	-0.37	-0.36	-0.35	-0.31	-0.38
Realized gains (losses) for the period	$	0.45	-0.11	-0.19	-0.55	1.25
Unrealized gains (losses) for the period	$	0.68	-0.60	0.65	1.85	-2.57
Total increase (decrease) from operations [3]	$	1.24	-0.63	0.61	1.50	-1.11
Distributions:						
From income (excluding dividends)	$	—	—	0.07	0.15	0.11
From dividends	$	0.07	0.09	0.16	0.13	0.08
From capital gains	$	—	—	—	1.07	1.14
Return of capital	$	0.00	—	—	—	0.01
Total Annual Distributions [4]	$	0.07	0.09	0.23	1.35	1.34
Net assets, end of period	$	17.32	16.14	16.79	16.49	16.66

Series I

		Periods ended Sep. 30				
		2012	2011	2010	2009	2008 [5]
Net assets, beginning of period	$	9.07	9.43	9.08	9.69	10.00*
Increase (decrease) from operations:						
Total revenue	$	0.27	0.25	0.28	0.24	0.20
Total expenses [2]	$	-0.01	-0.01	—	-0.01	-0.01
Realized gains (losses) for the period	$	0.27	-0.05	-0.10	-0.07	0.49
Unrealized gains (losses) for the period	$	0.36	-0.31	0.31	2.97	-0.99
Total increase (decrease) from operations [3]	$	0.89	-0.12	0.49	3.13	-0.31
Distributions:						
From income (excluding dividends)	$	0.15	0.17	0.10	0.22	—
From dividends	$	0.10	0.07	0.03	0.08	—
From capital gains	$	—	—	—	1.07	—
Return of capital	$	0.00	—	—	—	—
Total Annual Distributions [4]	$	0.25	0.24	0.13	1.37	—
Net assets, end of period	$	9.71	9.07	9.43	9.08	9.69

Series F

		Periods ended Sep. 30		
		2012	2011	2010 [6]
Net assets, beginning of period	$	10.38	10.76	10.23*
Increase (decrease) from operations:				
Total revenue	$	0.31	0.28	0.26
Total expenses [2]	$	-0.15	-0.15	-0.13
Realized gains (losses) for the period	$	0.18	-0.08	-0.14
Unrealized gains (losses) for the period	$	0.57	-0.38	0.62
Total increase (decrease) from operations [3]	$	0.91	-0.33	0.61
Distributions:				
From income (excluding dividends)	$	0.05	0.05	0.01
From dividends	$	0.09	0.05	—
From capital gains	$	—	—	—
Return of capital	$	0.00	—	—
Total Annual Distributions [4]	$	0.14	0.10	0.01
Net assets, end of period	$	11.12	10.38	10.76

Advisor Series

		Periods ended Sep. 30		
		2012	2011	2010 [6]
Net assets, beginning of period	$	22.84	23.78	22.75*
Increase (decrease) from operations:				
Total revenue	$	0.68	0.63	0.57
Total expenses [2]	$	-0.52	-0.52	-0.46
Realized gains (losses) for the period	$	0.64	-0.14	-0.23
Unrealized gains (losses) for the period	$	0.95	-0.79	1.16
Total increase (decrease) from operations [3]	$	1.75	-0.82	1.04
Distributions:				
From income (excluding dividends)	$	—	—	0.01
From dividends	$	0.10	0.14	0.01
From capital gains	$	—	—	—
Return of capital	$	0.00	—	—
Total Annual Distributions [4]	$	0.10	0.14	0.02
Net assets, end of period	$	24.51	22.84	23.78

BMO Asset Allocation Fund

Series T5

		2012	2011	2010[6]
		Periods ended Sep. 30		
Net assets, beginning of period	$	7.61	8.29	8.29*
Increase (decrease) from operations:				
Total revenue	$	0.22	0.21	0.20
Total expenses [2]	$	-0.17	-0.18	-0.17
Realized gains (losses) for the period	$	0.20	-0.04	-0.09
Unrealized gains (losses) for the period	$	0.34	-0.26	0.47
Total increase (decrease) from operations [3]	$	0.59	-0.27	0.41
Distributions:				
From income (excluding dividends)	$	—	—	0.02
From dividends	$	0.03	0.05	0.03
From capital gains	$	—	—	—
Return of capital	$	0.36	0.36	0.33
Total Annual Distributions [4]	$	0.39	0.41	0.38
Net assets, end of period	$	7.79	7.61	8.29

Classic Series

		2012	2011	2010[6]
		Periods ended Sep. 30		
Net assets, beginning of period	$	22.62	23.59	22.52*
Increase (decrease) from operations:				
Total revenue	$	0.67	0.62	0.56
Total expenses [2]	$	-0.45	-0.45	-0.40
Realized gains (losses) for the period	$	0.61	-0.12	-0.20
Unrealized gains (losses) for the period	$	0.97	-0.66	1.10
Total increase (decrease) from operations [3]	$	1.80	-0.61	1.06
Distributions:				
From income (excluding dividends)	$	—	0.04	0.01
From dividends	$	0.20	0.20	0.01
From capital gains	$	—	—	—
Return of capital	$	0.00	—	—
Total Annual Distributions [4]	$	0.20	0.24	0.02
Net assets, end of period	$	24.22	22.62	23.59

* 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.

[5] The information shown in this column is for the period beginning March 5, 2008 (the series' launch date) and ending September 30, 2008.

[6] The information shown in this column is for the period beginning November 11, 2009 (the series' launch date) and ending September 30, 2010.

Ratios and Supplemental Data

Series A

		2012	2011	2010	2009	2008
		Periods ended Sep. 30				
Total net asset value (000's) [1]	$	1,542,338	1,622,484	1,510,472	970,500	756,520
Number of units outstanding (000's) [1]		88,982	100,394	89,928	58,819	45,391
Management expense ratio [2]	%	2.11	2.11	2.04	2.01	2.01
Management expense ratio before waivers or absorptions	%	2.11	2.11	2.04	2.01	2.01
Trading expense ratio [3]	%	0.09	0.06	0.06	0.06	0.08
Portfolio turnover rate [4]	%	93.12	59.25	36.44	61.62	72.76
Net asset value per unit	$	17.33	16.16	16.80	16.50	16.67

Series I

		2012	2011	2010	2009	2008[5]
		Periods ended Sep. 30				
Total net asset value (000's) [1]	$	5,621	4,884	4,951	4,419	1
Number of units outstanding (000's) [1]		578	538	525	486	0
Management expense ratio +	%	—	—	—	—	—
Management expense ratio before waivers or absorptions +	%	0.00	—	—	—	—
Trading expense ratio [3]	%	0.09	0.06	0.06	0.06	0.08
Portfolio turnover rate [4]	%	93.12	59.25	36.44	61.62	72.76
Net asset value per unit	$	9.72	9.08	9.43	9.09	9.69

Series F

		2012	2011	2010[6]
		Periods ended Sep. 30		
Total net asset value (000's) [1]	$	589	1,473	1,526
Number of units outstanding (000's) [1]		53	142	142
Management expense ratio [2]	%	1.32	1.33	1.26
Management expense ratio before waivers or absorptions	%	1.32	1.39	1.26
Trading expense ratio [3]	%	0.09	0.06	0.06
Portfolio turnover rate [4]	%	93.12	59.25	36.44
Net asset value per unit	$	11.13	10.40	10.77

Advisor Series

		2012	2011	2010[6]
		Periods ended Sep. 30		
Total net asset value (000's) [1]	$	73,130	72,980	75,566
Number of units outstanding (000's) [1]		2,981	3,191	3,177
Management expense ratio [2]	%	2.10	2.11	2.04
Management expense ratio before waivers or absorptions	%	2.10	2.11	2.04
Trading expense ratio [3]	%	0.09	0.06	0.06
Portfolio turnover rate [4]	%	93.12	59.25	36.44
Net asset value per unit	$	24.53	22.87	23.78

BMO Asset Allocation Fund

Series T5

		Periods ended Sep. 30 2012	2011	2010 (6)
Total net asset value (000's) (1)	$	3,240	3,787	4,197
Number of units outstanding (000's) (1)		415	497	506
Management expense ratio (2)	%	2.07	2.11	2.04
Management expense ratio before waivers or absorptions	%	2.07	2.11	2.04
Trading expense ratio (3)	%	0.09	0.06	0.06
Portfolio turnover rate (4)	%	93.12	59.25	36.44
Net asset value per unit	$	7.80	7.62	8.29

Classic Series

		Periods ended Sep. 30 2012	2011	2010 (6)
Total net asset value (000's) (1)	$	2,582	2,795	3,562
Number of units outstanding (000's) (1)		106	123	151
Management expense ratio (2)	%	1.85	1.85	1.78
Management expense ratio before waivers or absorptions	%	1.85	1.85	1.78
Trading expense ratio (3)	%	0.09	0.06	0.06
Portfolio turnover rate (4)	%	93.12	59.25	36.44
Net asset value per unit	$	24.24	22.65	23.59

+ 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.

(5) The information shown in this column is for the period beginning March 5, 2008 (the series' launch date) and ending September 30, 2008.

(6) The information shown in this column is for the period beginning November 11, 2009 (the series' launch date) and ending September 30, 2010.

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.

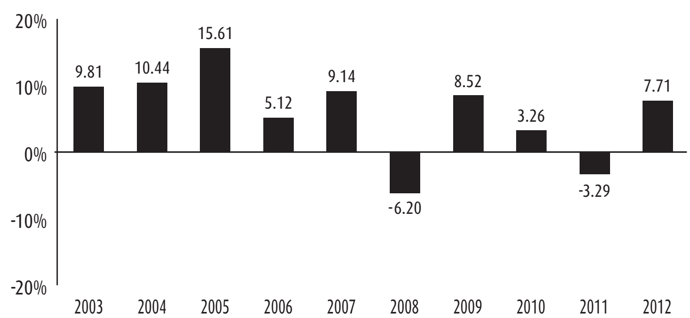
On November 13, 2009, Sanford C. Bernstein & Co., LLC ceased to act as the portfolio manager of the Fund, in addition, BMO Guardian Canadian Balanced Fund merged into the Fund.

On April 15, 2011, Harris Investment Management, Inc. and Martin Currie Inc. ceased to act as portfolio managers of the foreign securities equity component of the Fund. This responsibility was assumed by BMO Asset Management Inc. These changes could have affected the performance of the Fund had they been in effect throughout the performance measurement periods presented.

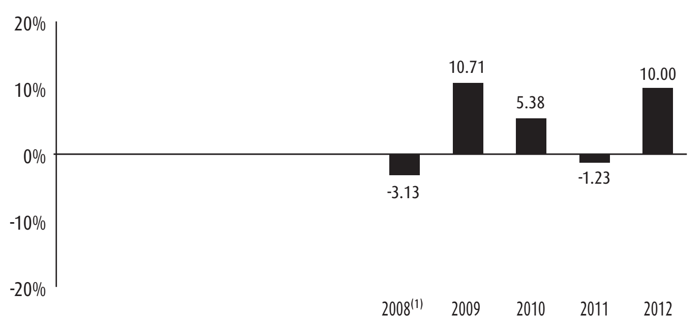
Year-by-Year Returns

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



BMO Asset Allocation Fund

Series F

Advisor Series

Series T5

Classic Series

(1) For the period beginning March 5, 2008 to September 30, 2008.
(2) For the period beginning November 11, 2009 to September 30, 2010.

Annual Compound Returns

This table compares the historical annual compound returns of the Fund with its blended benchmark (composed of 50% S&P/TSX Composite Total Return Index ("S&P/TSX") and 50% DEX Universe Bond Index). It also compares the Fund's historical annual compound returns with the DEX Universe Bond Index and the S&P/TSX, both broad-based indices.

The DEX Universe Bond Index is a broad measure of the total return of Canadian bonds that mature in more than one year.

The S&P/TSX reflects the price movements of selected securities listed on the Toronto Stock Exchange and weighted by market capitalization.

Series A

		1 year	3 years	5 years	10 years	Since Inception
BMO Asset Allocation Fund	%	7.71	2.46	1.83	5.82	
Blended Benchmark	%	7.51	6.27	3.92	8.29	
DEX Universe Bond Index	%	5.45	6.48	6.86	6.18	
S&P/TSX	%	9.17	5.52	0.22	9.83	

Series I

		1 year	3 years	5 years	10 years	Since Inception(1)
BMO Asset Allocation Fund	%	10.00	4.61			4.59
Blended Benchmark	%	7.51	6.27			4.12
DEX Universe Bond Index	%	5.45	6.48			6.42
S&P/TSX	%	9.17	5.52			1.00

Series F

		1 year	3 years	5 years	10 years	Since Inception(2)
BMO Asset Allocation Fund	%	8.55				3.68
Blended Benchmark	%	7.51				6.41
DEX Universe Bond Index	%	5.45				6.76
S&P/TSX	%	9.17				5.54

Advisor Series

		1 year	3 years	5 years	10 years	Since Inception(2)
BMO Asset Allocation Fund	%	7.71				2.88
Blended Benchmark	%	7.51				6.41
DEX Universe Bond Index	%	5.45				6.76
S&P/TSX	%	9.17				5.54

Series T5

		1 year	3 years	5 years	10 years	Since Inception(2)
BMO Asset Allocation Fund	%	7.74				2.74
Blended Benchmark	%	7.51				6.41
DEX Universe Bond Index	%	5.45				6.76
S&P/TSX	%	9.17				5.54

BMO Asset Allocation Fund

Classic Series

		1 year	3 years	5 years	10 years	Since Inception[2]
BMO Asset Allocation Fund	%	7.99				3.14
Blended Benchmark	%	7.51				6.41
DEX Universe Bond Index	%	5.45				6.76
S&P/TSX	%	9.17				5.54

(1) Return from March 5, 2008 to September 30, 2012.

(2) Return from November 11, 2009 to September 30, 2012.

As noted above, the table shows a comparison of the historical annual compound returns of the Fund with the DEX Universe Bond Index, as well as the S&P/TSX, both broad-based indices. The Fund, however, uses a blended benchmark to compare its overall relative performance. The reason for this is that the Fund's portfolio invests in primarily Canadian equities and Canadian fixed-income securities. Any investment in foreign securities is at the discretion of the portfolio manager. 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.

SUMMARY OF INVESTMENT PORTFOLIO

As at September 30, 2012

Portfolio Allocation	% of Net Asset Value
Canadian Equities	45.3
Bonds and Debentures	39.1
U.S. Equities	13.2
International Equities	1.2
Cash/Receivables/Payables	0.6
Money Market Investments	0.6
Total Portfolio Allocation	**100.0**

Top 25 Holdings	% of Net Asset Value
Issuer	
Toronto-Dominion Bank, The	4.8
Government of Canada, 1.000% Feb 1, 2014	3.1
Bank of Nova Scotia	3.0
Government of Canada, 3.250% Jun 1, 2021	2.5
Royal Bank of Canada	2.4
Wells Fargo & Company	2.4
Government of Canada, 4.500% Jun 1, 2015	2.3
Goldcorp Inc.	2.2
Government of Canada, 4.000% Jun 1, 2041	2.1
Potash Corporation of Saskatchewan Inc.	2.0
Cenovus Energy Inc.	2.0
Canadian National Railway Company	2.0
Province of Ontario, 4.400% Jun 2, 2019	1.8
Province of Alberta, Unsecured, Notes, 2.850% Jan 19, 2024	1.8
Agnico-Eagle Mines Limited	1.6
Time Warner Cable	1.5
Kraft Foods Inc., Class A	1.5
TransCanada Corporation	1.5
Johnson & Johnson	1.5
Wal-Mart Stores, Inc.	1.4
Government of Canada, 3.500% Jun 1, 2020	1.3
CGI Group Inc., Class A	1.3
Barrick Gold Corporation	1.3
Visa Inc., Class A	1.3
Suncor Energy Inc.	1.2
Top Holdings as a Percentage of Total Net Asset Value	**49.8**
Total Net Asset Value	**$1,627,499,763**

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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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.